

## **Impact of the Financial Crisis and Sustainable Local Economy**

Moderator: Britta Hasselmann, member of the German Bundestag)

Panel: Pekka Sauri, Deputy Mayor, Helsinki  
Reinhard Butikofer, German Greens  
Franziska Eichstadt-Bohlig, Chair of the Greens in the Berlin House of Representatives

### **Pekka Sauri**

Pekka began by predicting that the financial crisis has already peaked, last weekend in fact, but that the most severe impact in terms of unemployment and falling tax revenues would be felt next year.

The Finnish model is different from other EU situations since local government is so strong, with responsibility for important fields as health, energy and other basic services. In Finland, the welfare state is the welfare municipality! In Helsinki, a city of 570,000 people, the city employs 40,000 staff, making it the biggest employer in the country. This gives the city a very large role in the local economy.

The Helsinki budget for 2009 will not be changed from its initial size, in order to maintain its programmes for investment in construction of housing, concentrating it on existing transit lines in order to reduce transport costs. The subsidy for public transport will not be cut.

For 2010 the budget will decrease by 1.3% compared to 2009, financed in part by borrowing – raising taxes will be the choice of last resort. The city must find new ways of providing services to its residents, such as by shifting from institutional care for the elderly to home care.

### **Franziska Eichstadt-Bohlig**

In recent years, including in 2009, the budgets for Berlin (?only Berlin?) have been relatively stable, allowing them to implement most of the programmes. If the crisis persists, though, problems of increased social costs and reduced revenues will cause problems by 2010, with large shortfalls by 2011. The impact will be greater in the former GDR.

There are multiple aspects of the crisis, an important one being the impact on alternative industries such as electric cars and other innovative industries. Germany has been a leader in these technologies but they require considerable investment. When exports suffer, the local economies are hit very hard.

The Green New Deal forms our principle response to the crisis, but we must be more specific about the details of what we want to do, including how to regulate the banking and financial sectors. We must also discuss the rural economies, for it is not only the cities that are affected.

### **Reinhard Butikofer**

Reinhard believes that many people do not realize how serious are the effects of the

crisis at the local level. The type and degree of impacts vary but some municipalities may lose 20% of their tax revenues. When dramatic increases in unemployment are included, the problem becomes even more serious.

People will only vote Green if they believe that Greens offer practical solutions. The Green New Deal can only work if it includes an important social element and if it is implemented at the local level

Reinhard outlined five aspects that must be included: re-training for new jobs; regional transfer centres to support re-employment; improved mobility; preservation of public services from privatisation; innovative approaches to deal with reduced budgets. We have heard many good examples of actions at local level, from carbon-neutral cities to programmes to reduce energy and CO<sub>2</sub> emissions.

### **Debate**

Several valuable points were made during the ensuing discussion. One was that rural areas can be hit even harder than cities when they depend upon a single company such as a lumber company – the local impact can be devastating. Another was the need to regulate the financial and banking sectors, primarily through transparency of all aspects of the industry, so that people know what they are getting.