

**Deutsches Institut für Urbanistik
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Occasional Paper

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**Growing Discrepancies in Current German
Urban Development**

**The growing economization of local authorities and public activities versus the
increase in social segmentation and segregation**

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This contribution is composed of a number of somewhat simplifying propositions on crucial aspects of present urban development in Germany. They are based on recent studies of mine on topics such as "Urban development and structural change", "Public-Private-Cooperation in urban development" or "Urban development in East German Cities". A sound proof of these propositions is not guaranteed; further research is needed.

Proposition 1: Urban development in industrialized countries in Western Europe, including Germany, is determined to a high degree by a number of decisive economic development factors, especially:

- the growing globalization of production and labour markets as well as trade in goods and services,
- processes of interrelated business concentration, reorganization and spatial shifts,
- a growing tertiarization involving the secondary sector and its reorganization, too,
- and the implementation of innovative technologies and of procedures and structures of production, which at the same time permit and accelerate economic restructuring.

Globalization and internationalization are reinforced by a growing concentration in the business sector and the formation of big transnational corporations determining world markets. For these corporations the centre of the "capitalist world economy" is no longer Europe, but the so-called Triad, consisting of Europe, Northern America and Japan/Southeast Asia.

The political reaction to this economic concentration and to the fact that these

large corporations are increasingly escaping the control and supervision of individual countries has been to set up supranational political and organizational entities: Common Market and European Union in Europe, NAFTA in North America, AFTA in Southeast Asia.

The spectrum of consequences of these increasing globalization tendencies, all seeking the improvement and growing effectiveness of the economic conditions for production, marketing and profit realization, is broad. It ranges from:

"an economic boom in Southeast Asian countries, combined with high increases in growth and productivity in industrial and service sectors and still low wages (in relative terms) to a longer lasting recession - linked with de-industrialization, broad-ranging rationalization, low growth rates and high wages - in formerly leading countries of the world economy (like the industrialized countries of Western Europe and the U.S.A.) which all set their hopes on a growing tertiary sector and its supposed ability to compensate for the present structural problems of the economy" (1). In this context it is often left out of consideration that most of the services provided by the tertiary sector are oriented towards production and that further industrial decline will be consequently connected with a decreasing demand for these services.

One of the central results of these radical changes in the world's economic structures with regard to urban development is an increasing migration on the global and national levels involving growing segments of the population. Main direction of this migration is from economically weak to (often only on a putative basis) thriving regions as well as from rural areas into urbanized agglomerations.

Proposition 2: In German cities economic recession, international business investment and locational policies, and far-reaching migration movements are superposed and aggravated by the consequences of a specific German event; the unification of the former two German States and the fact that almost overnight, a former Comecon country (Council for Mutual Economic Aid) became part of Germany. This unification, in addition to structural adjustments and to struggling recession, imposed another task on Western Germany; one which to be financed primarily by financial transfers from West to East, and which had initially been estimated for too modestly: the transformation of social, economic and labour market structures to West German standards and therewith internationally competitive ones. (2)

Until 1994 the assertion that a large part of financial transfers, amounting to DM 100 billion per year since 1990, was not an advantage to the re-construction of East German urban structures and infrastructures, but to the bank accounts of West German speculators and investors, was for many malicious misrepresentation. Since the publication of a well-founded article in the newspaper "SPIEGEL" in early 1995 this assertion has been backed by facts. (3)

Proposition 3: According to observers, globalization, tertiarization and drastic modernization policies based on the use of new technologies have brought about a distinct segregation of local labour markets in West German cities:

into an upper market segment with relatively safe and well-paid jobs, persistently defended by their proprietors and a lower market segment consisting of unstable and badly paid, often short-termed or part time jobs. This segment of the labour market contains a high proportion of women, immigrants and unskilled workers.

The labour market conditions in East German cities - it should be added - are substantially less favourable than in West Germany. The deconcentration and dissolution of former economic integrated plants and extensive deindustrialization policies led to the loss of around 3.9 million jobs in East Germany between 1989 and 1994 (4). Since the job compensation hoped for from the modernization of the East German economy remained lower than expected, the unemployment rate in some cities rose abruptly from 0 % to 20 % and more (5) (regardless of an additional hidden unemployment due to premature retirement regulations and public sector job creation programmes).

The number of unemployed persons, temporarily or permanently excluded from the labour market has stabilized at around 3.5 million, with an unemployment rate of nearly 9 % in West Germany and more than 14 % in East Germany. (6) Current labour market statistics reveal strikingly high numbers of so-called permanently unemployed persons (longer than 12 months) and the fact that a growing percentage of the unemployed are forced to become welfare recipients. In late 1991 more than a third of all welfare recipients named unemployment as the main reason for their indigence. (7)

A quick change of this situation is not to be expected on the German labour market. On the contrary: present forecasts predict continuous high unemployment rates for West and East Germany into the next millenium. (8) The economic growth predicted for the same peroid will hardly mitigate this situation, since growth and productivity rates will diverge in the future, too. Consequently, economic growth will be jobless growth.

The dynamics of the overall economic development and the resulting structural changes in private enterprises and labour markets are effecting all German cities - though with differences as to intensity, form and time. Islands of the blessed have become rare in Germany.

The outcome of this development is by no means certain: some researchers (Prognos-AG) predict East Germany will become the "growth engine" for Germany's future; for others, deindustrialization in East Germany has already advanced too far for a scenario of successful reindustrialization to occur - as long as there is no fundamental change in economic policy. (9)

Proposition 4: For German cities, globalization, Europeanization, economic change and changed market conditions generally mean an intensification of interurban/interlocal competition. This competition is additionally strengthened by the fact that, due to changed conditions of production, natural location factors are losing in importance in favour of socially produced and therewith reproducible ones. As a result, growing numbers of cities are becoming potential competitors for the same enterprises and investors, and, given increasing internationalization, competition is increasingly a trans-border

factor.

The competitive struggle for the establishment of the Central Bank of Europe, which was fought out on the highest levels between cities like London, Paris and Frankfurt, is a well-known recent example.

Intensified competitive conditions and the conviction of many relevant local decision-makers of their obligation to participate in this competition at almost any cost have led cities and local authorities to make more and more adjustments and changes in recent years. Depending on structural and financial conditions and capabilities for action these changes differ from city to city, but they all have the same goal: to improve the competitive position by a market oriented (that is oriented to the common and even world markets) restructuring and consolidation. (10) The strategies applied to meet this goal mainly concentrate on the improvement and elaboration of local economic development and so-called "hard" and "soft" locational factors relevant to competition.

"Hard" locational factors are especially good (inter)national and regional traffic- and communication relations; sufficient supplies of industrial sites, meeting the latest requirements; a skilled labour force and, with increasing relevance, a broad range of business oriented services.

"Hard" locational factors are taken to be the primary and necessary prerequisites for further urban development. With regard to spatial decisions of private investors and a highly qualified workforce the existence of these "hard" locational factors, which are more or less ubiquitous in West German cities, is no longer sufficient. The restructuring and therewith increasing qualification levels of inner city jobs; changing demands of those working there with regard to urban environment and infrastructure, as well as a growing orientation of local activities towards international trends and standards have caused a general increase of additional "soft" local factors since the second half of the 80s. These are factors like image, atmosphere, urban design, or cultural and recreational facilities. (11)

The activities and measures adopted by German cities in this regard go from an optical and aesthetic improvement of city centres to the rediscovery of inner city water and green areas to the construction of architectonically spectacular prestige projects in the cultural, sports, and leisure sectors and the realization of a broad spectrum of image-effective exhibitions, events and festivals. Two German sociologists, Häußermann and Siebel, have named these activities, which started in West German cities in the second half of the 80s, and in many East German cities only recently, the "festivalization of cities". (12)

In view of these efforts to increase the attractiveness of cities (more precisely, of the city centers and individual, already privileged urban areas) and the growing priority of economic aspects with regard to further urban development, one can also observe a gradual economization of urban development planning (13):

especially in the big cities, comprehensive and integrated urban development planning has been substituted by so-called project planning, concentrating on the realization of individual and economically significant big ventures,

in other cities, multisectoral local development planning has been replaced by planning approaches oriented mainly towards questions of economic development and business promotion. In this context, sectoral planning has deferred - as far as possible - to the goals and objectives of local economic development (to give an example: "Culture as economic development factor"), and especially in smaller and medium-sized cities there has been a significant increase in local marketing strategies - with recourse to the strategies and practices of the private sector. Comprehensive urban development is substituted by "urban marketing approaches", the central purpose of which is to sell cities optimally.

Parallel to this development there has been a noticeable, gradual contraction in the perspectives of many urban decision-makers. The complex urban system with its many and complicated structures and interdependencies is increasingly lost sight of. This is true for some economically irrelevant urban areas, too. Economic considerations, which aim at securing the economic workability and efficiency of cities are to the fore. But even these are quite often reduced: to one-dimensional strategies (like increased tertiarization) or to individual projects (with a far reaching neglect of their impact on existing urban structures).

Proposition 5: Since the early 90s not only local activities and strategies have been increasingly determined by competitive aspects and growing economization. Economic principles are now to be introduced even in local administrative structures, which are to be subject to a general modernization and reorganization. Model for these efforts is the private sector and its enterprises. Obvious evidence is the new administrative terminology: cities are understood now as (service)enterprises, which have to be headed by urban managers, local residents are redefined as local clients, and administrative directives are substituted by contracts. ([14](#))

The main goals of this modernization process are on the one hand an improvement in the internal effectiveness of administrative structures and procedures, and on the other hand a structural change in the public sector by reducing and removing its services through total or partial privatization. The expectations and hopes associated with this modernization following the principles of the private sector are mostly great, since public sector representatives rate the problem solving capacity of private sectors and markets quite high. ([15](#))

Local decision-makers are provided with additional support (and pressure) in their efforts at reorganization and privatization by the present liberalization and deregulation policies of the federal government. These policies, aiming at securing the competitive capacities Germany as a location for economic activities and investments are explicitly oriented towards "more market and less state".

Because of these changes, the present situation of a growing number of German local administrations is marked by two trends ([16](#)):

firstly, reorganization of local administrations on to the model of the Dutch city of Tilburg with decentralized responsibilities with regard to resources on

the one hand and the introduction of centrally located controlling (with regard to the main lines of administrative activities) on the other; former departments and offices are dissolved and substituted by so-called special and steering services, secondly, formal or material privatization of an increasing number of public sector services in the course of rapidly spreading efforts towards cost reduction and budget consolidation. These efforts are caused especially by the large local budgets deficits owing to recession, economic structural change and decreasing local revenues in the face of rising expenditures (partly because of the follow-up costs of image-effective prestige projects).

In this context the characteristic goals and principles of the public sector (like common weal orientation, local welfare duties) are set aside as well as the discussion of the question which tasks and services should definitely remain with the public sector because of present socio-economic problems and hardships. To the fore are short-term fiscal considerations, causing the successive privatization especially of those local functions and services, that are profitable, and provoking the loss of secure and continuously flowing revenues for local budgets.

Proposition 6: Economic activism accompanied by an abandonment of comprehensive perspectives for the whole city and its different sectors, and a growing political-ideological economic liberalism (on the federal as well as local levels) are linked with the effect that social problems and their consequences, relating to structural change, rationalization and globalization (and in East German cities to an additional, general and abrupt process of transformation) not only are not mitigated but are often aggravated.

On the part of official policy, these problems were initially:

often pushed aside: a shortage in the market segment of cheap and affordable housing for instance, which already became visible in the late 80s was simply ignored for a long time by responsible political-administrative decision-makers, and in 1992 "the topic of urban poverty was not really in existence", in the view of the federal government, ([17](#)) secondly, social problems were scaled down to temporarily limited ones; shortly after the so-called "turning-point" (unification) in Germany chancellor Kohl promised flourishing landscapes to the East Germans for the near future, thirdly, problems became individualized; socially produced problems like unemployment or "new poverty" were conceived as individual destinies or the result of individual misconduct. The responsibility for remedying these problems was thus placed on the victims. Most recent cost reducing measures in the social welfare sector provide clear evidence.

As a consequence of this restricted perspective, differentiated surveys and analyses of local problems (for instance local poverty reports) were often carried out at a late date; necessary funding programmes and strategies likewise were installed belatedly and with only insufficient means; and at the same time increasing trust was put in the problem-solving capacity of market forces. This is true especially for the federal level; but in many local authorities, too, insufficient attention was paid to growing social problems or they were understood as temporary and limited ones that could be settled by active local

economic development policies.

Integrative strategies, combining elements of economic, labour market and social policies are lacking; instead and in keeping with the spreading logic of privatization, strategies are being rediscovered that always experience a renaissance in times of worsening social problems and scarce public monies: strategies relying upon self-help and greater citizen engagement.

Proposition 7: The present situation in German cities is characterized by the fact that the numbers of unemployed persons, of social welfare recipients and generally of households with low incomes have continuously increased and have now stabilized on quite high levels. Social segregation and segmentation are no longer phenomena described only by Anglo-American urban sociologists; they are increasingly becoming features of German urban societies. The number of unemployed persons - to mention only a few figures - now amounts to nearly 3.5 mill. persons (with 2.5 million unemployed persons in Western Germany and 1.0 mill. in the new federal states) ([18](#)). The total number was the highest in early 1994 with nearly 4 mill. persons. Already in 1990 nearly 30 % of the West German unemployed (513.000) were jobless for longer than one year and were therefore counted among those permanently unemployed. This relation has not changed in recent years: today nearly 800.000 persons in Western Germany and 360.000 in the East belong to this segment of unemployment. ([19](#))

A continuous increase can also be noticed in the number of recipients of current social welfare payments: from 850.000 (in 1980) to 2.2 mill. persons at the end of 1993 in the western part of Germany (add to this roughly 290.000 welfare recipients in the East) ([20](#)). Most frequent reason for this neediness is unemployment (in 35% of the West German cases, and 63% of the Eastern ones) ([21](#)). It is striking that the percentage of persons under 18 years of age has risen continuously to nearly one third, and that today in Western Germany more than 6% of all children younger than 7 years depend on current social welfare payments. Experts are already talking about an "infantilization" of poverty in Germany. ([22](#))

In 1992 the total number of persons living on the poverty line in Germany was estimated at around 5 million or 6 % of the population. In mid-1994 one quarter of the German population was considered to be menaced by poverty. ([23](#))

The crucial social problems in German cities - as in other countries - include homelessness and housing shortages. At the beginning of 1992 the number of women and men living in the streets was estimated at 150.000; around 800.000 had to live in so-called emergency dwellings; a further million were threatened with the loss of housing. ([24](#))

One of the central consequences of the present conditions on local housing markets is the growing tendency for a ghettoization of poverty: by means of spatial segregation of poor households and by their concentration in specific areas. The urban population divided in economic terms is becoming spatially segregated as well. ([25](#))

All these problematic developments affecting growing segments of the population show significant regional differences. Following unification, the

former so-called South-North incline is now superposed by an additional East-West-incline. Despite these differences, it is remarkable however that these problematic developments can be observed in all parts of Germany, especially in the big cities.

The so-called "two-thirds society" is no longer a catch word in Germany, but a local reality: even in cities which are considered to be economically strong and rich. The poverty report of the city of Munich, for instance, indicates that despite a relatively positive economic development the number of poor people in Munich increased between 1986 and 1995 by 75% to more than 145.000 persons. (26) In Hamburg more than a third of the 820.000 urban households was classed among the group with low income at the end of 1992, (27) and in the economic metropolis of Germany, Frankfurt, almost 90.000 of the 660.000 households are classified as poor; nearly half of these are social welfare recipients. (28)

Early in 1995 the German Institute for Urban Affairs published a study on the subject of "New Poverty". (29) It sums up the essence of recent developments as follows: in contrast to the 'old poor', "who were mostly incapable of working, or sick or old, the new poor are able to work, unemployed and largely young." (30)

Proposition 8: As local reality proves, the predominance of policies for economic development and locational improvement as well as the economization of administrative structures and procedures are contributing little towards counteracting or reversing growing social problems, caused by overall economic and labour market developments. On the contrary: quite often these policies contribute to a further aggravation of problems; urban improvement strategies, for instance, frequently cause displacement and shortages (in cheap housing or specific industrial jobs). Simultaneously in times of restricted budgets economic expenditure priorities - this is especially evident in federal government policies - are linked with restrictions and cost reductions in other fields of activity (mostly in the social sector).

For ever greater sections of the urban population - not only for the poor and underprivileged strata, but especially for groups in fear of destitution, the present situation and prevailing local policies cause increasing acceptability problems and social insecurity. Often quoted forms of reaction are political disaffection and decreasing voting, political radicalism (revival of right wing parties) and irrationalism, but also new forms of nationalism, in compensation for individually experienced losses of identity (economic, social or political).

But social tensions and conflicts that are increasingly difficult to integrate politically are quite the reverse of the goals intended by the competition oriented policies of cities. They endanger one of the central economically relevant locational factors of German cities: political stability and social peace. More market orientation and unquestioned competition alone - this holds equally for many federal and local policies - are therefore counterproductive. (31)

Reliable prognoses on the development of German cities and their problems are not possible at present. This development will depend decisively on the answer to the question:

whether the system of social security will be further diminished, together with an extensive privatization of public competences and an increasing transfer of the solution of social problems to market forces or whether - and this is already required by some neo-liberals reversing former beliefs - we will see the re-establishment of a strong, optimally regulating and consensus-based public sector (state) (32): a public sector that no longer reacts with business management measures to problems of the national economy and which is able to project multisectoral and integrative concepts for comprehensive social problems, and no longer limits its activities to one-dimensional "irritation-reaction" patterns.

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- 1 *Werner Heinz*, Weltweite Entwicklung der Städte, Bilanz der 17. INTA-Konferenz in Hongkong, in: *der städtetag* 4/1994, p. 279.
 - 2 See *Josef Esser*, Das neue Deutschland - Zwei Gesellschaften in einem Staat (Teil 1), in: *links*, H. 11 (1991); *Martin Gornig*, Ökonomische Perspektiven Ostdeutschlands und mögliche Konsequenzen, in: *Hartmut Häußermann* (Hrsg.), *Ökonomie und Politik in alten Industrieregionen Europas*, Basel 1992, p. 232 ff.
 - 3 See *Baggern statt Denken*, in: *DER SPIEGEL* 7/1995, p. 46 ff.
 - 4 *Gabriele Andretta und Martin Baethge*, Der nicht enden wollende Übergang, *Frankfurter Rundschau*, 14 October 1994.
 - 5 In September 1994 the average male unemployment rate in East Germany amounted to 21.5 %; the female one came to 26 %; see: *Plädoyer für eine sozialpolitische Offensive*. Ein Papier der Bundes-SGK, in: *Demokratische Gemeinde* 2/1995, p. 46.
 - 6 *Zahl der Erwerbslosen sank auf 3.46 Millionen*, in: *Frankfurter Rundschau*, 8 June 1995; this decrease was only a short one; since then the unemployment rate has risen constantly: to around 4.6 million in early 1997.
 - 7 *Sozialhilfe - warum? (Chart)*, in: *die tageszeitung*, 22 October 1991.
 - 8 *Rudolf Hickel und Jan Priewe*, Der gespaltene Arbeitsmarkt der Zweidrittel-Gesellschaft. Auf dem Prüfstand: Prognosen für Wachstum und Beschäftigung in Deutschland für den Zeitraum von 1992-2010, *Frankfurter Rundschau*, 19 August 1994.
 - 9 Ibid.
 - 10 See *Werner Heinz*, Die marktgerechte Stadt, in: *der städtetag* 5/1990, p. 344 f.
 - 11 See *Werner Heinz*, Stadtentwicklung und Strukturwandel, Stuttgart 1990, p. 8.
 - 12 *Hartmut Häußermann, Walter Siebel* (eds.), *Festivalisierung der Stadtpolitik*, Opladen 1993.
 - 13 *Werner Heinz*, Prinzipien der Wirtschaft halten Einzug, in: *der städtetag* 9/1992, p. 631 ff.
 - 14 *Gerhard Banner*, Von der Behörde zum Dienstleistungsunternehmen, in: *Verwaltung, Organisation, Personal* 1/1991, p. 6 ff.
 - 15 *Werner Heinz*, Öffentliche und private Akteure - Kooperation oder Konfrontation?, in: *Jörg Mayer, Jürgen Eppinger* (eds.), *Planen für städtische Räume*, Loccumer Protokolle 51/94, p. 136.
 - 16 See *Werner Heinz* (ed.), *Public Private Partnership - ein neuer Weg zur Stadtentwicklung?*, Stuttgart 1993, p. 37 f.
 - 17 *Rainer Frank*, Armut in Deutschland und die Folgen, in: *Demokratische Gemeinde* 2/1992, p. 45.
 - 18 see *Frankfurter Rundschau*, 8 June 1995.
 - 19 *Ulla-Kristiane Schuleri-Hartje, Jörg Potthast*, Neue Armut - Handlungsansätze der Kommunen, *Difu-Materialien* 3/95, p. 34, *Die Langzeitarbeitslosen* (Chart), *Süddeutsche Zeitung*, 22 May 1995.
 - 20 *Immer mehr Bürger brauchen Sozialhilfe*, in: *Frankfurter Rundschau*, 7 June 1995.
 - 21 Ibid.
 - 22 *Thomas Becker*, Der Kampf gegen Armut, Arbeitslosigkeit und mangelnde Integration in Deutschland, in: *Nachrichtendienst des Deutschen Vereins für öffentliche und private Fürsorge*, 8/1994, p. 289.

- 23 Ibid, and *Mehr als sieben Millionen Deutsche leben in Armut*, in: Frankfurter Allgemeine Zeitung, 21 January 1994.
- 24 *Evangelische Obdachlosenhilfe e.V. (eds.)*, Bekämpfung von Armut und Unterversorgung in Deutschland, Positionspapier der nationalen Armutskonferenz in der Bundesrepublik Deutschland, manuscript, Stuttgart, 5 February 1992, p. 10.
- 25 *Karl Koch*, "... die im Dunkeln sieht man nicht" oder Armut in Frankfurt am Main, Katholisches Bildungswerk - Referat Kirche und Arbeiterschaft, manuscript, Frankfurt 1992.
- 26 *Landeshauptstadt München, Sozialreferat (ed.)*, Münchner Armutsbericht '95, München, October 1995, p.3; because of a simultaneous increase in the city's population the rise of the poverty rate was slightly lower (71 % between 1986 and 1995).
- 27 *Karsten Plog*, In der reichsten Stadt wächst die Armut, in: Kölner Stadt-Anzeiger, 6 October 1992.
- 28 *Erfolgsmodell Frankfurt ist doppelt gescheitert*, Peter Bartelheimer über Armut in der Stadt, Frankfurter Rundschau, 26 February 1995.
- 29 *Ulla-Kristiane Schuleri-Hartje, Jörg Potthast*, l.c.
- 30 Ibid, p. 8.
- 31 *Werner Heinz*, Prinzipien der Wirtschaft halten Einzug, l.c., p. 634.
- 32 *Werner Heinz*, Partnerschaftsprojekte für die Stadtentwicklung, Lehren und Thesen, in: der städtetag 3/1992, p. 213.

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