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Trickle down
Public Space in the Age of its Privatisation

Glossary

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This glossary pertains to the drawings that are partially recognisable on the sphere made of destroyed figures, to the signs on the container (these are the destroyed figures), to the print-outs that have been affixed to the wall of the Erbdrostenhof, and to the plaques in the foyer. Collectively, these drawings and signs present a narrative – an analysis of the current privatisation of the public sphere and the role that the fibre-glass-reinforced plastic figures play in this process, which we have been witnessing for some years now. Part of the so-called ‘urban art’ of the various metropolitan departments of city marketing, these figures are usually in the form of animals and appear in city centres after having been painted by artists and funded by sponsors, entrepreneurs, or business people. By now, around 600 cities and municipalities have been furnished with these event sculptures, which are promoted at parades, events, gala evenings, and charity auctions. They can be put to use anywhere – not to narrate a city’s present history and historical past, but to make a brand out of them.

The following figures were selected for the project: an elephant from Hamm, a cyclist from Pforzheim, a swan from Neumünster, a bear from Berlin, another bear from Freising, a water carrier from Hamburg, a golden rider from Dresden, a rat from Hameln, a horse from Aachen (and Niedersachsen), a lion from Munich (and Leipzig), a rhinoceros with wings from Dortmund, a pig from Bühl (and Seattle), and, lastly, a cow from Zurich (this was the prototype for the entire urban beautification movement and has since appeared in several cities worldwide). The figures were painted with scenes related to their form of organisation: to the event marketing operations that installed them the city, and to the social procedures, repression techniques, and images of a new society that are associated with each event.

The figures also appear on the ties and lapel pins worn by the representatives who negotiate the most important deals when selling off cities and their public institutions. They are, in effect, the mute audience of an economic transformation that began in the 1980s, evolved into a polemical ideological campaign of the neoliberal movement during the 1990s, and reached its present form over the past ten years. Discussions of art in the public sphere have run parallel to this development and are now being monopolised by these figures. The following glossary will serve to define some of the key terms in the visual narratives that are devoted to this process of transformation.

Basel I + II

Basel I and II are the names of the international Basel accords reached by the members of the Basel Committee on Banking Supervision (central bank governors, the G-10 countries, and the IMF) as standards and guidelines for best practice in banking supervision. These accords govern and control the worldwide credit system. Basel II has been in effect in the EU since the beginning of 2007 (in the USA not until 2009) and requires that banks be more risk-sensitive in their allocation of capital to debtors. For cities, this means that they will be able to allocate greater amounts of wealth in order to obtain credit.

Consulting and accounting firms

'The consultancies that we are speaking of here can be divided into three groups. In the first group are the more established consulting firms, the best-known of which is McKinsey. Then come the slightly lesser-known accounting firms, such as the "Big Four", which dominate the world market in accounting: KPMG, Pricewaterhouse / Coopers (PWC), Ernst & Young (EY), and Deloitte Touche Tohmatsu (DTT). Third come the larger law and commercial law firms. One thing that the consultants all have in common is that in the US they are trained as constitutive elements of the American economy. It is also significant that these consultancies are active on a global scale – they are firms with hundreds of thousands of employees. For decades they provided their services only to private businesses. It was only recently (in Germany, ever since the Treuhand [i.e. the agency that, following the fall of the Berlin wall, privatised East German enterprises that had been owned as public property]) that they began to provide their services to the state as well. Yet they never gave up their primary clientele – private concerns – but, rather, continued to consult in the private sector and have retained their obligations therein. Thus we notice a phenomenon occurring that is in fact a violation of German law for attorneys. No attorney may be employed by both sides at the same time. This is called violation of attorney-client privilege, which has become quite common in the consulting sector.'

From an interview with Werner Rügemeier, 13 March 2007*

Shell corporations

These are companies that have nothing more than a mailbox at their statutory addresses, while the business administration exists at a different location (i.e. the administrative centre). For reasons of anonymity and legal immunity, many companies are registered in so-called tax havens.

Business improvement district

'Much of what we still perceive as public property has long-since ceased to be public. The so-called "business improvement districts" represent an intensification of this process; in various cities, business owners from better shopping streets join together to form alliances that collect dues, employ their own security forces, and enter into contracts with their city councils to assure that these streets are subject to private restrictions.'

From an interview with Werner Rügemeier, 13 March 2007*

Cross-border leasing contract

'In cross-border leasing situations, two banks safeguard each other; one lends money and the other borrows, but in reality these two banks are one and the same. Today's investors hardly have any equity capital – rather, they raise most of what they need in order to buy apartments, public services, etc., by borrowing it. Therefore, very high-earning banks are brought into these contracts to grant loans if they are able to lend the majority of a billion-dollar purchase price, say, for a large apartment complex to investors over the course of twenty to thirty years. Then, to expand the enterprise, another bank is engaged to settle the thirty-year repayment of credit. Thus, on the basis of what seems to be a real enterprise, channels of money are created that take on much larger dimensions than the public is able to perceive.'

From an interview with Werner Rügemeier, 13 March 2007*

Direct privatisation of public property

The amortisation of urban institutions and supply facilities that have been established with public funds.

Dortmund Project

The Dortmund Project arose from a report on industrial restructuring that the city of Dortmund commissioned from the consulting firm McKinsey. The report suggested that it was necessary to eliminate 80,000 jobs and recommended creating 17,000 jobs in the IT sector – a sort of ‘Silicon Valley’ in the Ruhr region. A relict of the project is the logo of the Dortmund Philharmonic Orchestra, a rhinoceros with wings.

Forfeiting

‘Non-recourse forfeiting of instalments is today’s common practice of selling contracts and bills of exchange. If, for example, a construction firm has signed a thirty-year contract with a city – e.g. for the construction of a city hall – and the city rents its city hall for thirty years, the construction firm can sell the contract to a bank, which then pays the entire rent that would accrue over this thirty-year period as a lump sum. This kind of lump-sum payment is precisely what forfeiting means. “Forfait” means lump sum in French. The lump-sum rent compensation is paid out to the construction firm on the first day of the contract’s thirty-year term; this kind of contract thus entails significant generation of cash. In addition, the city must commit to a non-recourse clause. This means that I forego my usual rights as a tenant, I cannot claim a rent reduction if, for example, the investor is late in fulfilling his contractual obligations – for example, those requiring him to repair, in a punctual manner, the windows or heating in the school that he built and runs.’

From an interview with Werner Rügemeier, 13 March 2007*

‘Get the Activist Kid’

This is a component of the ‘Table of Free Voices’ Campaign – it belongs to the covert language and style of anti-globalisation activism. ‘Get the Activist Kid’ was sponsored by the alliance.

Property outsourcing

'Currently, the federal government is drafting an additional legal measure to facilitate the creation of new corporations out of existing apartment complexes that have been purchased collectively. These are so-called REITs, Real Estate Investment Trusts – real estate corporations listed on the stock exchange, which, according to a bill introduced in February 2007, and likely to be passed by a majority in Parliament, will be tax exempt.'

From an interview with Werner Rügemeier, 13 March 2007*

International commercial and corporate law firms

These entities are charged with the task of making privatisation contracts internationally negotiable. What results are monopoly structures, because cities rely upon the expertise of these firms when creating their contracts. The commercial law firms then recommend consulting firms and vice versa.

Investment banks

Special banks for large investors – e.g. Goldman Sachs, Morgan Stanley, Citigroup, Merrill Lynch, Lehman Brothers – whose tasks are mostly wealth management and trading securities. These banks are capable of granting billions of dollars worth of credit in a very short amount of time. They have a great influence over industry and politics. A current example: the wave of layoffs at Airbus is based on a Goldman Sachs document.

Investment companies

Capital investment companies that influence the value of portfolios through investment funds, security holdings, real estate, etc. There are even companies whose investors have initial investment values of five million euros.

Communications agencies

These agencies play a decisive role in promoting political decisions, reducing these decisions – e.g. cutbacks in social guarantees – to a mere matter of communication. In past years, the allocation for advertising and communication in public budgets has grown dramatically.

Merchandising and the international division of labour

Sale of the plastic figures as garden furniture, table sculptures, and key rings. These objects are produced in countries with cheap wages and under the worst labour conditions.

Aachen municipal refuse incinerator

'Aachen sold its waste-burning facility to the German financial investor Aldi-Süd, a trust belonging to the business chain Aldi. Aldi-Süd then stipulated that Aachen operate the waste-burning facility in exactly the condition it was built in (i.e. without any modifications) – and this over a period of several decades. This gave Aldi-Süd a tax advantage whose burden falls upon the treasury of the Federal Republic of Germany.'

From an interview with Werner Rügemer, 13 March 2007*

Nation branding

A marketing concept developed by agencies with the intent of promoting country-specific values and characteristics – i.e. the identity of a country domestically and internationally – as a brand and a way to excel when competing against other countries and regions. (Cf. 'Walk of Ideas')

New financial products

'Today's movers in the financial arena – banks, and even private banks such as Oppenheim – have been very creative in generating new so-called financial products. Cross-border leasing, i.e. the transborder purchase and sale of public property, is one example. We encounter these inventors then creating new products later on. Among them are the accountants who determine the value of what is being sold, such as apartment complexes, public services, and the waste-burning facility. Other agents are the American law firms that evaluate and adjust international legal and tax situations. And then come the agents – usually banks – involved in bringing together the various actors in the whole process: the banks, the credit institutions, the investors, the accountants, and the law firms. And last comes the investor, who acquires the property.'

From an interview with Werner Rügemer, 13 March 2007*

Remapping of cities

The various zones of a city are partitioned and then funded exclusively based on their image and economic appeal. Problem zones are considered damaging to a city's image.

Crime prevention councils	Committees composed of constituents from individual businesses, private security services, the police, and city councils that attempt to prevent crime in the public sphere through an increased police and security force presence, even though the crime rate is actually decreasing.
Private partner	Business initiatives to partition the public sphere according to business interests in the city – in effect, the goal is to have the city put the public sphere at the disposal of businesses.
Private public partner	A reversal of the term ‘Public Private Partnership’. The term suggests that the private side of the equation outweighs the public side in importance.
Public enemy (video surveillance of public spaces)	The discourse on security that has been taking place for more than ten years now has led to the video surveillance of public spaces, which usually entails the illegal storage of personal data. Given this perceived security necessity, surveillance equipment is one of the most common elements in neighbourhood improvement plans.
Public partner	Urban public relations departments that conceive of the city as a brand and a business.
Government campaigns	The government compensates for the loss of sovereignty in economic affairs with costly media campaigns. It promotes laws using the appeal of market products.
Guarantee on returns	‘Guarantees on returns with risk premiums assure that the private investor does not really take on any risk during privatisations, as the theory of market economics says. On the contrary, the investor insists upon a certain guarantee or risk premium in his contract. For example, the Berlin Waterworks offers its investors a base guarantee in the form of a long-term federal bond, to which the risk premium is allotted, which in this case is determined to be two percent. The risk premium, however, is enshrouded in clauses that drive it upwards.’ <i>From an interview with Werner Rügemeier,* 13 March 2007</i>

Legally binding non-disclosure agreements

'With all these new financial products, an extensive nondisclosure trend has been introduced. This is true not only in commerce, but also when the public hand is in the mix. None of these new business ventures are subject to disclosure obligations, as corporations typically are. Shareholder information, disclosure of the incomes of the directors and managers, etc. Disclosure obligations are, of course, particularly important when the public hand is involved in contracts for cross-border leasing, for example, which are now subject to absolute nondisclosure agreement, which are enforceable by penalty. Even members of the city council are barred from knowing so much as the wording of these contracts.'

From an interview with Werner Rügemeier, 13 March 2007*

'Table of Free Voices' 9 September 2006

An event that took place on 9 September 2006 at Berlin's Bebelplatz. 111 international figures from politics, business, and culture sat at a giant round table, each in front of a camera. They answered 100 questions selected from a pool created by 10,000 internet users. Each had three minutes per question. One question, for example, was, 'Are brands more important than states?'

The Big Four

The firms that dominate the world market in accounting: KPMG, Pricewaterhouse / Coopers (PWC), Ernst & Young (EY), and Deloitte Touche Tohmatsu (DIT).

The Digital Bridge

A television programme in London where private citizens can watch the recordings of a surveillance camera from their own homes and report suspicious events directly to the police through a hotline.

Toll Collect

The Toll Collect company was commissioned by the government to develop, run, and calculate a highway toll-collection system. 'Toll Collect's contract for assessing toll fees on German highways has still not yet been disclosed to Parliament, even after repeated inquiries into the secrecy of operations. This principle of absolute nondisclosure exists throughout the entire private sector.'

From an interview with Werner Rügemeier, 13 March 2007*

Trickle Down

The Trickle-down effect is an economic theory based on a description by Bernhard de Mandeville in his book *The Grumbling Hive*, written in 1733. Here he makes the claim that when a large amount of wealth has accumulated, prosperity reaches all by trickling down through the different levels of society. The theory has experienced a renaissance since the early 1980s, fuelled largely by Margaret Thatcher and Ronald Reagan. The theory has also been sarcastically termed the 'horse and sparrow' theory.

Trickle down of marketing

The application of the most important marketing concepts developed by consulting and communications firms in the public relations departments of local administrations.

Contract signing in New York

For tax purposes, contracts are often signed in New York, especially in cases of cross-border leasing, in part because it is illegal to sell public property in Germany (???)

Four pillars approach

The marketing concept employed by the firms that offer the plastic figures to cities: 1. Corporate sponsoring, 2. Image networking, 3. Social marketing, 4. Professional outlays (economisation of advertising costs through selective advertising).

'Walk of Ideas'

A nationwide government campaign in 2006 that promoted Germany as the 'Country of Ideas'. While cities marketed themselves with the plastic figures, the communications firm FC Deutschland acquired a boulevard of large-scale sculptures for Berlin as a sort of national theme park, which also incorporated topics from industry: a pain-relief pill from Bayer near the Parliament building, a tower of books at Bebelplatz, Adidas shoes at the main train station, $E=mc^2$ at the Nationalgalerie.

*Werner Rügemer

Werner Rügemer (born in 1941 in Cologne) is a freelance journalist, a member of Business Crime Control e.V., Transparency International, the Interessengemeinschaft Dezentrale Abwasserentsorgung, the International Gramsci Society and the Deutscher Schriftstellerverband. The philosopher works as a lecturer in the School of Educational Sciences at the University of Cologne.