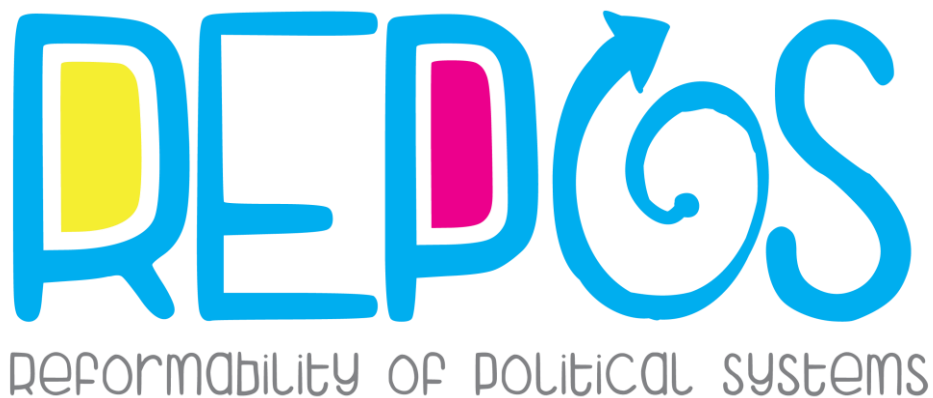


P. Stolzenberg

Wuppertal Case study report



Content

1. Introduction	2
2. Socioeconomic features of the City of Wuppertal.....	2
3. Municipality of Wuppertal: Political leadership and the fiscal problem	3
4. Problem Perceptions and Causes	6
5. Scope and means of Actions: Evaluation, Performance, Impact.....	8
6. Public debate.....	12
7. Political system: Legitimacy and Transparency, political culture, Policy style, knowledge, leadership.....	13
8. Conclusions	15
9. Policy-Recommendations	16
Recommendations for Local Level Actors (Micro-level)	16
Recommendations for Federal and Federal State Level Actors (Macro-level)	17
References	18

1. Introduction

The case report gives a brief and provisional summary on our empirical findings on fiscal policy in Wuppertal. The first two chapters are descriptions of the socio-economic situation, the political actor constellation and the fiscal challenges based on statistical data and existing literature. The chapters four and five review our own empirical findings on the perception of local actors on fiscal problems and their explanation as well their view on the local scope of action and the concrete consolidation means including the assumed impacts. These chapters are purely descriptive and we illustrated them with several quotations and data derived from our MAXQDA-analysis. In the following chapters the analyses and interpretation of researchers became relevant. We will discuss the policy and leadership styles, the different kinds of legitimacy, the local political culture and knowledge types influencing the fiscal policy making. The empirical corpus of the case Wuppertal includes up to now (29th of July 2014):

- interviews with 7 actors: deputy mayor of economics, head of the financial department, one councillor of majority of the local council, 2 representatives of interest groups (business chamber and association for social services)
- 242 texts of local press, party manifestos, coalition treaties etc.

2. Socioeconomic features of the City of Wuppertal

Wuppertal (349.770 inhabitants, declining Bertelsmann Stiftung) is the biggest city of the “Bergisches Land”-area which is situated close to the Ruhr area and to the Rhenish cities of Düsseldorf and Cologne. The city itself including the name “Wuppertal” was founded late in 1929/1930 after amalgamation of five local authorities by a Prussian territorial reform. The amalgamation is still visible through the polycentric structure of the city that has at least two mayor commercial and administrative centres. Another city specific feature is the topography of Wuppertal (“San Francisco of Germany”) which covers the long down-out valley of the river “Wupper” and the surrounding hills north and south of the river. The hilly ground makes industrial locations difficult, causes challenges for infrastructure systems and was the main reason for the building of the suspension railway/“Schwebebahn” above the river which is the city’s landmark and the touristic highlight. The city which is also called the “German Manchester” was the first industrialized region of Germany and the centre of textile industry (birthplace of Friedrich Engels) until the 1970s when de-industrialization led to major problems. The planning scenario till that time was a metropolis of 500.000 inhabitants but in fact the population decreased considerably. Therefore, the economic restructuring resulted in oversized path-dependent infrastructures with high follow-up costs and in a continuing social crisis. Federal and European regional policies focused on the Ruhr area whereas Wuppertal was not eligible for funding and attempts to strengthen the service sector were limited (Molitor 2004). Although Wuppertal still has a comparatively strong industrial sector consisting of small and medium size companies the unemployment rate and the rate of social welfare recipients is exceptionally high. Nevertheless, the socio-economic situation is also characterized by an above-average disposable household income and by wealthier classes

engaged in different civil society projects (brand eins wirtschaftsmagazin 2012). Nonetheless, this results in a strong ethnic, demographic and social segregation with a corresponding imbalance in political participation. Furthermore the structures are quite visible through a spatial divide between “poor” valley quarters and “wealthy” Wilhelminian style villa quarters in the hills (Strohmeier *et al.* 2003, Strohmeier *et al.* 2008, pp. 69–77, Bertelsmann Stiftung 2014).

Table 1: socio-economic data of Wuppertal

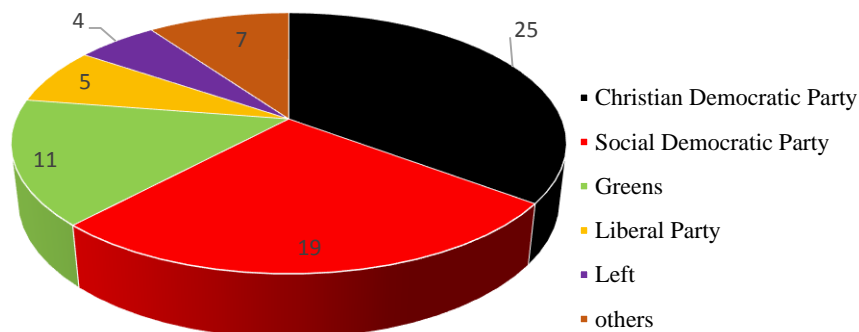
		Wuppertal	North-Rhine-Westphalia	Germany
unemployment rate	in %	11.3	8.1	6.5
social welfare rate	in %	8.7	5.9	4.5
disposable household income	in € per capita	20,309	20,056	19,933
primary household income	in € per capita	23,027	23,539	23,278
share of employees in industrial sector	in %	21.1	19.7	20.4
share of employees in service sector	in %	75.3	75.1	73.4

Sources: unemployment rate and social welfare rate (12/2013): Bundesagentur für Arbeit; disposable household income (2011): Statistische Ämter der Länder 2012, employees in economic sectors (2012): Statistische Ämter des Bundes und der Länder 2012.

3. Municipality of Wuppertal: Political leadership and the fiscal problem

The city of Wuppertal is governed by a “grand cooperation”/”Große Kooperation”, like the national government, between the Christian Democratic Party and the Social Democratic Party since 2005. The Social Democrats succeeded in the last local government elections in 2014 in their former stronghold and replaced the Christian Democrats as the strongest fraction. Nevertheless they decided to proceed with the existing coalition. The mayor of Wuppertal is in office since 2004 and was re-elected in 2009. He is the first Christian Democrat mayor of Wuppertal since 1964 and was a councillor and entrepreneur. Furthermore, the mayor is the president of the local government association for cities in North-Rhine-Westphalia (Städtetag Nordrhein-Westfalen), one of the deputy-presidents of the corresponding association at the federal level (Deutscher Städtetag) and a spokesman of the city alliance “Out of the debt”/”Raus aus den Schulden”. The treasurer, also a Christian Democrat, is in office since 1998 and in contrast to the mayor he is an experienced and highly visible executive manager as he worked as deputy mayor and municipal employee in different cities. Hence, we can conclude that the actor constellation in Wuppertal is characterized by high personnel continuity, clear majorities in the council and a combination of political and administrative experience.

Figure 1: seating in the council of Wuppertal after the local government elections in 2009



Together with Mainz Wuppertal is the German case with the largest fiscal challenges in our sample. We have to consider that fiscal consolidation is a permanent task in Wuppertal which is not a result of the financial crisis but became even more pressing since then. The city had its last balanced budget in 1992 and is one of the highest indebted German cities. The consolidation concept resulting from the federal state bailout fund is the twelfth consolidation program till that time. Furthermore, Wuppertal was one of many cities in North-Rhine-Westphalia under strict supervision including non-approved budgets and provisional budget management for years (“Nothaushaltsrecht”). Therefore, only expenses for legal or contractual obligations were allowed and investment borrowing including the participation in co-payment requiring economic development programmes was restricted.

To access the fiscal situation properly we compare the key data with the other German cases but also with other independent cities in North-Rhine-Westphalia (up to 500.000 inhabitants). Wuppertal has the second highest local government debt (total and short-term) of the German cases in our sample and has even higher debt than the average of the independent cities in the federal country (Figure 3). The collection rates for local government taxes, e.g. business tax and real property tax, were before the implementation of the bailout fund higher than in the other cases and higher than in the average of the federal state (Figure 4). However, some cities of the Ruhr area and other neighbouring regions with similar fiscal problems (Gelsenkirchen, Bochum, Solingen and Oberhausen) exceeded these tax collection rates. Moreover, the city has the highest revenues of all German cases but we have to consider that North-Rhine-Westphalia is the federal state with the highest decentralization of tasks. Nevertheless, the comparison within the federal state shows also that the revenues of the city are quite high. The comparison of different kinds of revenues shows that the total tax revenues and the business tax revenues are lower than in our other West-German cases and similar to the average in the federal state (Figure 5). Furthermore, there are challenges on the spending-side. The spending for staff is compared to other independent cities in North-Rhine-Westphalia comparatively low. Indeed, the spending for staff is higher than in Mainz or Magdeburg but this could be explainable by the higher amount of local government tasks in North-Rhine-Westphalia. In contrast the level of social spending is higher than in the other

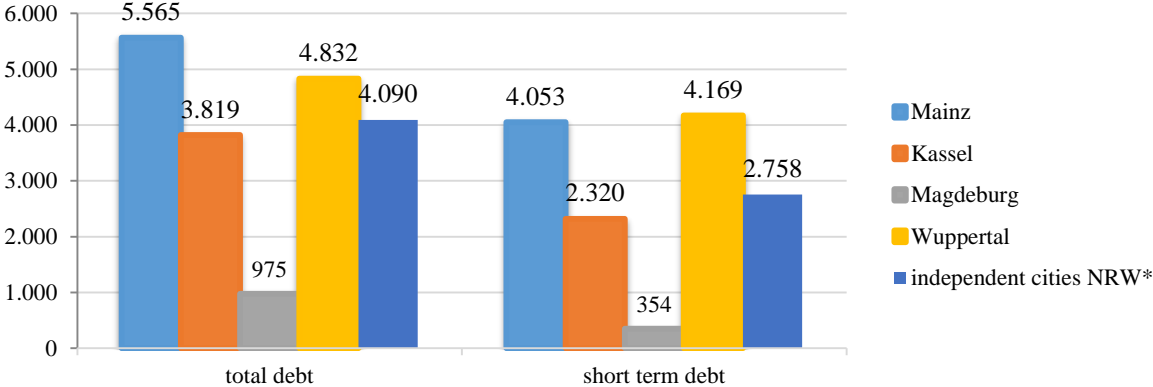
cases and also higher than in other independent cities of North-Rhine-Westphalia which reflects the socio-economic difficulties of the city (see chapter 2). Another major challenge is the low investment spending that is caused by the restricted scope of action (see above) and suggests that the fiscal policy is unsustainable in the long run (Figure 6).

Figure 2: primary deficit/surplus and ordinary result in Euro per capita



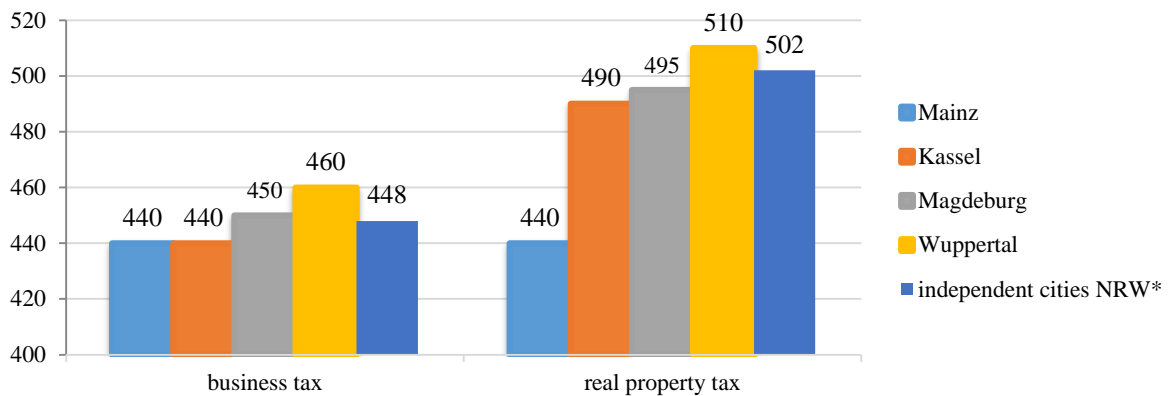
Source: Bertelsmann Stiftung 2013

Figure 3: total and short-term debt of local government in Wuppertal in comparison in Euro per capita in 2012



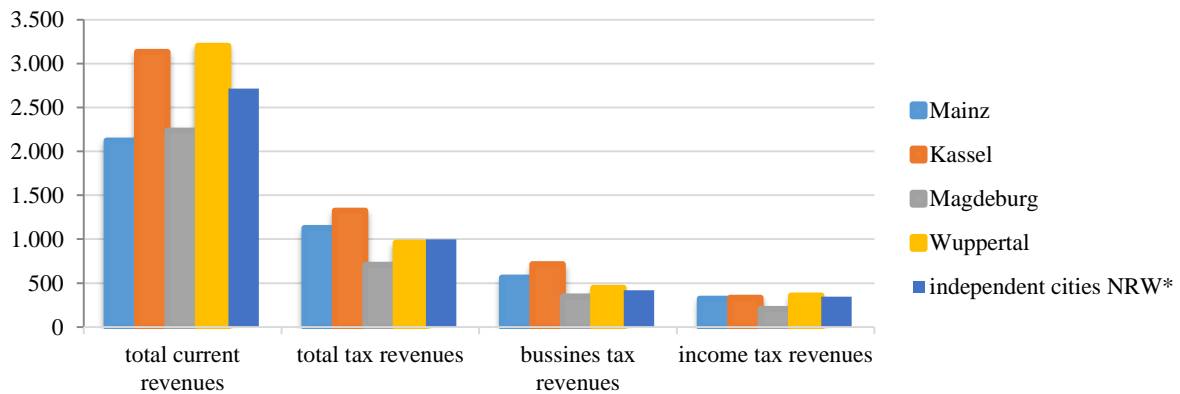
*average of independent cities in North-Rhine-Westphalia with up to 500.000 inhabitants. Source: (Bertelsmann Stiftung 2013)

Figure 4: collection rates of local government taxes in Wuppertal in comparison in 2012



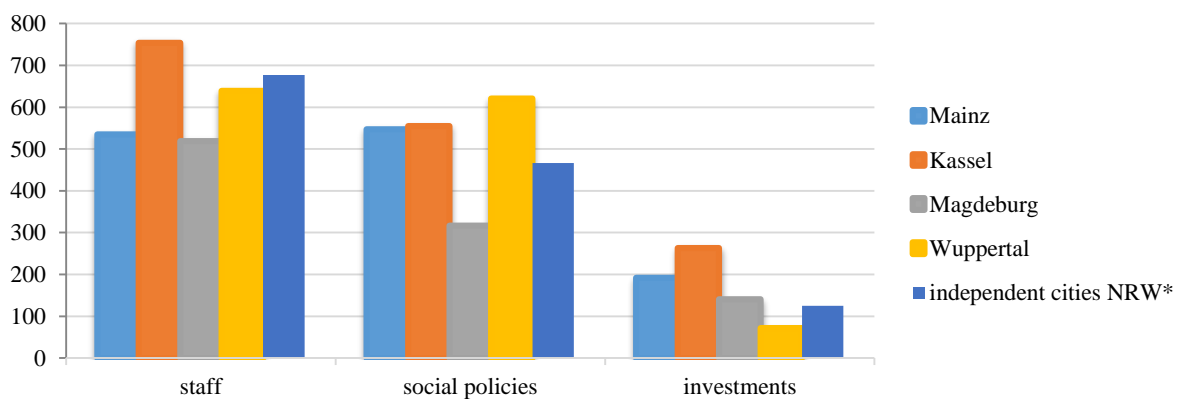
Source: (Bertelsmann Stiftung 2013)

Figure 5: revenues of local government in Wuppertal in comparison in Euro per capita in 2012



*average of independent cities in North-Rhine-Westphalia with up to 500.000 inhabitants. Source: Bertelsmann Stiftung 2013

Figure 6: spending of local government in Wuppertal in comparison in Euro per capita in 2012



*average of independent cities in North-Rhine-Westphalia with up to 500.000 inhabitants. Source: (Bertelsmann Stiftung 2013)

4. Problem Perceptions and Causes

Table 2 and Table 3 show how often different actors speak about exogenous and endogenous causes for the fiscal crisis. Documents which are assignable to one specific actor (budget speeches, press releases, manifestos, coalition treaties) are plotted in Table 2. In documents with several quoted or paraphrased statements of different actors, e.g. local press articles, segments were coded with the actor name and the content of the statement. Thus, Table 3 displays segments with an actor code that overlaps with the corresponding content codes, endogenous or exogenous reasons.

Table 2: document based number of codings in budget speeches, press releases, manifestos, coalition treaties

	majority	opposition	interest group	SUM
endogenous sum	3	0	1	4
exogenous sum	22	7	0	29
SUM	25	7	1	33

Table 3: document based number of codings in local press

	majority	opposition	interest group	SUM
endogenous sum	2	2	2	6
exogenous sum	21	0	0	21
SUM	23	2	2	27

Table 4 shows the exact coding of reasons of the fiscal reasons with different sub-codes. Deductive codes are provided with yellow colour and inductive codes with green colour. We found some endogenous causes that could be labelled with a more specific term but generally this set of reasons is discussed quite abstractly.

Table 4: different types of endogenous and exogenous reasons

code	sub-code 1	sub-code 2	sub-code 3	
endogenous causes				9
	short-sighted social policies			1
	follow-up costs of deferred investments			2
	municipal owned housing company			1
	staff and pensions			1
	short-sighted cultural policies			1
	site development fees			1
exogenous causes				1
	upper level government			4
		connexity principle		3
		social spending		2
		european level		0
		national/federal level		14
			business tax law	2
			solidarity pact	7
		federal state level		5
	socio economic conditions			4
		prognoses uncertainty		4
		unemployment		2
		financial crisis		2
		economic restructuring		6
		demographic change		0

The following quotes matrices (Table 5) displays some trenchant statements of different actor groups on the endogenous causes of the fiscal crisis.

Table 5: endogenous causes of the fiscal crisis – selected quotations

actor	segment	document group
CDU and SPD	Wuppertal is one of these highly indebted cities. Indebtedness was not mainly caused at the local level. Since the German reunification the city was not able to achieve a balanced budget.	parties and lists
Interview 1	There are always local failures but they are not the crucial reason for the bad financial situation. The fiscal challenges are typical for many cities in North Rhine-Westphalia. However, the municipality reacted a little bit late as the fiscal challenges started with rather small deficits [...].	interviews

Table 6 shows some quotations on the exogenous causes including the different sub-codes of fiscal problems.

Table 6 exogenous causes of the fiscal crisis – selected quotations

actor	Segment	document group
CDU	This dramatic development of budget deficits started with the reform of the corporate tax in and lasts till today. [...] Deficits were usually caused by external developments like the reunification or the increasing social expenditures.	council minutes
treasurer	The finances of many big cities are challenged. Wuppertal is just one example. The reason is not that some municipalities performed better than others. Highly indebted cities were affected by economic restructuring and massive decline of employment. The number of welfare recipients is high, population dropped and tax revenues increased due to the reform of corporate tax in 2000 and the recent financial crisis. Federal and federal state level shifted tasks to the local level without adequate financial rewards.	press and media
SPD	The huge amount of local government debt is 1.5 billion Euros. Municipal debt was mainly caused by tasks shifted by the federal and federal state level to the local level without adequate financial rewards.	parties and lists
Interview 2	We have a current problem with the business tax. Firstly, companies successfully evade taxes. These challenges cannot be solved by Wuppertal. Secondly, Wuppertal was affected by economic restructuring. In contrast to the Ruhr area which benefited from huge funding from the EU Wuppertal had to deal on its own with this problem.	interviews

5. Scope and means of Actions: Evaluation, Performance, Impact

The following statements (Table 7) illustrate the perception of the change of the local scope of action due to the bailout fund. In the view of the administration and the council majority the bailout fund led to new room for local decision-making whereas this perception is contested by an interviewed interest group.

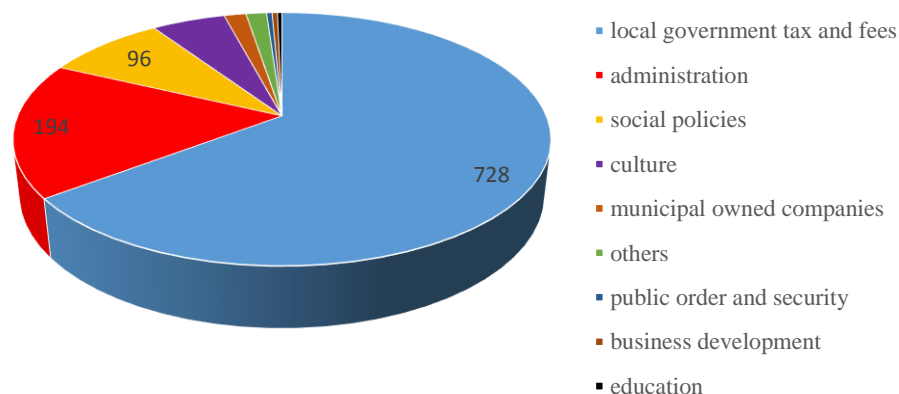
Table 7: scope of action – selected quotations

actor	segment	document group
Interview 1	There was no culture of political decision-making in the council before the implementation of the consolidation program, because you are only allowed to fulfil obligatory tasks in provisional budget management. [...] Now political decisions are not only possible but necessary to set the priorities in the given framework [of the consolidation program] until 2021. [...] In the provisional budget management we	interview

	discussed only the question of legal eligibility. Now we are dealing with compliance and allocation of budgets. This is – bluntly said – the renaissance of local decision making.	
Interview 2	The leeway merely increased. We are able to participate in development programs again. Before the consolidation program was enacted it was impossible to reach a balanced budget. In this situation the money of implemented cutbacks just disappeared as the huge deficit was still there. Now this is different, because we are able to restructure parts of the budget.	interviews
Interview 3	Legally there is a bit more leeway which is partly used in the budget. We as social association would prefer to use this leeway for social policies and to develop new projects.	interviews
Interview 4	As long as we fulfil the requirements of the consolidation program the provisional budget management is cancelled. Therefore, we can decide on our expenditures if we stick to the rules.	interviews

Figure 7 contains the consolidation means of the local government structured by different policies in our research period. These means are fixed in the consolidation plan that is required to become eligible for federal state funding and it is approved by the supervision. The data show a large portion of revenue-based consolidation means (tax and fees, 65 per cent) which consist mainly of an increase of the collection rates for facility and business tax that are by far the means with the highest financial amount. All in all, the amount of consolidation means is nearly the same like in Mainz (1126 Euro per capita).

Figure 7: implemented consolidation means in Euro per capita 2012-2021



Source: Stadt Wuppertal

Some actors referred to this general mixture of means explaining their point of view (Table 8). The administration and its leadership but also one opposition party supports the opinion that cutbacks are not possible anymore. The business chamber disagrees and announces that the competitiveness of the city is endangered due to the tax increase.

Table 8: implemented means – general statements

actor	segment	document group
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Interview 1	There are not many options to make a structural impact. One option is tax increases. The question is how confident you are. What is supported by the council majority – especially for business tax? The resistance against increases of real property taxes are usually low.	Interviews
Interview 2	[...] every consolidation concept brought massive cutbacks and one can see that there is nothing to restrain anymore. Therefore, only increases of tax collections rates were possible. We increased the collection rates of business tax and the real property tax considerably to maximum levels	Interviews
Grüne (opposition)	Generally - and we should agree on this point – the times of austerity is definitively over. We cannot cutback the remaining without harming elementary interests. The contrary trend leads to more tasks for the municipal administration. [...] A reduction of staff despite new tasks is the wrong way.	parties and lists
interest group	The additional grants of the federal state are a great opportunity for the municipality to balance the budget. However, the consolidation plan of the city is not sufficient. The business chamber complains that tax increases make up two thirds of the consolidation means. Increases of business and real property tax endanger the attractiveness of the city.	interest group

Table 9 gives a brief overview the discussed means we have analysed in our MAXQDA-Analysis. In contrast to the previous figure the table includes implemented means (also earlier ones) and proposed means, e.g. rejected proposals from the opposition.

Table 9: implemented and proposed means – codes and number of codes

implemented means			7
	management reforms		3
		Verkauf kommunalen Eigentums	3
		Parkraumbewirtschaftung	2
		Fuhrpark_Management	1
		Cross Border Leasing	8
		Übernahme Schwimmbäder durch Fördervereine	2
	revenues increase		7
		Hundesteuer	1
		Spielautomatensteuer	1
		Gebühren	1
		Abführungen Sparkasse	1
		Parkraumbewirtschaftung	1
		Grundsteuererhöhung	2
			Schneesteuer
		Gewerbesteuererhöhung	2
		Bettensteuer	5
	cutbacks		5
		Kürzungen Sozialausgaben	1
		Personalkürzungen	6
		Sachmittelkürzung	1
		Kürzungen Bühnen	12
			Orchester
		Von der Heydt-Museum	1
		Einsparungen Bürgerbüros	6
proposed means			14
	management reforms		14
		interkommunale Kooperation	5
		Veräußerung GWG	1
		Betriebsprüfer	1
		Orchester Fusionen	3
		Stadtwerke	1

	revenues increase		9
		Steuer auf Mobilfunkmasten	1
	cutbacks		10
		Zusammenlegung von Rats- und Bürgermeisterwahlen	1
		Standardsenkung	1
		Verkleinerung Stadtrat	1
		Personalkürzungen	2
		Dienstwagen	1
		Bezirksvertretungen	3
		Fraktionen	1
		Kürzungen Investitionszuschüsse für Vereine	1

As the pure number of codings in the press analysis does not necessarily reflect the whole local debate we included also the subjective perception of the actors on the most controversial means. We found out that the actors perceive the real property tax as a mean which encounters only low resistance. The importance of the cutbacks in cultural policies in the local debate is contested although these means got supra-regional attention. Moreover, the administration and its leadership noticed that means with low fiscal relevance (dog tax, accommodation tax and parking fees) were controversial.

Table 10: controversial means in the local debate

actor	Segment	document group
interview 2	Usually disputed means are the smallest means like parking fees. Parking fees for teachers have nearly no impact on the budget but cause a huge debate. Moreover, the accommodation tax was a big topic.	interviews
interview 4	Disputed are means in cultural policy. The theatre was a big topic in press. Moreover, the shutdown of swimming halls and district libraries were disputed.	interviews
interview 1	Actors in cultural policy are always well connected to the media. However in politics reality but the sense is important. [...] If this is a big topic in the city. I was in many assemblies on consolidation policy but culture was only a minor topic. This is not a representative study but you have to be careful to differentiate between the real attitudes and the attitudes transmitted by the media.	interviews
interview 2	The resistance to increase real property taxes are really low. The numbers of letters of protest you receive are five or six times higher if you increase dog taxes.	interviews

The perceptions on the performance of the fiscal consolidation are displayed in Table 11 and Table 12. The first table contains only statements to the fiscal performance in the narrower sense where the next one shows the opinions on possible impacts on other policies.

Table 11: perceptions of fiscal performance

actor	Segment	document group
CDU	The biggest threat for the future of our city would be an increasing budget deficit. Therefore, the priority is to balance the budget. The austerity measures were painful for the citizens. Fortunately these measures combined with a good economic situation and the additional grants from the federal state will lead to success. Eventually Wuppertal has an approved budget again and the council regained its whole decision-making competences.	parties and lists
journalists	Will Wuppertal escape from the debt trap? The planned increase of business and	press and

t	real property tax, high unemployment rates and vacancies of housing and business buildings are not a good precondition to enhance the attractiveness of the city and economic growth. It is doubtful that the optimistic forecasts of the treasurer will come true as interest rates will probably not remain at the same low level.	media
SPD	In the last year short-term borrowing was reduced again. The additional grants, the higher revenues from business tax and the cutbacks have an impact. Politicians should stick to the solid budget policy.	press and media

The debate includes several discussions on impacts of fiscal consolidation. Although there is not always a connection to concrete means of the last consolidation plan we identified the following discussed impacts: demotivation and brain drain in the municipal administration, service reduction, attractiveness for citizens and business and missing preventive social policies.

Table 12: impacts of fiscal consolidation

actor	Segment	document group
treasurer	The new business tax rates will be enacted in 2013. Therefore, it is difficult to estimate the impacts now. However, I do not worry that businesses will move away. There was some resistance by the business chamber and the biggest tax payer but all in all the protest was limited. It was important that we could argue that we have the chance to reach a balanced budget. Without the consolidation program it had been impossible to enforce these measures.	press and media
Interview 4	These measures are counterproductive as they worsen the location condition - especially for the business tax as Wuppertal has to compete not only with other big cities but also with all municipalities offering business locations.	interest groups
Interview 4	The treasurer and the mayor disagree. They have the "mantra": "We will make it, we will make it, we will consolidate the budget." However, the pressure on social policies remained. Preventive social policies have been reduced which is a huge challenge for a city like Wuppertal with many social challenges.	interviews
Interview 1	The two biggest challenges are: Firstly, we are not able to stop the deterioration of municipal assets. As pedestrian and car driver you can see that everywhere. It is not necessary to be a business administrator to see that. Secondly, we are not able to pay for preventive social policies. We can only pay for the treatment when problems already emerged.	interviews
Interview 3	We tried to limit the impact of consolidation measures on social policies and cancelled some cutback proposals of the administration. However, there were also developments which were not good. If you reduce voluntary preventive social services you will have rising expenditures for obliged social services in the future.	interviews

6. Public debate

In this chapter we will illustrate our interpretation of the public debate, e.g. the dominating actors and some visible cleavages. Table 13 shows the most relevant actors in terms of the number of press articles quoting or paraphrasing statements of them. The data suggests that the treasurer followed with big distance by the mayor and the heads of the council fraction is the most important actor in the local debate. Furthermore, the group of experts is small in numbers as in the other cities of the sample. Interest groups or backbencher seem to have no say in the local debate on fiscal policies.

Table 13: actors with most press articles quoting or paraphrasing their statements¹

code	documents	codings	codings %	actor group	position	opposition /majority	party	comment
Johannes Slawig	60	87	10,57	local politicians	treasurer	majority	CDU	
letter to the editor	25	39	4,74	Others				
Peter Jung	19	22	2,67	local politicians	mayor	majority	CDU	
Klaus Jürgen Reese	7	7	0,85	local politicians	councillor	majority	SPD	head of the fraction
Peter Vorsteher	7	10	1,22	local politicians	councillor	opposition	Greens	head of the fraction
Robert Maus	7	7	0,85	Others				journalist
WfW	6	6	0,73	local politicians	councillor	opposition	WfW	
Dietmar Bell	4	4	0,49	upper levels	federal state level		SPD	federal state mp
Günter Schiller	4	4	0,49	local politicians	councillor	opposition	WfW	
Jörn Suika	4	4	0,49	local politicians	councillor	opposition	FDP	head of the fraction

Nevertheless, we have to consider some events prior to our research period. A coalition of interest groups and citizens engaged in cultural and social policies formed the movement “Wuppertal wehrt sich”/“Wuppertal resists” in 2009 which demanded among others a bailout fund for the city. The visible and active movement was supported by the mayor and the local members of the federal state parliament. Indeed, after the implementation of the bailout fund the movement made a withdrawal from the public debate. In the view of the administrative leadership and the council majority the program was the desired concession from the federal state and the “experts” took over the dominant role in the debate about the specific means of fiscal consolidation.

Our empirical findings described in chapter 4 and in chapter 0 suggest that the different actor types have no distinct problem perceptions and explanations. The opinion on negative impacts of austerity policies are also shared by many actors and cleavages are only built around specific means. Furthermore, parties of the opposition complain about certain attempts of the administration to the steering capacities of the council: e.g. biennial budget over two elections periods, task shifting to municipal owned companies or the use of procedural rules to circumvent debates in the council. Especially the enormous power of the deputy mayor is criticized by opposition, majority parties and in letters to the editor.

7. Political system: Legitimacy and Transparency, political culture, Policy style, knowledge, leadership

The prevailing policy style is top down but veto-players are included. Fiscal policies were discussed in closed workshops with the mayor, the deputy mayors and the heads of the majority fractions. Interest groups, backbenchers and politicians dedicated to specific policy fields were not included in the phase of priority-setting. Nevertheless, the parliamentary process worked noiseless and the council majority “executed” the consolidation plan.

¹ The grey lines are the interviewees.

Although the municipality organized an internet based participatory budgeting process this seems to be no example of bottom up policy making as there is only marginal influence on budgeting. Though, the top-down policy style prevails but the political and administrative leadership is aware of the importance of communication with the citizens. They try to gain acceptance for their means and use participatory budgeting, press relations and assemblies for this purpose. Like a Sword of Damocles hanging over the top down policies are local citizen movements like “Wuppertal wehrt sich”/”Wuppertal resists” which are quite active and visible.

Table 14: evidence for top-down policy making and communication paths

actor	Segment	document group
interview 4	The municipal administration develops and implements consolidation policy. I have not seen politicians in this decision-making. Of course, they decided on the measures but the political debate was rather limited. Moreover, I have not noticed that civil society groups were involved in the discussion.	interviews
interview 1	We spoke with the heads of the fractions not with all members. Two or three intensive workshops [...] It came out quickly what is feasible and what is not feasible. When it was obvious that it is not possible without tax increases we had to debate which tax should be increased. Real property tax or business tax? In which relation? This is a highly political question. The discussion took place behind the scenes and resulted in the commitment to guidelines: one half tax increase and one half cutbacks.	interviews
interview 2	I think it is impossible without involvement of the society. Elections are only every five or six years but you cannot permanently make policies against the preferences of the society. This leads to disloyalty towards the own city, political disenchantment and to a downward trend which is difficult to stop. What is extremely important for us is “communication”.	interviews
interview 2	It is difficult to involve civil society groups in these kind of policies because it is about the distributions of shortages. No civil society group like to deal with reduced services. Usually top down management is the only opportunity. You can discuss with them and try to gain understanding. However, you will not find anyone who supports austerity measures which affect him personally to reach the imaginary goal of a balanced budget.	interviews

The described policy style results in a focus on output-legitimacy. Councillors are only involved when there is a political or legal need. Participation/Input-Legitimacy is only used as a tool to gain acceptance to push pre-determined policies. The process of priority-setting is not transparent and intentional non-public until the formal decision-making process in the council starts. On the other hand the municipal administration seeks to prepare transparent presentations of the concrete consolidation means and the budget data with open-data tools going beyond legal requirements.

The political culture is characterized by party discipline and majority based decision-making. Up to now the empirical evidence suggests a contradictive political culture but this impression is challenged by the perceptions of some actors who conclude that there is a consensus about some topics in the council committees which is not reflected by voting behaviour.

Although the administrative leadership highlights the financial scope of action they also define priorities as guidelines for consolidation policies. Policies are declared as important or less important and funding is allocated due to this priorities. Nevertheless there are certain difficulties to implement the priorities in day to day work as unforeseeable events setback

strategic approaches.² The cooperative attempts are limited to co-production by citizens. Although some visible projects of citizens groups were successfully realized the contribution of the municipal administration to that is at least unclear.³ Moreover, the last consolidation plan was contested due to some highly conflictual means and the leadership could not find cooperative ways to deal with stakeholders of cultural policies. In terms of leadership styles we would therefore characterize the leadership as strategic and authoritarian considering that our empirical material is concentrated on the treasurer.

Reflecting the knowledge which influenced decision making we use the distinction of knowledge scapes from Mathiesen (Mathiesen 2005) and we will differentiate between different sources of knowledge. External knowledge is largely irrelevant. Although the actors refer to some knowledge actors like the local government association (Deutscher Städtetag), a consulting agency of the federal state (Gemeindeprüfungsanstalt NRW) or an expertise of a public sector consultancy they deny any influence on decision-making. The actors emphasize that local knowledge on distinct administrative structures is necessary and they are sceptical on the validity of benchmarks. Furthermore, interest groups had no stake in the formulation of fiscal policies and their knowledge is excluded. The political knowledge is used to answer the question of political feasibility of specific consolidation means. The administration, more concrete the financial administration, seems to be the most important source or broker of knowledge because they have exclusive access to expert institutional and steering knowledge. They accumulate the knowledge from all policy fields and they know about the permanently changing legal framework. Moreover, the financial administration is the interface to upper levels of government with access to exclusive knowledge and defines scopes of actions by carrying out fiscal foresights. In sum the dominate knowledge forms in this case are related to experts and their specific knowledge on local finances in the city of Wuppertal.

8. Conclusions

We highlighted some specific features of the city which contributed to the fiscal crisis of the city (e.g. economic restructuring and social problems). Furthermore, we compared the fiscal data to other comparable cities and to our other cases. We explained the limited scope for local decision making due to the legal frame (“Nothaushaltsrecht”) with strict supervision. The actor constellation is characterized by high stability and clear majorities. The perceptions and explanations of the fiscal problems of Wuppertal are agreed by all actors. There are no obvious differences between actor types and party affiliation. Local actors explain the fiscal problem solely with exogenous factors. There is no debate on endogenous causes and there is no or only abstract labeling of concrete reasons and responsible actors. Nevertheless, a retrospect clearly shows that there concrete signs for some endogenous reasons like a number

² Due to mal-calculations of other municipalities Wuppertal got less funding from the federal state and had to adjust the consolidation plan. Furthermore, an international industrial company used a tax flaw and to pay lower business tax without changing their location (about 24 Million per year).

³ One example is the “Junior-Uni” a non-profit educational institution for children and adolescents especially from lower classes. The project is funded by different foundations and companies and seems to be central to create a new image of the city. Another interesting project is the “Wuppertal Movement”/“Wuppertal Bewegung” which tries to convert a former segment of railway line into a pedestrian and cycle way. The project is financed by development funds of upper level governments and by private funding but there were certain conflicts with the municipal administration in the implementation of the project.

of corruption scandals in the construction administration and in the municipal owned housing company in the 90ies and in 2000s (“Bergisch Sicilia”, “Valley of Corruption”, “Bribe City”) and cost increases for major infrastructural projects, e.g. modernization of the “Schwebbahn” and the station area (“Döppersberg”). The concrete means are mostly revenue-based which is explained by longstanding austerity policies making more cutbacks impossible. Moreover, there is a visible local debate about the performance of consolidation means, which include discussions on concrete impacts of older and newer consolidation means and restrictions of the local scope of action. Despite these debates, fiscal policies are characterized by strategic and authoritarian leadership of steering politicians who focus on output-legitimacy and have access exclusive knowledge.

The case of Wuppertal shows that the bailout fund was able to set the right incentives. Despite the fiscal relevance of the program it seemed to have an important psychological impact on the administrative leadership and the council majority. Furthermore, the local-decision-making was strengthened and the local government is able to make sustainable allocation decisions and to attenuate some negative impacts of the former provisional budget management.

Although the consolidation means seem to be successful in the short-run, we have to question whether the federal government program and the local implementation provide a sustainable solution of the fiscal problem. It is not our intention to prove the reliability of the prognoses on economic growth or the development of tax revenues. Nevertheless, we have to consider whether there are any major reform attempts that go beyond classical tax increases or cutbacks. Unfortunately we could not find any attempts like inter-municipal cooperation, territorial reforms or democratic innovations. Furthermore, mechanisms for a renewal of local economic and social policies are missing which seems to be crucial to solve the multiple challenges of the city that are reasons but also consequences of fiscal problems.

9. Policy-Recommendations

Recommendations for Local Level Actors (Micro-level)

Political culture:

Output-legitimacy: Consolidation policies and the mix of revenue- and spending based consolidation means has to fit to specific challenges of the cities and their administrations.

Input-legitimacy: Leaders in fiscal policies have to be actively engaged in public debates to gain acceptance for consolidation means.

Strong organized groups are able to dominate local debates. Local actors need evidence on representative opinions to resist on these demands.

Policy style/

Leadership: Policy makers should make strategic choices in consolidation policy. They have to define which policy fields are important and which are subordinated (e.g. high priority of economic development and low priority in cultural policy in Wuppertal).

Recommendations for Federal and Federal State Level Actors (Macro-level)

Upper level governments should use the instrument of conditionalized bailout funds to strengthen local government incentives to consolidate their budgets.

Strengthening the local scope of action in consolidation is necessary to attenuate negative impacts of consolidation policies.

Hierarchical steering has to be limited to long-term measurable goals without detailed restrictions on contents and priorities of consolidation policies.

Upper level governments have to promote economic development policies, administrative reforms, preventive social policies and human resources to combat the reasons and not only the symptoms of fiscal crisis.

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