CITIES IN THE TRANSFORMING POST-COMMUNIST COUNTRIES: TEN YEARS OF ECONOMIC, SOCIAL AND SPATIAL EXPERIENCE

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TRANSFORMATION OF LIFE, WORK AND COMMUNITY
IN POST-SOCIALIST EUROPE:
A WESTERNER STUDIES NOWA HUTA

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Abstract: On the basis on ongoing research which explores the transformation of work and community in Nowa Huta, Poland, this paper reflects on the nature and value of east-west research and on the connections that can, and should, be made between the varied urban geographies of Europe. Drawing attention to some themes which connect the urban geographies of eastern and western Europe, it argues that we have a responsibility to distant geographies but that responsibility rests not simply on studying those distant parts as exotic and intriguing sites for research but on connecting our lives and our geographies to those of distant others.

Key words: work, community, east-west research, post-socialism Europe, Nowa Huta (Poland).

INTRODUCTION

Nowa Huta, a district of Krakow (Cracow) in southern Poland, founded in 1949 as the largest project in Poland's first six-year plan and as a symbol of Poland's industrial and socialist future, centred on the then Lenin Steelworks,¹ and later a bastion of Poland's opposition movements, has long attracted attention from researchers, in Poland and beyond. The town's economic and political importance at all stages of Poland's post-war development mean that it represents a very particular urban and industrial experience. This paper reports on a research project aimed at exploring one part of the process of urban transformation—the changing relationship between work and community—but presents concrete findings only in an abbreviated form.² Instead the paper aims primarily to reflect on the nature of east-west research and on the connections than can, and should, be made between the varied urban geographies of Europe. The paper begins with an exploration of studying Nowa Huta before leading into a discussion of the rationale behind my particular project.

¹ At their height the steelworks employed around 40,000 workers and the town of Nowa Huta as a whole became home to close to 250,000 people.
² Originally conceived as an independent town, Nowa Huta has been a district of Krakow since 1950. It nevertheless possesses a distinct identity and, to a certain extent, a distinct economy, thus I continue to refer to it as a town.
³ These are developed elsewhere—see Stenning 2001, 2003 and <www.nowahuta.info>.
A brief discussion of post-socialist transformations is followed by the presentation of some research results, organized around five key themes. These results highlight not only the post-socialist experiences of Nowa Huta but demonstrate also what can be learnt from Nowa Huta and the contexts in which these lessons must be learnt. In the concluding sections of the paper, the focus of discussion is on the nature and purpose of east-west research and builds on existing debates in geography on the responsibilities of cross-cultural and distant research (Domański 2004; Potter 2001, 2002; Smith 2002; Timar 2003).

STUDYING NOWA HUTA

This project is far from the first which recognizes and draws attention to the value of studying Nowa Huta. In an earlier period of dramatic transformation in Poland, there was a proliferation of research, geographical, sociological, demographic, which explored the adaptation of parts of the Polish population to modern, urban life and to the new political economic realities of Soviet-style socialism. That Nowa Huta played a special part in these wider transformations and studies is testified to by the growth of 'Nowa Huta studies' (see, for example, Blok-Ivińska 1960, 1961; Goban-Klas 1971; Kwiecień 1962a,b; Siemieńska 1967, 1969; Stojak 1967; for a rare Western example, see Fisher 1962) and the creation in 1963 of a Nowa Huta section (Sekcja Nowohucka) of the Sociological Commission of the Polish Academy of Sciences (Kraków branch) (Dobrowolski 1964). Of course there were clear political reasons why Nowa Huta attracted such attention in the 1950s and ‘60s but there were also good academic reasons; Nowa Huta was a place which could tell us a great deal about the way societies worked, the way communities formed identities and about the links between work, community and identity. 4

The place of Nowa Huta in academic research declined somewhat in the middle years of Polish socialism, though the development of the steelworks and town continued to garner attention (Górka 1985; Soja 1986). In the late 1980s and early 1990s, however, another wave of researchers, both Polish and Western, came to see Nowa Huta again as a valuable example for understanding wider social and economic shifts (see, for example, Domański 1990; Prawelska-Skrzypek 1990). Throughout the 1990s, research focused on the restructuring of the steelworks and the social and physical health of the community as indicative of wider transformations in Poland and central Europe more widely (Hardy et al. 1996; Niator 1997, 2000; Watson 1998). At the same time, the opening of the archives and shifting political agendas allowed for the emergence of retrospective and revisionist histories of Nowa Huta's early development in the wider context of the country's and the region's broader transformations, again by both Polish and Western historians (Janus 1999; Jarosz 1997; Lebow 2001; Krakowskie Forum Rozwoju 1997; Towarzystwo Miłośników Historii i Zabytków Krakowa 1999; Terelecki et al. 2002). In short, repeatedly throughout its brief history, Nowa Huta has been used as an important research site, as a result of the ways in which the town, its economy and community enable us to try to understand broader processes of social and spatial change.

In the period of transformation and adaptation during the 1950s and ‘60s, it was important to try to understand how people in their communities were dealing with and responding to the challenges of urbanization, industrialization and the attempted Sovietization of Poland. In later years, the focus has been instead on understanding the consequences of deindustrialization, globalization and the 'Europeanization' of

4 Dobrowolski suggested 'that the reconstruction of social processes of development connected with the creation of Nowa Huta possesses great significance for the theory of the formation of industrial society, for the theory of migration, for the theory of the adaptation of the peasant population, for issues connected with the sociology of work, for the theory of the processes of social disintegration and integration, for the theory of the clash of old and new cultural values' (Dobrowolski 1962: 158).
Poland, yet in all these periods, Nowa Huta has offered a valuable site for study. For me too, the choice of Nowa Huta as a research location was based on the town’s privileged location within socialism (that is, its explicit construction as a ‘space of socialism’), its position at the forefront of the oppositional movements of the 1980s and its particular articulation with contemporary discourses of globalization, marketization and EU accession, shaped by the restructuring of its principal workplace. Whilst far from typical, Nowa Huta presents an incredibly productive case study of the remaking of communities in post-socialism. Through this case study, the project attempts to contribute to wider debates over the nature, meaning and emergent geographies of post-socialism and the relationship between economic restructuring and social change more broadly, most particularly through the work/community relationship. Thus, the project on which this paper is based rests on the coming together of two pairs of research strands. The first strand relates to i) a desire to explore the lived experiences of post-socialist transformations, that is their influence on the everyday lives of people in the region (see, for example, Burawoy and Verdery 1999b; Hann 2002) and ii) a recognition that Western social scientists have been paying ever increasing attention to the restructuring of everyday lives through the transformation of work and community as one of the most important manifestations of the so-called ‘new economy’. The second strand relates to an interest in iii) the mutual construction of space and society, that is the notion that places are structured in part by wider socio-economic systems, but elements of what makes a place what it is (its history, institutions, economic structure) are active in constructing or changing the nature of social systems, and specifically, iv) in the particular experiences of places which built and were built by socialism in east central Europe and the former Soviet Union. There is an implicit comparison in this work (see also Kenney 1997; Lebow 1999), as I work in the context of Western geography, reading and learning Western geographical literatures and thus present an ‘outsider’s view’ of Nowa Huta and Poland (see Szymonska 2003). What this means is that, almost inevitably, my work is informed more by English-language literatures (despite the use of Polish literatures in studying Nowa Huta itself) and thus this paper develops an ongoing dialogue between Eastern and Western accounts of geography and transformation.

STUDYING TRANSFORMATION

In the years since 1989 considerable progress has been made in the ‘transition’ from socialism to some sort of capitalism by all of the countries of the former Soviet bloc. In this context, Poland is regularly identified as one of the front-runners in reform, in the first wave of accessions to the European Union. However, focusing on the success (or failure) of reform at the macro-scale ignores the changes that have taken place behind the headline events. The emergence of post-socialism in east central Europe has been accompanied by radical and wide-ranging transformations in the daily lives of the people of the region yet less work has explored these spatial and local dimensions of change, such that much of the literature lacks an understanding of the role of people and institutions at the local level in transforming social and economic systems and building new practices. The processes of marketization and democratization, central to post-socialist transformations, are processes which radically restructure people’s daily lives and lived experiences in a hundred and one ways. The changes wrought by the end of socialism and the construction of something new (be that market democracy or something else) alter the spaces of culture, politics and the economy. Amongst other things, they redefine ideological priorities, they validate new forms of activity (political, economic, social and cultural) and condemn others, they shift the balance of power and authority to new groups, who exercise that authority in new ways and they translate no-
tions of citizenship, nationality and belonging. In short, they transform people's lives.

Many of these themes echo through contemporary literatures on social and economic change in the West, with recent years characterized by a growing focus on understanding the so-called 'new economy' and its social, cultural and political implications. Considerable attention has been paid, for example, to the processes of change in old industrial communities where both social and economic relations apparently more appropriate to an earlier era are transformed and restructured. The geography of labour is seen to shift to globalized sites, networked into flows of knowledge and capital, rather than localities dominated by factories or mines; with these shifts, the nature of work and the broader social relations of employment change as some regions are increasingly characterized by unemployment and by low-wage, marginal employment, offering far fewer of the social and political benefits of older forms of work. In this way, traditional institutions such as trade unions are forced to restructure and traditional industries are relegated to wasteland or heritage (Cowie and Heathcott 2003; Dicks 2000; Linkon and Russo 2002). New social and political landscapes are created with new patterns of inclusion and exclusion, shaping geographies of everyday lives in Nowa Huta, focusing on the contradictory experiences of freedom and mobility during and after socialism. The focus then shifts to another angle of Nowa Huta's historical experience which remains of critical importance today—the politics of its heritage. These four discussions lead into a more general account of transformation in Nowa Huta, drawing out themes of work, class and community and identifying some spaces of hope (Harvey 2000) in the post-socialist landscape.

LABOUR AND THE LANDSCAPES OF (POST-)SOCIALISM

A growing body of work within geography (see, for example, Herod 1997 1998; Sadler and Thompson 2001) draws attention to the role of labour in actively shaping economic landscapes, challenging the more capitalocentric (Gibson-Graham 1996) scripting of economic geographies. In east central Europe and the former Soviet Union (ECE/FSU), labour institutions have long played a central role in the construction of economies. Under socialism, trade unions and workplaces were charged with the responsibility for social provision and the transmission of the role of organized labour in shaping economic and political life. The second theme develops the theme of work more broadly, exploring the wider social place of work in socialism and post-socialism. This leads into a discussion of the geographies of everyday lives in Nowa Huta, focusing on the contradictory experiences of freedom and mobility during and after socialism. The focus then shifts to another angle of Nowa Huta's historical experience which remains of critical importance today—the politics of its heritage. These four discussions lead into a more general account of transformation in Nowa Huta, drawing out themes of work, class and community and identifying some spaces of hope (Harvey 2000) in the post-socialist landscape.

The research on which this paper is based employed a range of qualitative methodologies including in-depth, semi-structured interviews with residents of Nowa Huta, interviews with a number of 'key informants' and 'gatekeepers' within and beyond the community, a review and analysis of literatures on Nowa Huta and a range of newspaper sources, and ethnographic work, including participation in a number of meetings, in Nowa Huta. I carried out thirty two interviews with residents of Nowa Huta, whose ages ranged from 18 to 87, identified through existing contacts but chosen to reflect a wide range of perspectives within the community; these interviews followed an interview guide which explored relatively freely themes of work, home, social lives, relationships with friends and neighbours, Nowa Huta itself and Krakow, amongst others.
sion of political economic doctrine (Pravda and Ruble 1986). In socialist cities, the very tight relationship between workplaces and communities exaggerated still further the importance of labour institutions. In Nowa Huta, Huta Lenina was without doubt the central ‘town-forming’ institution. The work it provided, the facilities it supported and the trade unions it housed played a major role in shaping not only the built environment, but also the nature and scope of social, cultural, recreational and domestic lives.

The dominance of state-sponsored labour organizations began to be questioned as opposition to the socialist regime grew; the relationship between workers and the institutions which were supposed to support and represent them was faltering. In their place, new looser movements were emerging; Nowa Huta’s workplaces, churches and homes developed into sites of resistance and organization as informal networks arose to challenge the state and provide for the community’s everyday needs in place of the state (Bivand 1983; Kenney 2002). The creation of Solidarity in 1980, and its later prohibition, was coupled with the established forms of work-community relationships to shape the role of workers’ organizations within and beyond the sphere of traditional workplace politics. At the national and regional scales, Solidarity contested the policies of the communist regime, promoting and fighting for alternative economic strategies.

In the post-socialist period, the legacy of these movements is seen in the structures established or maintained to ease the community transformations which accompany the restructuring of the steelworks. The proliferation of workplace trade unions is just one example of the continued presence of labour organizations in Nowa Huta; the activities of these organizations beyond the workplace build on and reflect the history of community action practised both under socialism and during the Solidarity years. Whilst attention is still paid by the unions to issues within the workplace, recent threats to the steelworks’ survival have reinforced the focus on the scale of the community. Through a range of activities such as social assistance funds, charitable organizations and pensioners’ centres and networks, the steelworks’ trade unions offer moral, financial and in-kind assistance to workers, former workers and their families (Stenning 2003). In a reversal of western forms of ‘community unionism’ (Wills 2001), in this case extra-workplace organizing is oriented less towards the renewal of the union than the reproduction of the community.

REMAKING WORK AND COMMUNITY

The politics and practices of trade unions and their allied institutions are just one aspect of the work/community relationship. Across the former socialist world, work was afforded a central place in the lives of communities and became the basis for a particular form of paternalism (Domański 1992, 1997). A political economy of scarcity strengthened the socialist enterprise’s control over the industrial town in the east and the extreme level of integration between production and social policy under the socialist regimes of east central Europe meant that there were rarely alternative providers of welfare, recreational or consumer services (Offe 1996). In places like Nowa Huta, this relationship offered security and social advance (see, for example, Goban-Klas 1971; Stojak 1967; Siemieńska 1969), providing a home, access to a network of social and cultural facilities and wages high enough to provide for a family.

The recent breakdown of this labour contract and the loss or weakening of institutions such as state enterprises, co-opted

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6 HiL financed a health service employing 150 doctors plus ancillary staff and offering a full range of general and specialized medical services for employees, pensioners and their families, premises for vocational training, a metallurgical training school, a cultural centre, a sports club and stadium, a theatre, two cinemas and subsidized holidays (Hardy, Rainnie et al., 1996: 150). Huta Lenina did not own, but assisted in the maintenance and construction of, much of the town’s stock of housing and many goods and services were provided, formally or informally, through the steelworks.
trade unions and the constitutional right to work have fed the emergence of unemployment and fragmented, insecure forms of work. Interviews in Nowa Huta demonstrated how growing insecurity, fear of job loss, increasing pressure to commit more and more of life to work and an erosion of domestic and social lives are seen to result from new forms of work. Work available today rarely offers the financial basis to support a family; the low level of pay and insecurity of employment restricts access both to the essentials of daily life and to social and cultural activities which are becoming increasingly commercialized. In addition to this financial deterioration, interviewees repeatedly noted that fear and envy at work is eroding the quality of personal relationships. As a result, the social lives built up around work are being destroyed and people are retreating to the home, reluctant to engage in activities of any kind in the wider community.

Much academic work in the UK and North America (see, for example, Bauman 1998b; Beck 2000; Sennett 1998) has suggested that work is no longer as important in shaping people's lives as it was under the post-war regimes in both east and west. What my research in Nowa Huta has demonstrated is that the apparent 'end of work' paradoxically results in the persistent centrality of work, albeit manifested in very different ways. Despite the fact that work now no longer offers the security, benefits and community once experienced in Nowa Huta, many of my interviewees testified to the continuing dominance of their lives by work, the search for work or the absence of work. People are spending more and more time and energy working, to the detriment of their lives outside work; the absence, or low value, of work is shaping, particularly, young people's lives as they have limited access to other forms of stability; and the loss of work is ruining relationships built around it. Whilst stories of the 'end of work' echo through experiences in both ECE and the west, the remaking of communities in the former is reinforced by the concurrent 'end of socialism'. This dual ending exacerbates the challenges to both the material and ideological foundations of industrial communities in ECE, heralding as it does a double decline of communities built on the efforts of socialist labour.

Perhaps the most important effect of these shifts at the scale of the community has been the shifting commonality of experience. Many of my interviewees discussed the ties, both within and beyond the workplace, which bound the community together; their lives were connected to each other through routines and institutions established around the workplace. Today, the common experiences are more likely to be of job loss and insecurity than social progression and achievement, and they are less likely to be experienced collectively. What is more, the achievements of the new system—consumption, enterprise—are more likely to be experienced individually too. The wider political implications of this fragmentation means that it is more difficult to question and deal with the ongoing transformations, echoing Bauman's (2001) identification of a disintegration of citizenship. A further danger of current discourses of work is that they erode the resources (both tangible and intangible) which contain the potential for meaningful renewal. The ends of work and socialism clearly have consequences and the ways in which these endings are narrated and understood shape the opportunities/alternatives for the future; by ignoring or undervaluing the resources of an earlier era and ascribing to the contemporary forces of capitalism an unchallenged role (Gibson-Graham 1996), the spaces in which community futures might positively be created are themselves destroyed.

MARKETIZATION, GLOBALIZATION, ACCESS AND MOBILITY

Much recent work has drawn attention to the new patterns of mobility and security emerging in the light of economic restructuring and globalization. Authors such as Massey (1993) and Bauman (1998a) have highlighted the uneven mobility of people in a globalizing era, noting that whilst for
some travel and social mobility are improved, others appear instead to be witnessing either the shrinking of their life-worlds or the expansion of horizons without the real possibility of reaching them. These stories of mobility and insecurity are especially interesting in Nowa Huta as a result of its history as a town of migrants. There is an apparent paradox in Nowa Huta now being characterized as a place of insecurity, declining mobility and uncertainty, in contrast to its earlier characterization as a place of opportunity and stability.

Poland’s immediate post-war years were marked by an ideology of construction which called on Poles to join the task of founding a new Poland, full of opportunities and offering long-term stability. It was within this context that Nowa Huta was founded; the town and steelworks were seen as a site of stability, opportunity and migration, offering possibilities for social mobility and (eventually) security. Nowa Huta’s early years were characterized by a relatively small everyday geography; lives were focused on work in, and construction of, the town and steelworks; social networks, echoing the rural traditions of the migrants’ home communities, were centred on neighbouring blocks; and a distinct division was maintained between Nowa Huta and Krakow. The provision of leisure opportunities through the workplace made trips to the cinema, theatre and opera, for example, accessible for all. In a community like Nowa Huta oriented to the needs of a strategically important steelworks and its workers, the diversity of social and cultural provision was particularly high, and embedded within the community’s urban fabric.

In marked contrast, transformations since 1989 have led to the characterization of Nowa Huta rather as a place of insecurity, restricted mobility and ‘entrapment’. Mobility and access, rather than being founded on employment status and location, are undergoing a rapid commodification; opportunities for travel, consumption and recreation are no longer supported and subsidized by the steelworks but instead provided by a plethora of commercial actors. People no longer have to holiday in the workplace pension in the mountains or subsidized apartments on the Black Sea, but this also means that there are no longer any guarantees for travel. A vast range of new leisure facilities, such as multiplex cinemas, shopping malls and a water park, shimmers attractively on Nowa Huta’s western edges, but only serves to highlight the exclusivity of leisure today. The loss of financial support from the steelworks and the growing commercialization of social and cultural facilities have not only eroded levels of provision in Nowa Huta (see, for example, Radlowska 2002), but also the community’s autonomy from Krakow. The increasing need, and desire, to visit Krakow for entertainment, education and employment does not however seem to have significantly reduced the strength of ties in Nowa Huta. Low levels of housing mobility and the association of housing tenure with the workplace have meant that networks of acquaintance and friendship tend to be long-standing and stable. Such neighbourly networks form a significant, but almost taken for granted, source of support and reinforce the strength of attachment to community.

Two themes are important to pull through here. Firstly, as many commentators have suggested, that mobility is held to be a marker of contemporary life contrasts dramatically with the experiences of many who find themselves trapped by the commodification of opportunity; that is, the increasing marketization of access to possibilities for travel, consumption, education and so on. In the post-socialist context, the shift from ideology to economy in the shaping of life chances creates a motif of uncertainty and precariousness rather than mobility and
opportunity. Secondly, these experiences shape an understanding of movement even when staying put, with a sense of dislocation emerging not from migration but from loss of the structuring institutions which shaped a community's place in the world. This notwithstanding, experiences in Nowa Huta and elsewhere suggest that the local is not only about 'entrapment' but also opportunity. The resources of communities—that is, the material and discursive sense of security constructed through networks of support and feelings of attachment—offer space for the voicing of alternatives and the protection of local lives from the erosion of commercialism. If these resources can be maintained and developed, communities can take advantage of the 'de-structuring effects' of post-socialism and the spaces for 'lifeworlds to stamp themselves on the emerging economic and political order' (Burawoy and Verdery 1999a: 2).

THE USES OF HERITAGE: INDUSTRY, CLASS AND POST-SOCIALISM

Alongside the more usual policy prescriptions for retraining, SME promotion and infrastructure developments, considerable attention has been paid in Nowa Huta to the potential uses of the town's heritage. These debates surrounding Nowa Huta's history have become more important as the post-socialist decade, in Poland and elsewhere, has been marked by a re-writing of history and the promotion of 'communist heritage tourism' (Light 2000). There are a number of dilemmas which the promotion of this kind of tourism suggests. In some cases, we see a 'snipping out' of the communist period and a recourse to earlier, more palatable histories (Young and Light 2001). In others, we see the removal of the artefacts of socialist realism to a distant site, where they can be consumed as faintly ridiculous remnants of the past (James 1999). In places like Nowa Huta the questions are trickier—its embedded sites, buildings or communities, though important in their socialist and Solidarity era heritage, continue to be places in which people live. Nowa Huta is not a museum; it is home to around 250,000 people.

The value of Nowa Huta's heritage works at two, intertwined levels. The valuing and promotion of community heritage plays a part in the attraction of external capital, but perhaps more important than the external projection of the town's identities is the perception of such images internally. The stereotyping and negative representation of Nowa Huta by outsiders undoubtedly have an impact on those living in the town. Whilst the town's particular histories have without doubt engendered a very clear 'local patriotism', the use this could be put to in supporting initiatives for community development is undermined by the defensiveness often invoked by derision from outside. In her work on the Welsh coal mining valleys and their heritage, Bella Dicks distinguishes between two different ways of talking about and presenting communities. A more political view sees 'community as a resource for future-oriented political action' (Dicks 1999: 362); a more anthropological view focuses 'less [on] the potential for communal action, and more in the enterprise of documentation and preservation' (ibid. 363). The former aims to shape the future, the latter simply hopes to represent the past.

Recent plans to promote Nowa Huta's heritage and develop the tourist potential of its history have taken a number of forms, which reflect both these representations of community. The plans of the Association for the Development of Nowa Huta aim to present the economic and social significance of the town and steelworks against the wider political and economic context of Poland and Europe whilst also promoting a development programme for Krakow East; the city council's tourist trails present an interesting, but fairly narrow image of Nowa Huta's history and the plans for SocLand, a foundation created by some of Poland's cultural elite.

* Formerly the Association for the Establishment and Development of a Museum of Nowa Huta and Huta Sendzimira.

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(including the film director Andrzej Wajda) aimed to establish a multimedia museum not to tell the story of Nowa Huta but to caricature socialist realism and 'create something like Disneyland' (Muzeum Komunizmu... 2001). Whatever the other rationales behind these programmes, the promotion of Nowa Huta’s future development is an important aspect of each. Each of these projects involves a range of actors, from members of the community, to district and city councilors, representatives of Huta Sendzimira, the European Union through offers of funding to SocLand, private investors and potential visitors from the rest of Poland and beyond. The extension of these debates well beyond Nowa Huta and the conflicts fed by the politics of the communist past make the challenge of constructing productive, future-oriented projects very difficult.

These debates highlight a quandary for the management of post-socialist heritage sites; tourists are unlikely to visit to see prehistoric relics and medieval buildings. Europe is full of these. What Nowa Huta and other ‘spaces of socialism’ offer to visitors are examples of socialist urban planning, Stalinist architecture and the physical expression of a socialist way of life. Nowa Huta’s attraction lies precisely in those representations for which it is in other circumstances derided. These communities face the challenge of capitalizing on the legacies of socialism, using their socialist heritage in the construction of capitalist futures, whilst downplaying those legacies in other spheres. The general derision of the projects of socialism coupled with the recognition that many of the spaces of socialism were also key sites in the contestation of socialism makes representing these histories for popular consumption very difficult; how can representations of Nowa Huta as a town of socialism and hero workers be balanced with a rich story of diversity and the complexity of everyday life? The success with which these conflicts are resolved and the extent to which these developments contribute to the regeneration of Nowa Huta in practice are open questions.

WORK, CLASS AND COMMUNITY IN POST-SOCIALISM

The more general theme which runs through these findings relates to the changing shape of communities in the ‘spaces of socialism’. In identifying the institutions, networks, meanings, identities and practices connected to work in Nowa Huta, this research has drawn attention to the centrality of class, work and workplace in structuring lives in/of communities, noting how, whilst there have been shifts in the forms and meanings of work and class over time, their centrality is persistent. Industrial work, once the basis of citizenship and social policy, is now eroded by economic shifts and more likely to be the basis of social exclusion than inclusion. Particular working class histories, once a source of pride and propaganda, are now likely to be derided, or caricatured for economic gain. Working class communities and their institutions are characterised less by the construction of a hopeful new reality than the alleged mistakes of a misguided attempt at reconstruction.

By narrating the history and geography of a community from the perspective of labour and founded on the everyday experiences of its populations, it is possible to identify and validate spaces outside ‘the system’ (be it socialist or emerging capitalist). Both before and after 1989, Nowa Huta has been (and remains) home to a range of institutions, formal and informal, which, though shaped by their relationship to the plan or market, possess a relative autonomy which reflects and encourages ‘lifeworlds’, mediating individual experiences of political economic systems and their transformation. Thus, for example, friendships formed in the workplace extend beyond the workplace and offer families access to, amongst other things, knowledge about employment opportunities and networks of reciprocity; ‘grey’ market retail spaces develop to fill the gap between the discourse of consumption and the material realities of family budgets.

These spaces often rest on familial and community relationships which though
articulated with contemporary formal institutions testify to a strong element of both continuity and hybridity in the repeated transformation of east central European societies. To use an earlier lexicon, what we are witnessing in post-socialism is both uneven and combined development. The unevenness of the development of capitalism feeds a fragmentation of experience. The political representation of the working class is disjointed; the collapse of social networks, destroyed often by the costs of transformation, is reflected in a wearing away of collective action and a celebration (or, more often, begrudging acceptance) of individualism and new patterns of exclusion are emerging in the region as gender and ethnicity become significant markers of poverty and marginalization. These experiences echo western stories of individualization (Bauman 2001; Beck and Beck-Gersheim 2001) and social exclusion and suggest that we should learn lessons from the erosion of community experienced in the west. This research has demonstrated the presence and value of a range of structures and institutions in the reproduction of communities; the challenge now is to formulate policies which, rather than eroding these resources still further, allow them to be used as building blocks for a secure set of futures.

**DISCUSSION**

These themes reflect clearly on the common experiences of economic and social change in contemporary Europe (and beyond). They demonstrate the need to study Nowa Huta in the context of broader transformations in both East and West. Processes of deindustrialization, labour market change, class and community transformation and European integration are as critical to understandings of Nowa Huta as they are to understandings of Western cities and regions. Yet these large-scale transformations are played out in different ways in East and West. In the accounts presented here, for example, I have identified the particular role of labour and labour institutions in the shaping of everyday lives, reminiscent of the paternalism of Western capitalism, but reflecting the particular institutional and cultural centrality of work in socialism, which produced not only the geography of socialism but continues to mould communities today. And as in the West, the uses of this heritage are contested, but are complicated by the politics of Stalinism and the post-socialist need to downplay certain legacies of socialism. Thus despite their resonance, none of the broader processes of change—marketization, European integration, capitalism—can be understood without an understanding of socialism (and indeed the pre-socialist history of Poland and the region). Yet the value of locating Nowa Huta within the broader contexts of European geographies serves not simply as a comparison but also to identify the connected, networked space of Europe and the wider world within which Nowa Huta is located and must be understood. Any attempt to study Nowa Huta in isolation is partial and inaccurate.

This study of Nowa Huta, then, aimed to respond to the continuing challenge to understand post-socialist Europe and its relationship to other social and economic forms (Soviet-style socialism, Western capitalism, post-colonialism, for example) but also to encourage reflection on Western geographies and their claims to centrality (Potter 2001). As Bradshaw (1990), Potter (2001), Smith (2002) and others have suggested Western geographers have a responsibility to distant geographies, to attempt to know other parts of the world. That responsibility rests not simply, however, on studying those distant parts as exotic and intriguing sites for research but on connecting our lives and our geographies to those of distant others (Smith 2002). As the research described above suggests, it is not only that experiences of economic and social change echo across distant cities and regions, but that these localities are increasingly linked through networks and flows—both material and discursive. Whilst colleagues in the UK highlight the comparisons between Nowa Huta and Consett, or other post-industrial communities
in the UK, the more important point is that these places are connected through very real structures of, for example, corporate control, EU integration, discourses of post-industrialism and flows of migration. To understand patterns and processes of economic and social change across Europe (and more widely), Westerners must study the East and Easterners the West. As Domanski (2004) argues, central Europe should not be seen as peripheral within Europe but as integral to any understanding of contemporary Europe and its geographies. In a similar vein, Judit Timar calls for ‘East-West cross-cultural and collaborative studies’ (2003: 32) which might teach all of us more about contemporary capitalism and globalization while Michael Burawoy (2001) argues for studies of post-socialism which through empirical accounts of the construction of capitalism in east central Europe and the former Soviet Union theorize its limits. It is for all these reasons that a Westerner studies Nowa Huta.

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URBAN DEVELOPMENT IN POST-TRANSITION HUNGARY: EMERGING SOCIAL CONFLICTS AS CONSTRAINTS FOR A LOCALITY

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Abstract: The socio-spatial transition of the urban system has been widely discussed by social scientists in Hungary since the early 1990s. Although urban studies became increasingly practical and highly influenced by the prevailing paradigm of neoliberalism, socio-spatial differentiation and the emerging conflicts of the transition period stimulated a shift in social geography to locality studies and new methodology. In this paper, social restructuring and local conflicts stimulated by the transformation of economic and political institutions and by the shift to a new accumulation regime (i.e. from socialism to late capitalism) are put into focus. Although global agents and national regulations had a decisive role in urban restructuring, the presented analysis of local people’s attitude to the socio-spatial transition of their city provides a deeper insight into the mechanisms underpinning the social relations that supported/hindered urban development in the transition period and after.

Key words: urban restructuring, civic participation, local state, transition, Hungary.

INTRODUCTION

Urban development has been an issue widely discussed in Hungary by social scientists and professionals involved in local decision-making, as well as by politicians and journalists in the transition period. This reflects the spectacular changes and growing social conflicts for which cities were the primary arenas. As a consequence of the ongoing institutional reform, urban studies, primarily socio-spatial analyses of the urban system, were increasingly practical (planning-oriented) and highly influenced by the prevailing paradigm of (neo)-liberalism. Under this approach, competition and competitiveness were put in the focus of spatial analysis: local structures and processes were discussed and evaluated in the context of economic performance by geographers until the early 2000s (Enyedi 1997; Lengyel 2000; Lengyel and Rechnitzer 2000; Beluszky 2000). However, social polarization and the intensification of socio-spatial conflicts, as well as the ecological aspects of social change (particularly suburbanization, gentrification of inner urban areas, commercialization of city centres and the decay of prefabricated socialist housing estates) were analyzed, and perceived to be key issues of urban development by social geographers (e.g. Cséfalvay, Lichtenberger and Pahl 1995; Kovács 1999; Timár and Váradi 2001; Timár 2003; Enyedi 2002), and also by sociologists (Szirmai et al. 2002; Szélényi and Ladányi 1998; Böhm 1999) from the mid-1990s on. The growing social conflicts stimulated the revival of locality studies in social geography,
and also the spread of new approaches, such as the contextual theory (Meszaros 1994), regulation theory (Nagy 2001), critical and feminist geography (Timar 2002) and humanistic geography (Berenyi 1992) that provided a framework over which to interpret the transition of localities in broader (social and spatial) terms.

In what follows, it is the process and consequences of the transition of a local society driven by institutional reforms and the mechanisms of the (globalized) market economy that will be put in focus by analysis. Inhabitants' perception of space (particularly the positioning of their own city in their region, and also within the national and global system of cities) and views on urban development were considered the primary basis upon which to understand the transformation of cities. This approach was considered unique in the social geographical praxis of Hungary until the early 2000s (Timar 2003; Szirmai et al. 2002). To avoid the traps of empiricism, results were interpreted in the context of the heritage of 'socialist urbanization' (i.e. of institutions and social practices) (Szelenyi and Ladanyi 1998), the institutional reforms of the transition period and the peripheral situation of the study-area (Szeged, Southeast Hungary) through the different stages of modernization.

The analysis was very much inspired by the international debate that emerged in regard to locality and human agency in the 1990s (Smith 1987; Harvey 1989; Massey 1991, 1993; Cooke 1989; Sayer 1991). Although the epistemological debate over the concept of locality is not an issue to be discussed here, the presented analysis joins a stream of political-economic studies founded upon regulation theory that embraces locality by stressing the mutual interaction between local (urban) restructuring and shifts and turns in social regulation at national and global scales. Earlier studies focused on urban restructuring in a changing regulatory environment revealed the many aspects to the socio-spatial consequences of globalization and the shift to neo-liberal principles in urban policies (polities) in post-socialist countries (Sykora 1994; 1999; Jakóbczik and Griszkiewicz 2002; Tammaru 2001; Cséalvay 1994; Timár and Váradi 2001) as well as in advanced market economies (Cox 1993; Wilson 1995; Harris 1997; Swyngedouw et al. 2002; Weber 2002) in the flexible accumulation regime. The focus of this paper are the social restructuring and local conflicts stimulated by the transformation of economic and political institutions, and by the shift to a new accumulation regime (i.e. from socialism to late capitalism). Although global agents and national regulations had a decisive role in urban restructuring in Hungary in the (post-) transition period, the following analysis of local people's attitudes to the socio-spatial transition of their city provides a deeper insight into the mechanisms from social relations that supported/hindered urban development. Urban development will be highlighted from the viewpoint of people living in the centre of a peripheral and economically backward region, in this way, contributing to the interpretation of uneven development in a society that has just entered the regime of late capitalism.

The analysis rests on empirical studies done in the medium-sized (170,000-inhabit-ant) county town and city of Szeged, Hun-}

"http://rcin.org.pl"
age in terms of educational skills. Since the method of random walking was applied in the survey, empirical results were corrected by weighting in the analysis. The other tier to the research comprised qualitative methods, primarily interviews with 'representatives' of different groups of the local elite (using the 'snowball' method). The informational basis was augmented by contextual analysis of statistical data and local media news.

**INTERPRETATIONS OF URBAN DEVELOPMENT: POSITIONING SZEGED IN THE URBAN SYSTEM**

Under the prevailing concept of urban studies concerned predominantly with economic performance and the diversity of public services, Szeged was considered an 'active and stable' element of the urban system, due to the large number of local enterprises, the dynamism of producer services, the educational skills of the local population and the increasing consumption (including of material and non-material goods) on the part of households (Lengyel and Rechnitzer 2000). Furthermore, due to the diversity and high quality of public services, Szeged was identified as the primary and most dynamic service centre of a region of Southeast Hungary inhabited by more than one million people (Beluszky 2000; Csapó 2000). However, the performance of the urban economy (e.g. the development of local enterprises and their embeddedness in the global economy) was lagging behind that of Hungarian cities/regions of the export-based re-industrialization.

The positioning of Szeged in the discussed context was an outcome of the uneven development of the capitalist economy that had resulted in a highly-differentiated spatial structure by the late 1990s. The preferences of capital, e.g. as regards the accessibility of the capital city and the market of the EU, plus the spatial structure of FDI that was settled by the late 1990s and generated self-perpetuating structural change and growth in a number of urban centres, were interpreted as key factors behind urban development. In this context, the position of Szeged was increasingly peripheral as regards both the national and global flows of capital and goods.¹

However, other interpretations of urban development were introduced that focused on social cohesion and the managing of local conflicts (Váradi 1997; Enyedi 2002; Timár 2003), environmental issues (Szirmai et al. 2002) and the transformation of urban space as a determinant of the quality of life of urbanites (Cséfalvay 1990; Berényi 1992; Kovács 1999). Local interpretations of urban development are conditioned not only by the place (i.e. the socio-economic and spatial/environmental characteristics of the discussed city), and the social status of particular respondents, but also by the time dimension. In the pre-war period, urban development was associated not only with industrialization and cultural development, but also with the 'urbanization' of the local environment.² Higher levels of education were also considered a key element for urban development, though the embeddedness of the university (established in 1921) in the local society and its relationship to the local state had been discussed and judged ambiguously hitherto. Contemporary citizens particularly appreciated the establishment of institutions of higher education and health facilities (clinics). It was the beneficial effects of such institutions, facilities and

¹ In the stages of dynamic growth of industrial output (1996–2000 and from 2003 on), the manufacturing sector of Szeged was characterised by a permanent structural crisis that was specific to the early period of transition: output and employment were declining, and a series of bankruptcies of major corporations shocked local people. The process has not ended yet...

² Towns and cities of the eastern regions of Hungary had a strong rural character, in terms of infrastructure (i.e. deficiencies of the road system, water supply, sewerage and street-lighting), housing conditions, the lifestyle of the 'urban' population (that was highly dependent on agricultural activities) and the townscape. However, the cityscape and urban structure based on Hausmann's paradigm and created after the Great Flood of 1879, provided a clear and flexible structure for a growing population and ever-increasing urban functions, and also strengthened the attachment of residents to the city (Kulinyi 1902; Erdei 1972).
organizations on local society that citizens found extremely important from the point of view of civic activity (Kiss, Tonelli and Szigethy 1927; Banner 1922).

In the centrally-planned system, urban development was interpreted as a favourable positioning in the re-distributive system. However, industrialization-driven socialist urbanization persisted over a relatively short period in Szeged. Although this fact was considered a failure by contemporary local politicians, the outcome of the socialist period, (inter alia the relatively small scale of the damage done to the natural and built environments) and the rapid development of the services sector (particularly higher education, health care services and R&D) were evaluated as favourable turns in the long term.

Due to the reforms of political and economic institutions, changing norms governing social relations and the increasing role of external forces in driving local processes, new interpretations of urban development emerged. At the time of the case-study (2000–2002) urban restructuring driven by the institutions of the ‘new’ regime of capitalism had been an ongoing process for a decade. Resources were being reallocated among the social groups (Kolosi 2000) and also among regions/cities (Lengyel and Rechnitzer 2000), resulting in a highly (socially) differentiated range of interpretations of urban development, in Szeged too. A healthy, safe and aesthetic urban environment and well-functioning public and retail services were considered by all groups of urbanites, to be, and emphasized as, crucial elements that made Szeged a desirable place to live in. However, the decline of the local economy marked by rising unemployment, relatively low household incomes and increasing landmarket prices positioned the city in the group of stagnating settlements in the inhabitants’ view. Young professionals and the elderly, suffering from the effects of a lack of economic dynamism (particularly low incomes and unemployment) were particularly critical to the new regime as well as to local politics, along with the decline of public services.

Distinct groups within the local elite focused on Szeged’s position as regards the allocation of resources. However, different strategies for improving this position were sketched, in relation to diverging interpretations of urban development. The management of local corporations stressed the need for integration in the global circulation of capital (primarily, through a rise of FDI in manufacturing and producer services), while local intellectuals preferred a peculiar development path that should rest on local social and cultural capital. Nevertheless, both of the discussed approaches argued for integrating Szeged in the global flow of labour, knowledge and capital. The key factors for a realising of these visions included several issues analyzed in geographical studies of the 1990s (improvement of transportation infrastructure, educational skills and city marketing, etc.), but more that had not been subject to academic research before. A strong emphasis was put on the deficiencies of social capital (in Putnam’s term) and the democratic deficit emerging in many forms locally, both of which are analyzed below.

Despite the different approaches that were conditioned by social status, as well as by different regimes of accumulation in the modern history of Szeged, the factors to urban development regarded as fundamental by local people tended to converge. Well-being and happiness of individuals that should be in harmony with the interests of the community (i.e. managing social tensions and conflicts, solidarity, equal access to public services) was considered a problem of major importance\(^3\). A balanced structure of the local economy that should be achieved by the development of public as well as by producer services and manufacturing, as well as by exploiting local and external social, cultural and financial capital was also considered a key issue for urban development. Finally, the improvement of the quality of the urban

\(^3\) 78% of the respondents shared this view in the Szeged survey. Furthermore, this aspect of local development (defined as ‘emergence of a community’ was considered crucial by the local elite also.
environment and local (particularly public) services were also regarded as tiers of urban development. The first and last two principles cannot be regarded as either regime- or locality specific, each of them being widely discussed in West European urban studies also. Nevertheless, the structural imbalances of the local economy, as well as local institutions’ democratic deficits reflect both the problems of the periphery and the consequences of the transition crisis, to be discussed below.


The external and local factors shaping Szeged’s society and public life over the past century and the consequences thereof (e.g. in the structure of local society and the conflicts dividing it) assumed new dimensions in the transition period. According to the residents, informal (personal) connections, rather strong due to the size of the city, local intellectual capital (e.g. the educational skills of the population on the one hand, and the concentration of the local representatives of science and culture on the other) and the city’s special ambience and vibrant cultural life were considered to have had and to still have a decisive role in the development of the city. The aforementioned factors are rooted in the city’s past and carry, in addition to the tension originating from existing and earlier economic structures, local characteristics and those of the eastern peripheries of Hungary.

Both local social processes and the rise of the city as a provincial ‘metropolis’ (Kovats 1991) were very much influenced by the consequence of earlier waves of migration: due to the industrialization at the turn of the 19th and 20th centuries, after the border changes following World War I and later in the 1960s and 70s under the stimulation of ‘socialist’ industrialization, migration aggravated infrastructural problems (mainly housing shortage) and reproduced poverty and its discernible signs (Palmai 1953; Erdei 1972; Szelenyi 1990). Local cultural and educational institutions and policy, helped newcomers adapt to new circumstances and assisted the intellectual advancement and ‘urbanization’ of a vast agrarian layer/stratum of the community. However, due to a consistently major presence of first-generation urbanites, there could be no continuity in traditions, and local society remained highly individualized, lacking a ‘parochial spirit’ in local people’s view.

The state at both national and local levels has had a key role in the modernization process that was characteristic particularly of centres of backward regions (Timár 1988; Beluszky 1990), including though the forming of an urban society. Furthermore, in Szeged, the development of public services, that came to take a significant (and rising) share in the local labour market, contributed to the enrichment of intellectual capital to an increasing extent through developing education, the relocating of the university to Szeged, as well as an increasing number of

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* The imbalances are reflected in the rapid decline of industrial employment (by 60% between 1989 and 2001) and the rise in public services that came to play the greatest role in local employment (33%) in major county towns (with populations over 100,000). Furthermore, the collapse of the majority of local state corporations and the enterprising rush resulted in a highly-fragmented organizational structure of the urban economy that was dominated by small scales by the late 1990s. This process was also supported by the structure of FDI that was focused on several large-scale enterprises holding a monopoly in particular service industries (energy, gas and water supply). As a consequence, the top three agents of the local economy recently have included the University of Szeged, the Municipality of Szeged and a food-processing company (Pick Co.).

* The role of the discussed factors in urban development were emphasised by the representatives of the local elite, though personal (informal) ties were also mentioned by two-thirds of respondents in the questionnaire survey.

* The share public services took in the local labour market was 6.2% in 1900, 8.1% in 1930, 15.0% in 1949, 22.2% in 1980, 25.7% in 1990 and 32.6% in 2001.

* The university was relocated from Kolozsvár (Cluj Napoca) to Szeged in 1921. At that time, the number of students was 1200, but this rose steadily to 2000 by 1938. Recently, Szeged has been a university town, the number of students exceeding 27,000 in the academic year 2002/2003.
public offices. The period of socialism also saw an accumulation of intellectual capital: not only was the number of institutions and staff in R&D and higher education rising, but also qualitative change was occurring as regards the education of the active-age population. However, another major basis of local civic societies, active even by national standards, were a large number of public and civil servants greatly contributing to cultural life, both as consumers and sponsors in both the pre-socialist and then the post-socialist regimes. The extensive agrarian sector (dominated by small-holders and tenant farmers) (Gaal 1991) also had a significant impact on the emergence of local and regional socio-political conflicts, on migration patterns and also on the urban landscape of Szeged. Under central planning, the hierarchical system of redistribution (that favoured towns and cities) resulted in conflicting (rural-urban) interests, furthermore, tensions were perpetuated by the position of Szeged in the spatial administration. The conflicts also rooted in the pre-war period when the landed aristocracy that controlled the medium-level territorial administration had no influence on the local politics in Szeged. However, this conflict was revived in the centrally-planned system, between the county-level party bureaucracy and local (urban) bodies.

The composition of Szeged's society that reflected the peripheral position of the city pre-War, as well as in the centrally-planned economic systems, determined the city's 'take-off position' in the transition period. However, in the 1990s, social processes were formed basically by macro-scale transition of the economy and political institutions that resulted in rising unemployment and social inequalities manifested in spatial phenomena of socio-spatial segregation, particularly, in socially 'selective' suburbanization and gentrification, as well as in social differentiation of prefabricated housing estates. (Szelényi and Ladányi 1998; Nagy 1999).

However, the social impact of the crisis of the local economy was moderated by the entrepreneurial activity that has definitely been high amongst Hungarian cities since the early 1990s. Local micro- and small-size enterprises cover nearly the entire spectrum of services, from software development to transport. As far as industry is concerned, entrepreneurial ambitions have been less strong, reflecting what local people are qualified for, and the accumulated intelligence in service activities. This characteristic is rooted in the structure of the local education system (e.g. lacking higher-level education in engineering), and also in the dominance of traditional industries that relied on semi-skilled workers. Knowledge as a source of wealth and prosperity was to change Szeged's position in the national economy, providing a legal framework and
a new developmental path. However, the preferences of the international investors that entered Hungary in the 1990s, as well as the relatively great dependence of the local economy on the sector of public services and the lack of consistent innovation and local and regional policies, left 'human potential' unexploited for a knowledge-based path to economic development and also unmatched to the preferences of international investors. The great number of businesses, and the expansion of the services sector, enabled Szeged to tackle the issue of unemployment effectively.\(^{17}\) Job losses in industry hit commuters from nearby settlements the hardest. Owing to Szeged's role as a large city (e.g. in public services, commerce, etc.), residents feel it better place to live than many other cities on the Great Plain. They are, however, aware also of the presence of poverty (homelessness), increasing segregation and a growing inclination on the part of the young to leave the city. The majority (84\%) of the citizens in the questionnaire survey believe it necessary for differences in income to be reduced, for both national and local welfare policy to extend to more people and for the financial resources available to such policy to be increased.\(^ {18}\) Simultaneously, a majority (72\%) approve of encouraging individual ambitions, even if these lead to increasing social disparities, reflecting the 'individualism' of local people stressed by several local interviewees. However, many locals (including interviewees travelling up and down the land) think social differences are moderate as compared with other cities and regions of Hungary, something that is highly appreciated and considered a significant and valuable condition for urban development.

Interviews and questionnaire surveys suggested that the local community is living through a period of transition: the elite still in the making, certain other groups (e.g. local academics) are in search of their respective social roles, and the majority of residents are taking on an enormous workload, in order to keep afloat or secure pre-transition (or higher) living standards. Consequently,

\(^{14}\) Suburbanization that was very much inspired by the rise of the second economy in the 1980s and also by the agricultural traditions of the region (i.e. the supporting of household incomes with self-produced food grown in vegetable gardens in the 'suburbs') (Meszaros 1994). However, the process was revived by new factors and agents in the 1990s (Nagy 1999). Due to the rising urban land prices, housing developments (predominantly single family houses) were financed by well-off households that targeted the edge of the inner urban area. Houses of the highest standards were concentrated in the eastern edge ('Ujszeged'), while developments of smaller scale appeared in peripheral areas at lower prices (e.g. in villages that were incorporated into Szeged by the 1973 reform). In parallel, sporadic housing developments were in progress in the traditional residential area (emerging between the 1880s and the 1940s), that were predominantly four- or five-storey buildings of mixed use. The gentrification process in the discussed area was inspired by the development of financial services (and declining interest rates), by urban planning, as well as by local developers (mainly Szeged-based enterprises involved in the construction industry). The new national housing policy introduced in 2000, as well as the significant payraise in the public (services) sector (2002) gave a spur to gentrification as well as to suburbanization, including not only upper, but also lower-middle class households in the process. As a consequence of the new policies and also of the social differentiation driven by the capitalist economy, residential areas of high-income households inside the city, as well as in the surrounding 'rural' (albeit increasingly suburban) communities emerged and were clearly separated. The process was also encouraged by local authorities of the villages involved in the process.

\(^{15}\) At the peak of the enterprising rush (1993), the indices for Szeged (i.e. the number of enterprises/1000 inhabitants) greatly exceeded the urban average (by 35\%). However, due to the low share of Szeged in FDI and the limited local/regional demand for services, this position was eroded, and the city's indices had fallen back to the average for the discussed towns by 2002.

\(^{16}\) As a result, the specific index of industrial employment (no. of industrial workers/1000 inhabitants) was the lowest among major county towns.

\(^{17}\) By the end of the 1990s, 60\% of industrial jobs (about 11,000) has been discontinued in the city, and thousands of employees had been dismissed by the former state companies involved in construction (c.6,000) and services (e.g. transportation and wholesaling). Despite the collapse of major local enterprises, the number of unemployed stagnated at about 6,000 until the early 2000s. The gap was filled by the thousands of small-scale enterprises that were (are) operating predominantly in the services sector. Although, this number has been unchanged for a decade, the share of the highly qualified activities has increased.

\(^{18}\) This ambition is present in the resolutions issued by municipal authorities. Data show that while in previous tenures of office they mainly strove to improve the living conditions of the elderly, the heaviest emphasis now falls on problems and healthcare issues among children and young people.
many of the interviewees and survey respondents regarded citizens of Szeged as introverted, remarking that this is the product of the transition. This characteristic, as well as the limited propensity of different groups in the local community (particularly the local elite) to become involved in public affairs were considered a major obstacle to urban development, in local people's opinions.

Owing to the size of the city, its distance from Budapest (200 km) and the strong attachment felt by the residents, people living in Szeged claimed that the 'rat race is less fierce', and thus, that ties that connect friends and acquaintances had not yet been destroyed. The atmosphere of the city is linked up with local identity, with the issue of being a citizen of Szeged. Interviewees were strongly divided on the question of whether such a thing existed at all. The existence of local identity is hard to judge objectively: answers reflected respondents' social status and lifetime experiences. The majority of 'autochthonous' Szeged families gave more positive answers. Even so, most people thought that it is weakening. According to the interviewees, the weakening of the attachment to Szeged is especially discernible among the young: the city's ambience no longer appealing as a different yardstick is used to measure their own performance. The capital city's vulnerability to brain drain is increasing and the attendant influx to Budapest is raising a new dichotomy between the capital city and the rest of the country.

**CONDITIONS FOR THE EMERGENCE AND PARTICIPATION OF CIVIL SOCIETY**

It is the operation of civic organizations that allows the possibility of most urbanities being able to participate in the public life of their respective local communities. These organizations also play a major role in establishing social relationships and in local attachment. In terms of the number of NGOs, Szeged is the flagship of Eastern Hungary. The popularity of cultural, social and scientific organizations was particularly high, according to the questionnaire survey. However, the data discussed above were not reflected in what the citizens of Szeged think of the civil sphere: the respondents of the questionnaire survey are of the opinion that the role and weight of civic organizations in both public life and the lives of urbanities are definitely weak. In explaining the discussed processes, interviewees put emphasis on local and national trends that resulted in the present situation, including the struggle for life and self-exploitation, which drains off people's time and energy. Local intellectuals also referred to the way in which the civic sphere has been imbued with politics, and how its role has not yet been clarified either on the local or national levels, as well as to the city's political turmoil, which has discouraged people from getting involved in public affairs, and also to the fragmentation and individualism of the local society. Interviewees also associated this last phenomenon with the continuing influx
of migrants, as well as the ‘conservative elements’ of local public perception (Erdei 1972). Accordingly, personal successes are not necessarily the successes of the community (city). Local people tend to be introverted, they fail to appreciate outstanding personal achievements and are unable to ‘keep talented people in place’.

In addition to the phenomena mentioned, the unsettled nature of the relationship between local political life and the civic organizations is another hindrance to the development of the sphere. There are a few good examples of how local traditions have been revived (e.g. the Dugonics Association contributing to the improvement of the urban environment), how certain patterns from the West have been adopted (e.g. the Rotary Club) and how new initiatives have surfaced (e.g. the Public Foundation for Szeged, supporting talented young people and local cultural events, and the Közéleti ['Community Life'] Café, open to the public to discuss any current event in local, national and international politics, sciences, or the arts). However, for the time being, they are only able to attract a narrow circle of professionals.

Due to the rather limited role of the civic sphere, the governance of the city is based on formal and informal relationships between the various groups and representatives of the local elite. It is in this very circle of people that decisions influencing the future and further development of the city are made. Our studies suggested that the key figures and groups of this process are from the local economy, politics and scientific and cultural life. Although there are formal relationships and co-operation between these groups, the weight of the informal ones (i.e. personal links and channels of information flow, informal ‘bodies’ of the local elite influencing local decisions) seems to be more considerable. This might be accounted for by the fact that the aforementioned groups ‘overlap’ (e.g. many scientists assume leading roles or top positions in public life.) on the one hand, and also by the scale of the city on the other.

There are conflicts between them and within the discussed four groups of local elite that also weaken the cohesion of local society and the chances for the articulation of the interests of local people. Infighting among the members of the city council can be attributed to both pressure from political parties and personal ambitions. However, they paralysed decision making on city matters for two tenures. 1998 was the first time that a political coalition had a stable majority making strategic planning possible.

Szeged’s academic life is also divided by conflicts, though co-operation is dominant (e.g. research projects, the educational activity of researchers, ‘the grooming of professionals’ by Szeged University, e.g. for the Centre for Biological Research). A restructuring of the system by which research is financed has urged research institutions and teams to compete with each other. However, tension emerged between the university and the institutions controlled by the Hungarian Academy of Sciences, owing to the way the status of higher education has been resolved, but left unresolved in institutions of the Academy.

The aforementioned contentious relationship between the professional elite and...
politics is not a local phenomenon. Scientists as well as professionals at the university are well-known, and have gained recognition in the city; they do take part in local public life. However, they thought, they are not involved in the city’s strategic planning, which is all the more unfortunate as knowledge-based industry and the necessary (mainly EU) resources needed for it can only be created if the city and the research institutes there work in close co-operation. As institutions have to plan several years ahead, co-operation is being undermined by the very fact that there is no continuity in local politics. There have been quite a few changes for the better in the relationship between senior city officials and the university (e.g. an agreement on the construction of a jointly managed technological park), which are mainly based on personal relationships.

The primary cause of conflicts between local politics and actors of the local economy is the current system of the distribution of resources, which has increasingly been centralized by the national state since 1990. As a result, it is the taxes levied on local enterprises that provide freely disposable financial resources for major local developments. This contributed to the mounting tension between the local government of Szeged and local companies. Despite the fact their opinions have been sought over the past few years, corporate managers thought that their ideas were not reflected in either major (strategic) development issues or decisions affecting the ‘daily’ management of the city. Though relationships between the representatives of the top layer of economic life are definitely good, and there are excellent examples of joint actions (e.g. in the case of motorway development), this group can only enforce its interests and intentions through informal relationships.

The representatives of the local elite interviewed unanimously agreed that personalities with an integrating role and capable of articulating a future development path should play major role in a city. The interviewees were of the opinion that there are such ‘men of importance’, such as several highly-respected local professionals, who should fulfil this role. Firstly, the shaping of Szeged’s built environment, one of the fundamental factors in social cohesion and attachment, has been the result of the former and current chief architects’ expertise and professional concept. The experience of the managers of several local corporations and enterprises relying a system of international relationships was considered also a large, but as yet unexploited potentiality for urban development, as was the expertise of the pioneering personalities in academic life. Enthusiastic groups of local professionals working for the revival of local civil organizations were also accounted for, though their contribution has remained isolated so far. What the interviewees found exceedingly important was the presence of, and the work performed by, city officials capable of integrating the formerly mentioned groups’ ideas and formulating right concepts that rest on such local potential.

THE LOCAL STATE AND URBAN DEVELOPMENT IN SZEGED

Political sciences in Hungary take the view that ‘... the responsibilities of local governments include managing settlements, organizing local societies, co-ordinating and integrating local interests, and representing and upholding them in the face of other local, regional or even national ones’ (Bóhm 1999: 303). The interests of the population of any given settlement (be they group or individual interests) are formulated within the framework of local politics, independently of national issues. Responsible for decision-making, an elected body of local representatives plays a major role in that process. Local governments also act as ‘local-level organizations of governmental integration’ (Szoboszlai 1999: 318), which are responsible for public administration. Their complex roles manifested themselves and developed in rather a specific way in the transition period, something that had (and probably will have) a significant impact on the governing of Hungarian cities.
The exercising of powers at local level is based on the principle of representative democracy under continuous social control, which is, however, distorted in many ways. The causes of such distortion include the passivity of local societies, as well as the resulting low level of social integration and minor role of controlling mechanisms (primarily of civic organizations) in public life. A further cause is the decline of the principle of representation: the role of local voters has been restricted to legitimizing representatives (by election), who invariably enter into politicking between two local elections (Bozoki 1999; Bohm 1999). The main scenes of such activity are local organizations, and local governmental factions of national political parties. As a result of politicking, combined with the lack or weakness of mechanisms articulating the interests of local social groups, the interests of political parties are highly appreciated in the responses to local issues (Velkey 2001). Local politics has, however, strengthened its ties with political parties, enhancing the value of personal and party relationships. The phenomena rooted in the weakness of democratic institutions seem to be characteristic of localities of all transitioning systems (Regul'ska 1996).

The discussed mechanisms are perceived and (more or less) understood by local people, as was suggested by the Szeged questionnaire survey. They thought the local government the most powerful agent in urban development. The weight of the central (national) government was considered a lesser one, if also significant, and that of the local NGOs and business organizations was lagging far behind the institutions and state representatives at local level. They also believed that the decisions made by the members of the city council were influenced primarily by their respective political allegiances, secondarily by their personal interests and finally by influential people (e.g. those of MPs, key figures in local politics, the mayor). (The interests of citizens and expert opinions are, however, thought to count for the least in such decisions.) In the early 2000s, parties and their key figures enforced their respective interests through local governmental politicking in Szeged, too, something of which the citizens of Szeged were fully aware.

This conclusion has been supported by the interviews that we conducted in Szeged. They suggested that political capital is a significant condition underpinning urban development, for which, the primary source is the local leaders’ own personal relationships and the ones they maintain with key representatives of the national government and governing parties. The city’s ability to enforce its interests, its role in both regional and national politics and the availability of the financial resources needed for local developments was judged highly dependent on such relationships.25

The primary condition, as well as the measure for urban development, was defined as an efficient, well-functioning public administration by senior local governmental officials. To achieve these goals, an office responsible for formulating strategic objectives and related projects, (as well as a cabinet system26) were set up in the late 1990s. This way of re-modelling local administration was judged controversially by many, as a negative tendency in managing local issues. All this is rooted in the existing political situation: numerous positions and considerable clout have been concentrated in the hands of a small group of people, mainly of the mayor, and they have not hesitated to assert their

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25 'I do not think that the relationship between national and local politics has ever been as good as it is now. The main reason for that is that at long last a mayor is allowed to double as an MP. He's also leader of the local organization of the governing party. The fact that these three positions are held by the same person is extremely important, for he works in the House of Parliament and is in direct contact with chief decision-makers and various ministers. That has not been the case over the past eight years. Or rather, we have not been able to put such opportunity to good use...' (a senior official of the local government).

26 This is, in effect, an operative organization with a staff of 16–17, which maintains public relations, gathers and analyses information, mediates between the mayor in office and local organizations, supervises municipal offices, prepares local decisions and considers steps taken in order to lobby for local interests (on a national level).
authority. The political base for that was an absolute majority on the local board of representatives. As a result, two fundamental problems arose: the lack of participation of the local community in decision-making, on the one hand, and the fact that the professionalism that decisions should rest on a ‘fall victim’ to such practice of decision-making, on the other.

As a result, the local population considered it a ‘wise’ attitude to keep one’s distance from local politics, which is, on the one hand, fraught with inner conflicts, making it impossible for a vision of the future based on consensus to be created, and, on the other, characterized by actors who have been unable to establish adequate communications (as a first step to co-operation) with the local society and its organizations. Local-governmenetal officials placed emphasis on a dialogue between political actors, which is, they believe, the sine qua non condition of any ‘undisturbed’ decision-making, as well as of creating an image of the future of the city.

CONCLUSIONS

The interpretation of urban development and positioning of a city in the national/global system of cities is conditioned socially as well as locally. However, it basically reflects the structural characteristics of the prevailing regime of accumulation. The discussed case-study suggests that there are several issues considered fundamental by all social groups, such as the harmony of individual and community interests and well-being, the preservation of the values of local culture and the urban environment, and the stability of the local economy. Although the discussed issues have an inherent ‘local’ significance, they also convey the characteristics of the institutional reforms of the transition period, and those of the peripheral situation.

The emphasis was put on an issue considered highly important by local people, though it is scarcely discussed in academic papers in Hungary: emerging social conflicts, their historical roots and the role they play in urban development in the post-transition period (i.e. in the regime of flexible accumulation). The emergence of a Weberian ‘western-type’ community was hindered by many factors in a city on the periphery of the Modern Europe. Rapid urbanization that involved subsequent waves of immigration and the major role of the national state in urban development (e.g. through railway construction and public services) resulted in relatively weak social cohesion and a lack of civil ‘courage’, as the wealth of the city was largely dependent on the central (national) state, as well as on the personal ties of local politicians. Such ‘traditions’ were reinforced in the period of state socialism, when resources for local development were highly centralized.

Although at the very beginning of the transition period, the legal framework for the autonomy of communities was established and the conditions for civic control over the local state were set, urban development was increasingly dependent on non-local (dominantly global) agents. However, the significance of local resources was recognized and emphasized by all groups of the local elite. Particularly, the deficiencies in local social capital (Putnam 1993; Lehto and Oksa 2003), such as a scarcity of interaction of social groups, as well as of individuals, and the limited propensity for shaping and supporting a collective vision of urban development and also for cooperation was emphasised not only by professionals, but also by all other groups of local society. Institutions of the local (as well as the national) state were also highly critical of the democratic deficit that had emerged in many forms locally, such as the indifference of local people to local political affairs and the rising scepticism as regards the decisions of local government over development issues.

Although entrepreneurial activity was extremely intense and Szeged is still considered the largest cultural and academic centre in the countryside, individualism was reinforced and urbanites withdrew from NGOs and local politics. In this way, deci-
sions concerning urban development made by the local government are not controlled sufficiently or regularly enough—predominantly in informal ways (by distinct groups of the local elite). Conflicts that arose in the past decade (e.g. political elite vs. major enterprises and academics) have not been managed and resolved.

Meanwhile, the increasing centralization of resources (particularly from the late 1990s) made local governments increasingly dependent on the agents of redistribution, raising the importance of personal (informal) channels of providing additional (public) resources for urban development, that are of great importance for a city in a peripheral position as regards the global flow of capital goods. The replacement of social control and its ‘institutionalized’ forms involving a well-functioning system of personal ties of local politicians to the local elite on the one hand and to national parties on the other, must be considered a general trend towards reinforcing the control of the national state over the local level, a characteristic of urban development on the periphery of Europe.

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CZECH HOUSING ESTATES: RECENT CHANGES AND NEW CHALLENGES

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Abstract: A negative image of Czech housing estates was created in the past. After a period of disinterest on the part of Czech politicians and municipalities in these estates, they and their future in the emerging urban housing markets are becoming an inherent part of housing policies. Ongoing privatization and the ageing of both the populations and physical structures in housing estates are new challenges for municipalities, as well as for residents of housing estates, and may become an issue for the European Union also. The article describes recent changes in, and new problems of, housing estates, as well as identifying new roles for the actors and stakeholders in the upgrading and revitalization of housing estates. It also presents some ideas on how to face the challenges in question.

Key words: housing estates, urban revitalization, housing policy, Czech Republic.

BACKGROUND

Housing estates with multi-storey prefabricated apartment houses were built in the today's Czech Republic from the second half of the 1950s through to the early 1990s. In the peak of the housing construction boom in the 1970s, the systemic slab structures within multi-family housing construction made up more than 90% of the housing stock. Currently about 30% of Czech housing is in housing estates, but the share may be much higher in some large towns and cities (e.g. 40% in Prague, Figure 1). Nationally, 34% of all flats are in prefabricated blocks. The highest share of estate housing characterizes industrial areas of North-West Bohemia, the Czech part of the Upper Silesian Basin and large industrial centres. Housing estates with multi-storey blocks are often considered to be a major problem in the countries of East-Central Europe. The mere fact that so many people live in housing estates and most of them will have no other choice for many years makes them an inevitable component of housing in the future.

The 1990s brought a fundamental change in population trends in the Czech Republic. After more than one and half centuries of almost continuous natural population growth and migration to urban areas, most Czech large towns and cities turned to population decrease. The national population also decreased slightly for the first time since the 1940s, but the 1990s’ decrease in population in big towns was deeper than the national. While the population decreased, the number of households increased steadily, following the general trend towards households’ fragmentation as related to the
ageing population, a profound decrease in birth rates and a further increase in the share of incomplete families (Figure 2).

Consequently, the overall decrease in population totals did not improve the housing situation. At the beginning of the 1990s, the former heavily subsidized and state-controlled housing construction was abolished and the number of new flats dropped. Even after a partial recovery in the mid-1990s, housing construction has not reached the 1980s level again yet. Moreover, many re-privatized dwellings in the attractive city centres were transformed to non-residential purposes, as it brought their owners much higher profit than regulated rents from residences. However, this transformation also increased the deficit in urban housing (Figure 3).

The recent revival in housing construction was witnessed selectively in certain regions, namely in the rural suburbia of Prague, Brno, Plzen and some other prosperous cities, as well as in Southern Moravia. Unlike in pre-1989 times, the construction of detached family houses prevails over that of multi-family blocks of flats (Figure 4).

RECENT CHANGES IN THE HOUSING ESTATES

DEMOGRAPHIC CHANGES
The demographic changes on housing estates in the 1990s in general followed the same downward population trends as those to which the towns with housing estates were exposed. However, most housing estates (except for those on which new flats were completed in the early 1990s) witnessed greater population decreases in the 1990s than their home towns as a whole. In contrast, the number of households living on the estates stagnated or even increased in some estates in large towns. This means that even more residence-sharing occurred. In the period
1991 to 2001, the average size of a household decreased nationally from 2.59 to 2.43 persons per dwelling unit and in Prague from 2.26 to 2.15. However, in a selected sample of Prague's housing estates the decrease was from 2.60 to 2.36 persons per unit.

The most dramatic change was witnessed in age structure of the population. The share of the 'post-productive' population (in the 1991 census females over 55 years and males over 60) increased more than twofold between 1991 and 2001, while the share of the...
‘pre-productives’ (under 15 years) dropped by almost one quarter (Figure 5).

The ageing of the population affected housing estates as much as the rest of towns. However, it was more intensive in the ‘younger’ housing estates built in the 1970s and 1980s, and less intensive in the ‘older’ ones dating from the 1950s and 1960s. Thus, while Prague’s post-productive population increased by 83% in the years 1991–2001, the increase was twofold in the ‘older’ estates and in some ‘younger’ ones even more than twentyfold. At the same time, the proportion of ‘pre-productives’ (under 15 years) dropped by almost one quarter (Figure 5).

Figure 4. Housing construction in the Czech Republic, 1990–2003.
Source: Andrle, 2003; data from the Czech Statistical Office.

Figure 5. Age structure of Czechs in 1991 and 2001.
time, the share of the pre-productive population dropped by a half—and even to about one third. In this case also the decrease was slower in the 'old' housing estates (Figure 6).

The demographic change in Czech housing estates in the 1990s results from a coincidence of general ageing of the overall population and a high share of the initial residents of housing estates who were in their late twenties or early thirties in the 1970s at the moment of settling. Housing estates ageing demographically demand more and more facilities and services for the elderly, while the existing kindergartens and schools find little use.

CHANGING OWNERSHIP IN HOUSING

The privatization of residential houses started in 1991 when the state set out a basic framework for privatization procedures and transferred most of their stock to municipalities. Many municipal flats were offered to their tenants at reduced prices, without any interest on the ten-year instalment. Since 1994 it has been possible to sell, not only whole buildings, but also individual dwellings under certain circumstances. The ratio of the reduced selling price to price estimation oscillated between zero and 80%. If tenants were not interested in purchase, the house might be sold to anyone else, but this time at full price, calculated on the basis of the physical condition of the property.

Housing privatization was slower than other privatization processes in the country and is not finished yet. While it was initially estimated that as much as two-thirds or even four-fifths of the public housing stock would be privatized, the target ratio of privatization is now expected to be smaller. In general, smaller blocks proved to be more attractive for privatization by their users than large high-rise buildings. The risk of a huge repair investment, especially in the later type, seems to discourage tenants, even if there are prospects for a rapid increase in rents.

Housing privatization created a new large group of owners-occupiers who share their individual ownership with tens of other inhabitants of the same block. Some residents preferred to remain as tenants in privatized blocks and to pay regulated rent to newly established co-operatives of private owners. Many former cooperative houses also split into privately owned units in the possession of former co-operative members. Unlike in the older parts of towns, no restitution of houses occurred in the housing estates, but some unbuilt land within residential areas was retrieved legally by the
heirs of the original owners. As a result, diverse ownership patterns in what are apparently the same houses now coexist on housing estates, including:

- owner-occupiers of dwellings in privatized houses,
- cooperative members who either remained members or established a new small housing cooperative to maintain a block (unit of dwellings),
- tenants who pay regulated rent to the municipality, the cooperative of owners or (exceptionally) to a single private owner,
- tenants who pay 'market' rent to an owner of a privatized dwelling unit,
- 'sub-tenants' in a cooperative or even in public housing which is sub-let by their legal tenants on shadow or black market.

The emergence of such ownership patterns and shares thereof differs among municipalities and (in larger towns) even among particular boroughs. It depends on the transformation policy that had been adopted by the respective municipalities, boroughs or cooperatives.

PHYSICAL CHANGES AND STATE EFFORTS TO PREVENT DILAPIDATION OF HOUSING STOCK Prefabricated houses in housing estates are becoming old and outworn faster than traditionally built houses and require more maintenance and specific methods of repairs. Many structures surpassed the limit of thirty or forty years originally estimated for physical usage. Despite this, catastrophic visions of the early 1990s forecasting a total decay of housing estates turned out to be untrue.

In the 1980s, the national government introduced grants for the identifying and removal of structural defects of systemic houses. This grant scheme survived even the turbulent early 1990s when market mechanisms were praised as the only remedy, and most public interventions in housing were withdrawn. After 1996 the national housing policy began to be directed towards creating an environment which would be able to stimulate the market to work in favour of the national objectives. As regards the housing estates, the national policy aimed to extend the usage (service life) of systemic houses by another thirty years at least. Three national programmes have been elaborated for this purpose by central government: the Programme for repairs of housing stock (prefabricated housing defects) replaced an older scheme in 1997–1999; the Programme for repairs of prefabricated housing (modernization and reconstruction)—since 1998; and the Programme for regeneration of systemic housing estates—established in 2000. State resources can be received in the form of allowances, guarantees on credits, or low-rate loans from the State Housing Development Fund. State assistance has been designated to support property owners or municipalities to realize improvement projects but in no case does it cover the whole cost of the needed action.

The availability of public resources for the State programmes has not so far corresponded to the original plans, and it is dubious whether the originally estimated level could ever be achieved. However, in many cases, the state assistance triggered numerous projects aiming at improving the physical shape of blocks and saving heat and water consumption. Hope is embodied in the policy that these savings may contribute, not only to prolonging the physical service life of housing but also to increasing environmental and economic sustainability. However, when systemic buildings have been insulated, they may be exposed to an increased emergence of mould and, consequently, corrosion of steel reinforcement and joints.

1 The state support for the removal of structural defects in systemic houses was only CZK 287 M. (€8.8 M) in 2003, but the total state resources provided for housing-estates refurbishment reached about CZK 1000 M (€30.6 M) in the same year. For the year 2004, it is planned that CZK 820 M (€25.1 M) will go on repairs; CZK 220 M (€6.7 M) of this sum for the urgent removal of defects. Another CZK 100 M (€3.1 M) will be available for the improvement of housing. The average cost of comprehensive refurbishment that would make the systemic housing stock fully compatible with the present standard is estimated at CZK 280,000 (€8,600) per dwelling unit (MMR 2003).
SOCIAL CHANGES ON THE HOUSING ESTATES
Two kinds of social changes could be distinguished: objective shifts in the share of particular social groups living on housing estates, and subjective changes in the perception of the social environment of an estate, which creates its social climate and image.

In the 1990s, the highest-income groups moved out from housing estates. However, most of these estates still house a socially mixed population. The housing shortage, together with an ineffective housing market and unaffordable market prices for new dwellings, prevented a mass abandonment of estates by middle-class residents, and in consequence social deterioration.

The change in the subjective perception of housing estates proceeded faster. The stigma of 'rabbit-hutches', as well as an expectation of fast social dilapidation culminated in the early 1990s, and were accompanied by general unconcern from a majority of people living outside the housing estates. On the other hand, sociological surveys at housing estates in Prague in the second half of the 1990s (Boska 1998, 2001) showed that the inhabitants considered their living environment fair, even if it was not the ideal form of housing.

The social change in the population of the housing estates is related to the generation exchange and replacement of the initial residents. The process has already started in the oldest estates, where young people who often enjoy relatively cheap housing costs have replaced the first settlers. Currently, flats in the housing estates are most frequently offered for purchase or rent by real estate agencies. Unemployment and consequent social problems which have affected old industrial regions, have also had a detrimental impact on the social profiles of these regions. As the proportion of estate housing is usually very high there, a process of selective social decline has already started transforming several estates into places of social exclusion, typically with a mostly Gipsy population. However, most estates in the problem regions have remained within the average as regards the social profile of their residents.

NEWLY EMERGING PROBLEMS FOR INDIVIDUAL OWNERS
Following the privatization of flats by their users, new problems emerged for the new individual owners or co-owners. They face difficulties in accessing the information and financial resources needed to maintain and/or improve the value of their property. The remaining public domain also reappears as a problem.

ACCESS TO INFORMATION
Unlike ‘big’ owners (such as the State, municipalities, large housing enterprises, real estate agencies and big housing owners), individuals have difficulty in gaining relevant information that is necessary for rational decision-making, for example on efficient and effective measures of saving energy. Individual lay owners are easy to manipulate through the advertisement of various products and construction work. Also expert advisory services, if the owners are able and willing to turn to them, may be of a doubtful value for small individual owners if they do not offer an acceptable compromise between technological and technical requirements, and the economic potentials of owner-investors, not to mention their individual preferences.

ACCESS TO CAPITAL
For many individual owners of flats on the housing estates it is much more complicated to gain access to capital for financing the maintenance and needed improvement than it would be for stronger institutional owners. Even if credit for a large-scale refurbishment (e.g. for improved insulation of a building envelope) could be obtained by tens of co-owners of multi-family housing block, it is difficult not only to get all the stakeholders to act, but also to find assistance from commercial banking.

PUBLIC SPACE ON HOUSING ESTATES
The areas surrounding residential blocks remained public domain, even after the blocks had been privatized. Neglected, poorly
maintained and ugly, the immediate environment of houses has a negative impact on their market value. However, the way in which the layout and spatial pattern of housing estates was planned and executed makes it extremely difficult to create a sense of private open space within these areas. The green inside residential blocks is often crossed by utility lines, it contains public recreation green areas, playgrounds for small children and even some public facilities (e.g. kindergartens). The attempts of some municipalities to ‘subdivide’ these areas and privatize them to get rid of their own responsibility for them (and save budget money spent on their maintenance) are therefore of questionable use. The experience from abroad, where the ‘subdivision’ of open spaces for private use and maintenance emerged earlier, is also not fully positive. Moreover, in the specific conditions of the Czech housing estates, the unbuild land within housing estates is often burdened with unclear ownership, having been forcibly nationalized and becoming subsequently involved in the 1990s’ restitution.

ACTORS ON HOUSING ESTATES AND THEIR NEW ROLES

As shown above, the recent and ongoing dynamic changes in ownership of estate housing stock have become extremely complex. The diversity in and fragmentation of the ownership patterns should be taken into consideration in the maintenance and refurbishment too. It is essential to identify all stakeholders who may become potential actors in the process. Their roles and responsibilities should be specified clearly. After the State, municipalities and other large subjects ceased to be dominant owners of the housing stock, and the public funds proved to be insufficient to cover the accumulated repair debt on both estate houses and public space, a new pattern and new roles for particular stakeholders emerge.

MUNICIPALITIES AND BOROUGHS

Municipalities (and boroughs in statutory towns) retain a dual role: as property owners and as public bodies responsible for public goods and commonwealth. Even if all housing property were privatized, they would remain owners of a large part of the public spaces and facilities. Besides, even the most market-supportive municipalities will have to keep a certain amount of housing stock under their immediate control to provide a ‘guaranteed minimum’ of social housing. The position of municipalities as owners of housing stock would be more difficult if they possessed only the non-attractive, unprofitable part of the stock.

Some municipalities and boroughs are becoming increasingly aware of their responsibility for the whole urban environment, including housing estates, even if the housing property has been privatized. The externalities emanating from ‘problem’ (i.e. neglected, poorly maintained and socially unstable) localities may affect whole neighbourhoods negatively, and the property value and general prosperity of urban districts as well. The municipalities and boroughs acknowledge their responsibility for the commonwealth of all inhabitants, thus returning to the original objective of public administration.

As a result of privatization, the role of municipalities and boroughs as coordinators and managers of upgrading will increase in relative as well as absolute terms. This field of activity will require new financial but above all human resources. Obviously, municipalities and boroughs with housing estates will have to compete hard for these resources with other, often more politically and medially attractive activity fields of public sector. So far, the political position of housing estates compared to historical cores, road bypasses and sports stadia has been rather weak. The looming costs estimated for full refurbishment of estate housing stock act like a nightmare for politicians and make them idle on this issue. On the other hand, the financial costs of providing informa-
tion and organizational support for individual stakeholders in upgrading may not be high; but it is essential that the issue of housing estates becomes part of the municipal agenda.

HOUSING MANAGEMENT

While the estate housing ownership has diversified into numerous models and combinations thereof, the physical substance of housing structures as well as of the whole estates remains unchanged. Despite a certain effort to 'individualize' e.g. measurement of and payment for energy, water and services, the consumption of resources and other utilities among individual users is closely interconnected, making them strongly interdependent. In consequence, efficient maintenance and management of these big, multi-family houses and large housing estates needs coordination and professionalism to solve technical, economic and organizational problems, especially when there is multiple ownership. Estate and housing management should cover a full scope of activities on the strategic, medium-term and operational levels: continuous monitoring, collection and evaluation of data on the managed property, developing a maintenance and improvement strategy to be discussed and approved by stakeholders, preparing medium-term financial plans, and preparing particular projects, including their organization and delivery to the stakeholders. Housing managers should be able to act on behalf of housing owners in identifying and making available 'external' financial resources for investments (subsidies, loans, etc.), and they should also allocate the available resources for particular investment actions. Ideally, housing managers should be even mediators and coordinators between co-owners, as well as between them and utility companies, the local administration, etc.

The existing managing agencies that work for public housing could apparently take steps towards such comprehensive housing management. Unfortunately, the quality of the present staff does not yet meet the desired scope and level of activities. So far, management agencies have acted rather as housekeepers; at most they have provided some technical services to municipalities in organizing structural investment actions, while the planning and financing of improvement projects is wholly a matter for a public owner. The demand for a more comprehensive service is rather virtual and, unlike in the countries with a more extensive tradition of housing stock management, the educational system does not yet prepare professionals for housing management.

In consequence, the professionalization of housing management would require the public sector to develop preconditions based not only on the transformation of managing agencies into highly specialized enterprises, but also on new study programmes to prepare professional housing managers. Professionalized management of the fragmentated, multiple-housing ownership would need support and supervision on the part of municipalities to guarantee availability, as well as affordable pricing and quality, to individual housing owners.

INVESTORS AND THE BANKING SECTOR

The capital weakness of all estate housing owners makes access to external financial resources a key factor in the implementation of any improvement project. These projects do not seem attractive for commercial banking, even in the longer run. Therefore, governmental programmes offer guarantees on credits or low-rate loans provided by the State Housing Development Fund.²

As regards privatized housing stock, state assistance that aims to extend the viability of housing estates faces competition for new housing construction with support from the State. While mortgage credits for new housing are booming steadily, allowing their acquirers a wide choice of use of mortgage capital (in fact, there is no control over how it is used), the accessibility of credit for the upgrading of already-existing housing

² The budget of the State Housing Development Fund available for the refurbishment of estate housing was CZK 800 M (EUR 24.5M) in 2003 (MMR 2003).
is rather difficult, especially for multiple owners of privatized apartment blocks on the housing estates. The problem lies in the organizational complexity when numerous individual owners, with their unequal possibilities and interests, deal with banks.\textsuperscript{3}

Certainly, a method to enforce chances of refurbishment against new housing construction, even if only partially effective, should harmonize the conditions for credit between the existing stock tenure and new housing. This harmonization should balance, not only financial, but also organizational conditions from the point of view of an individual applicant. This would motivate at least such legal owners as really live in estate dwellings and for whom the price of new housing is unaffordable, to enterprise the upgrading investments to raise the value of their residences.

In all, the role of financial institutions in the upgrading of housing estates depends fully on the extent of the assistance from the state or other public bodies, like regions and municipalities.

\textbf{OCCUPIERS}

Apartments in housing estates may be occupied by their owners, co-operative members or tenants (in council or privatized flats). Czech law is still highly protective towards the occupiers of flats, most of them pay regulated rent, usually much lower than the market rent, and they are protected against eviction. These privileges are somehow compensated by the universally-accepted practice that the tenants, and not the legal owners, are expected to organize and finance the maintenance and improvement of flats. When outworn equipment in a flat has to be replaced, no tenant is surprised to have to cover the difference between the normative and actual price of the new equipment, while the equipment itself becomes the property of the house-owner. In the light of sociological research done recently at Prague housing estates (Boska 2001), the author revealed that about half of the tenants interviewed in estate flats renewed or replaced sanitary equipment in their flats on their own. However, the occupiers' willingness to refurbish and improve does not usually extend beyond the threshold of their flats.

\textbf{THE PARTICIPATION OF STAKEHOLDERS}

The obvious gap between the care for flats and for the rest of the housing environment makes attempts at an active involvement of users in the preparation of refurbishment projects difficult. In privatized or cooperative houses, disputes about the payment of additional costs often delay or obstruct much-needed common investments.

Apparently, the 'affordable' price of the privatized flats has supported a surviving 'tenant mentality' of users. The effects of privatization on their behaviour may rely upon the price that has been paid by the privatizers. It would be illusory then to expect that the occupiers' behaviour would change radically in the foreseeable future. Despite this, the growing responsibility for and participation in improvement of the housing environment is a prerequisite for a sustainable refurbishment.

In several recent projects financed by a council or other public organisms, attempts were made to 'make people participate', by asking local citizens for consultation. Unfortunately, the citizens show their interest mostly as late as at the stage of project presentation. However, any critical opinion at this stage may be treated by organizers as a nuisance, and as a risk to smooth execution of a project. Many 'established' partners of legal procedures believe that it is better to keep the project among professionals and administrators, i.e. out of the hands of laypeople. In the worse cases, some projects have provoked complaints from residents against disturbances caused by works which were carried out to improve the quality of housing.

\textsuperscript{3} The sale of particular dwelling units to their current occupiers proved not to guarantee that the new legal owners would be able and willing to share costs of maintenance and renewal. Some tend to be 'easy-riders' even as co-owners, as they used to be as tenants.
PREPARING FOR FUTURE CHALLENGES

FUTURE CONSEQUENCES OF THE CHANGING FRAMEWORKS FOR THE POLICY OF UPGRAADING HOUSING ESTATES

Although the move towards market-dominated housing was delayed in the Czech Republic, the market would increasingly act as a major factor, even in non-profit and social housing segments. The previous supply-driven control of the 'market' by housing providers tends to be replaced by a balanced and demand-driven pattern with markets spatially and socially segmented and diverse stakeholders. Users of housing services that have been provided to them are becoming rather clients, even in the non-market segment of housing. With a recent privatization of housing, a significant part of the ownership rights and responsibilities have been transferred directly to individual users. However, any stakeholder in housing is apparently incapable of solving his own housing problems by himself alone.

These changes should also be reflected in strategies for the upgrading and further sustainable management of housing estates. The segmentation of housing transforms the former hierarchy of a single national housing policy specified by local housing policies to a network of policies elaborated at various organizational levels, i.e. those of the State, regions, municipalities and even big homeowners. These policies should be combined and applied specifically for each region, municipality and individual housing estate.

In the preceding decades one could witness how the focus of successive national housing policies in respect of the existing stock shifted from ideas about 'hard' renewal by mass demolition and new replacement construction to upgrading by predefined improvement in structures, in order to contain ageing of the estate housing fabric. In future, more stress is going to be laid on systematic monitoring and preventive maintenance.

In future, the dilemma as to whether to upgrade, contain by maintenance or demolish will probably have no single answer. Instead, individual solutions for each estate, and each housing unit within an estate, will have to be sought by all their stakeholders. Thus, a shift from the 'monolithic' national policy pre-1989 through a hierarchy of national and local housing policies of the 1990s to the present situation, may transform to a future interaction of top-down policies (European, national, regional and municipal) and bottom-up approaches of stakeholders oriented towards the tackling of concrete problems.

THE NEED FOR A NEW CONCEPT OF PARTICIPATION AND PUBLIC ASSISTANCE

Participation has sometimes been understood as a kind of democratic achievement, a favour provided kindly by housing providers to citizens who were expected to enjoy their rights to be listened to and, consequently, support the projects designated to increase their welfare. Contrary to the expectation, such a concept has not intensified the involvement of citizens in the process of improvement of housing estates.

As some residents became stakeholders thanks to privatization, and other housing users turned into clients rather than receivers, the concept of participation changed. Participation now meant a shared responsibility of stakeholders whose rationale would rather lie in seeking win-win solutions for all participants. In fact, this concept is a prerequisite to the search for solutions to the problem of scarce financial resources for upgrading and refurbishment projects. This is not an endless game but a process with clearly-defined rules and responsibilities, which starts with consensus building as to strategic objectives and policies, and finalizes in a common upgrading project with the roles and responsibilities in implementing it defined for each stakeholder involved.

Within this concept of participation, the role of public assistance will be to kick off the process of systematic maintenance and upgrading. In the long run, incumbent upgrading and continuous refurbishment should be preferred. The assistance of higher-level public resources should focus on large, often urgent investment and, of course, on public spaces, buildings and services.
as a prerequisite for a general prosperity of urban areas.

The immense volume of investment needed for the technical improvement of all housing stock will push forward the issues of economic optimization and efficiency. Obviously the criteria of benefit related to societal costs will have to be applied for public expenditure in the housing estates, and the relation between them may be different at different sites (Maier 2003). Public resources should assist selectively, in relation to the political choice between the expected efficiency/return for public purse and the need to minimize the risk of deterioration resulting from negligence and non-action. Moreover, the individual private owners of particular dwelling units should have access to professional advice and management in order to avoid excessive losses.

FROM REPAIRS AND REFURBISHMENT TOWARDS SUSTAINABLE MANAGEMENT

As housing estates are situated in urban areas and represent relatively affordable housing (as they will probably do even after the present rent ceiling is released), the estate housing will still find its users in future. Recent lessons from Eastern Germany show, however, that repair and refurbishment projects should take account of the changing market and demographic change, and that local conditions should be studied carefully to avoid economic losses. In future, a surplus of housing may appear in the former over-industrialized regions, which nowadays constitute problem areas. This will lead to housing abandonment or severe social decline on housing estates. In most other regions, housing estates will have to adapt to the increasing shares of single seniors and young, ‘starting’ households, if they are to be able to stand up to the market.

The experience from ‘more advanced countries’, where housing-estate improvement projects started earlier, have proved that a one-sided, solely technical, provision may not lead to a sustainable improvement. The revitalization of dwellings, apartment blocks and housing estates is a process, so it should not be reduced to a single ‘project’. A project that aims at the physical improvement of housing should be understood as a stimulus to continuous refurbishment, leading to sustainability in the economic as well as the social respect, and it should be developed to fulfill such goals. Obviously, a certain technical standard is a precondition for the competitiveness of estate housing as a specific type of urban environment, but it may not be enough to make estates an attractive form of housing, at least for certain groups of users.

An upgrading project, able to fulfill expectations in kicking off a process of sustainable refurbishment, has to be prepared thoroughly from the technical as well as the economic sustainability points of view—the relation between the scope of an action and the expected return on investment with respect to the expected future use, and last but not least, in the social respect, i.e. as regards the reasonable and effective participation of all stakeholders and users affected.

POTENTIALS IN TRANSFERRING KNOWLEDGE AND TOOLS FOR IMPROVEMENT

The recent project of SUREURO-NAS (2004) linked to the EU project of SUREURO (Sustainable Refurbishment of Europe) aimed at the transfer of the experiences of EU 15 housing management agencies as regards sustainable ways of housing refurbishment. The project research showed that the prospects for transferring the experiences and knowledge are different in the diverse fields of the upgrading and revitalization effort:

- in the field of technology, the transfer proceeds easily following the removal of the

4 The Concept for the upgrading of housing estates in Prague prepared by the City Development Office of Prague (2001–2002) classified housing estates on the basis of the following groups of criteria: potentials of the particular housing estates (residential, social, technical, economic, urban context, availability and preparedness of projects, public spaces, natural environment, infrastructures, position in broader context) and risks to successful development (crime rate, bad image, urban defects, structural defects, size of project, problem areas and barriers, parking benefit, ownership problems) (For details cf. Maier 2003).
political and commercial barriers restricting the movement of goods and technologies; the only prerequisite for proper application is a precise knowledge of the particular building structure to be improved or upgraded,

- in the field of organizational and economic models for upgrading projects, the utility of transfer depends on the frameworks of specific ownership, organizational and legal patterns within which the upgrading takes place; guidance via best-practice projects seems to be of help, leaving the stakeholders in a concrete upgrading project with enough space to find their own way in elaborating an appropriate model,

- in the field of stakeholder participation, no ideal model has yet been developed; it is for the participating stakeholders to identify the means of communication, consensus-seeking and decision-making for desirable win-win solutions.

FROM THE NATIONAL TO THE EUROPEAN SCALE OF THE HOUSING ESTATE ISSUE

With the accession of the Central and Eastern European countries to the European Union, the issue of housing estates acquires a European dimension. Some experts and politicians in the former EU15 are concerned with the potential impact of housing dilapidation in the new member states on the inhabitants’ inclination to migrate to places where housing conditions are better. The issue of housing is in this way becoming important for the enlarged EU’s cohesion. The EU motivation to become involved in upgrading housing estates may be similar to that as regards structural funds for agriculture. Both are highly controversial and probably not sustainable; the first aims to contain migration from declining rural areas, the second from declining cities with a large number of dilapidated housing estates.

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NOTES ON THE SERVICE ECONOMY OF THE UKRAINIAN CAPITAL DURING THE 1990s TRANSFORMATION

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Abstract: This paper presents the state of and main trends to the development of the services sector in Kiev, the Ukraine capital, during the political, economic and social transformation of the 1990s. The increasing significance of services in Kiev economy is stated on the basis of an analysis of some economic indicators (such as fixed assets, employment, gross output and gross value added). Infrastructural potential and accessibility to the basic social services are described then. Finally, a glimpse into development of Kiev service economy up to 2011 is given.

Key words: service economy, economic and social transformation, market and non-market services, service infrastructure, development strategy.

INTRODUCTION

Kiev, the capital of Ukraine, is one of the largest urban centres in Europe. At the beginning of 2003, 2,621,700 people (5.4% of the country's population) lived within the administrative limits of the city on 0.14% of its territory (836,000 m²). The capital city has concentrated 6.4% of the national employment and fixed assets. The average intellectual and professional levels of economically active persons are higher in Kiev than elsewhere in Ukraine. Furthermore, the share of people with a high education level in the city's industry has increased from 12.3 to 19.7% since the middle of the 1990s.

The contribution Kiev makes to the national export of goods and services has oscillated between 12 and 15% in the last few years, and the contribution to import has been even twice as high. The foreign trade turnover amounted to 17.3% (7.02 M USD in 2002, of which 4.14 M USD in import). Kiev has concentrated more than 1/3 of the Ukrainian FDI (foreign direct investment) with its share growing steadily (from 30.7% to 35.0%) in the years 1999–2002.

The situation on Kiev's labour market is the best in Ukraine. The level of registered unemployment displays the lowest indices since 1996 and is showing a downward trend. Only 0.6% of the population of productive age was

1 Kiev is ranked sixth among the European capitals in terms of population size (after Moscow, London, Berlin, Madrid and Rome).
Igor Kavetskyy and Yaroslav Osaphychuk

jobless in 2002 (3.7% nationally). The share of unemployed under 28 years of age decreased from 24.5 to 21.1%, from the beginning of the 1990s, and that without a job for longer than one year from 33.1 to 27.3% (25.6 and 29.0% nationally).

The low ratio of the number of jobless people to that of job offers documents the efficiency of the labour market regulations initiated in Kiev (26th position of Kiev among 27 Ukrainian regions). While the ratio was 5:1 in 2000, two years later it became 1:1. In contrast, the ratio for Ukraine as a whole, though decreasing, was 11:1 in 2002 (against 24:1 in 2000).

Despite a national increase in the real income of the population, and in the consumption of goods and services, together with an improvement in the structure of incomes/expenses, the capital city still enjoys significantly more favourable real values for all the indices of standard of living. In 2002, the citizens of Kiev benefited from 1/5 of the country's monetary income and the value per capita exceeded the national index 3.5 fold. Similarly, mean monthly expenses and savings per capita were four times higher in Kiev than in Ukraine.

The economic potential of the capital grew during the 1990s. The share taken by Kiev in the national GVA increased from 7.6% in 1996 to 17.0% nowadays and the GVA per capita was twice as high as the national average. In this respect Kiev comes second among Ukraine regions (after Donetsk District).

As regards some features of social and economic development (e.g. the pace of restructuring and modernization of the economy, the innovative potential, the diversity and intensity of regional and foreign connections, the level of income and the quality of life), Kiev is in the lead among Ukraine regions, with its highest investment attractiveness, openness and readiness for active participation in national and foreign cooperation, and its catalyzing of national economic and social reforms (Bandur et al. 1999; Balabanov et al. 2001; Balabanov et al. 2003; Bohynia and Volynskyy 2003; Kutsenko et al. 2003; Novikov 2003; Ponomarenko 2003).

The most important contribution made by Kiev to the national economy is related to the quickly developing service activities. They are participating in the post-industrial transformation of the national economy through their developing of highly technological, skill-absorptive services (e.g. in information, telecommunications, finances, consulting, advertising, education, medicine, culture, etc.). The processes transforming the economic and social sectors of the capital city have country-wide repercussions, and experiences acquired in Kiev are transferred to the social and economic organization of life in other regions (Bidnyy 2001; Kutsenko and Bohush 2001; Nevelev 2002; Nevelev and Danylyshyn 2001).

The aim of the present study has been threefold:

- to present the main trends as regards the development and current state of the services sector in the capital of Ukraine in the years of political, economic and social transformation;
- to analyze the infrastructure of basic services and its accessibility;
- to assess the prospects for future development of the service economy in Kiev.

The investigation was carried out for the years 1990–2002/3. At each stage of the study the situation in 2003 was related to two previous states (of 1990 and 1995). The former was the last pre-transformation year in which values for the analyzed indices very often reached their maxima; subsequently they have been decreasing rapidly in relation to the economic and social crisis. The later date was the first year in which a revival in the economy and social sector of the Ukrainian capital began to appear gradually.

2 The service economy was defined, for the purpose of this study, as a set of activities dealing with production of non-material items, participating in the production of material goods, serving both individual and collective consumption, and shaping people's personality and material conditions of existence.
The paper is based on data from the State Statistics Committee of Ukraine and Municipal Public Administration of Kiev. The series of data are not always comparable over the whole period, primarily on account of the conversion of Ukraine to a new system of accountancy and the classification of activities in 2001, based on NACE (the Statistical Classification of Economic Activities in the European Community, NACE Rev. 1 1996). The service activities considered in the paper correspond to sections G to Q in NACE, with the exception of housing, which is a product of section F (Construction). The notions of market and non-market services, as well as of distribution, personal, producer and social services are used throughout the paper.

The statistical sources employed in this paper are, in the majority, statistical yearbooks, e.g. Realizacija platnykh poslug... 2000, Rozdrihna tohirivlia... 2001, Dijalnist pidpryjemstv... 2003, Merezhz rozdribnoji tohirivli... 2003, Statystychnyj shchorichnyk... 2003, Valova dodanavartist... 2003. The statistical sources employed in this paper are, in the majority, statistical yearbooks, e.g. Realizacija platnykh poslug... 2000, Rozdrihna tohirivlia... 2001, Dijalnist pidpryjemstv... 2003, Merezhz rozdribnoji tohirivli... 2003, Statystychnyj shchorichnyk... 2003, Valova dodanavartist... 2003. The statistical sources employed in this paper are, in the majority, statistical yearbooks, e.g. Realizacija platnykh poslug... 2000, Rozdrihna tohirivlia... 2001, Dijalnist pidpryjemstv... 2003, Merezhz rozdribnoji tohirivli... 2003, Statystychnyj shchorichnyk... 2003, Valova dodanavartist... 2003. The statistical sources employed in this paper are, in the majority, statistical yearbooks, e.g. Realizacija platnykh poslug... 2000, Rozdrihna tohirivlia... 2001, Dijalnist pidpryjemstv... 2003, Merezhz rozdribnoji tohirivli... 2003, Statystychnyj shchorichnyk... 2003, Valova dodanavartist... 2003. The statistical sources employed in this paper are, in the majority, statistical yearbooks, e.g. Realizacija platnykh poslug... 2000, Rozdrihna tohirivlia... 2001, Dijalnist pidpryjemstv... 2003, Merezhz rozdribnoji tohirivli... 2003, Statystychnyj shchorichnyk... 2003, Valova dodanavartist... 2003. The statistical sources employed in this paper are, in the majority, statistical yearbooks, e.g. Realizacija platnykh poslug... 2000, Rozdrihna tohirivlia... 2001, Dijalnist pidpryjemstv... 2003, Merezhz rozdribnoji tohirivli... 2003, Statystychnyj shchorichnyk... 2003, Valova dodanavartist... 2003. The statistical sources employed in this paper are, in the majority, statistical yearbooks, e.g. Realizacija platnykh poslug... 2000, Rozdrihna tohirivlia... 2001, Dijalnist pidpryjemstv... 2003, Merezhz rozdribnoji tohirivli... 2003, Statystychnyj shchorichnyk... 2003, Valova dodanavartist... 2003.

5 Market services are those services which are produced for sale, usually in order to obtain profits, whose price is set on the market. The notion covers activities included in the in NACE sections G to K and O to Q. Non-market services are provided by non-commercial entities, financed mainly through the budget (e.g. services provided by governmental or municipal institutions, educational services, healthcare). These activities belong to sections L, M and N. The scale of these services is assessed by cost price. Distribution services are those connected with the distribution of goods, information or people. Some are final consumption products (e.g. vacation travels), but most are ancillary to final consumption (e.g. retailing) or production (e.g. transport of materials). Personal services are those services satisfying the individual needs of people; they usually require face-to-face contact between the service-provider and the consumer. Hotel and restaurant services, recreation and hairdressing are good examples. Producer services are intermediate inputs to the production process and are sold (mainly) to other firms and, to a lesser degree, to households. They typically have a high information content and often reflect 'contracting out' of support services which could be provided in-house. Producer services comprise, e.g. financial intermediation, real estate activities, consultancy services, advertising, data processing, and research. Social services are direct non-market activities satisfying people's personal or social needs, e.g. services of public administration, healthcare, education or culture.

THE POSITION OF THE SERVICES SECTOR IN KIEV'S ECONOMY

Recent changes in the structure of the Ukrainian economy point to the increasing importance of services in the economic and social development of the country, especially its capital. This is illustrated by the values for cumulative fixed assets in services, the number of employees as well as the share this sector takes in gross output and GVA (Table 1). The newest data (from 2003) show that the services sector concentrates c.61% of all the economic entities of Kiev, 75% of all fixed assets and c.73% of economically active persons. The share taken by the services sector in gross output amounted to 69.5%, and in GVA to even 82.7%. Almost 3/4 of service entities and their outcome, as well as c.86% of fixed assets belonged to market services. Non-market services attained the higher share in the case of the number of employees only (37.7%). When sections of service activities are taken into account, the highest values for all the mentioned indices are obtained in real estate, trade and repairs and transportation services. In non-market services only sections O (Other community, social and personal service activities) and M (Education) have a relatively higher share, first in the number of entities and second in the number of employees.

Since the beginning of the transformation, the importance of services to the Ukrainian economy has been increasing steadily. The share of the services sector in employment rose from 52.9% in 1990, to 60.8% in 1995 and 72.7% in 2003. However, the average size of service entities has decreased significantly, something which is connected with the restructuring of large and medium-sized establishments. As a result, an increasing number of small, flexible firms have appeared on the market. For example, at the beginning of 2003, 88.4% of retail establishments (of a total of 1 222) were classified as small, among them 13.5% as microfirms with less than 5 employees. Similarly, of c.83% of small firms, 11.7%...
Table 1. The structure of the Kiev economy by NACE activity sections, January 2003 (in %)

<table>
<thead>
<tr>
<th>Specification</th>
<th>NACE categories</th>
<th>Number of economic entities</th>
<th>Fixed assets</th>
<th>Number of employed people</th>
<th>Gross output</th>
<th>Gross value added</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Agriculture, hunting and forestry</td>
<td>A</td>
<td>0.48</td>
<td>0.30</td>
<td>0.50</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Fishing</td>
<td>B</td>
<td>0.02</td>
<td>0.01</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>C</td>
<td>0.09</td>
<td>0.13</td>
<td></td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>D</td>
<td>9.29</td>
<td>10.75</td>
<td>17.77</td>
<td>17.42</td>
<td>6.04</td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>E</td>
<td>0.18</td>
<td>3.36</td>
<td></td>
<td>7.62</td>
<td>6.93</td>
</tr>
<tr>
<td>Construction</td>
<td>F</td>
<td>6.01</td>
<td>7.75</td>
<td>9.06</td>
<td>5.49</td>
<td>4.27</td>
</tr>
<tr>
<td>Wholesale and retail trade; repair of motor vehicles</td>
<td>G</td>
<td>28.90</td>
<td>2.87</td>
<td></td>
<td>22.78</td>
<td>27.45</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>H</td>
<td>1.53</td>
<td>1.17</td>
<td></td>
<td>1.03</td>
<td>0.93</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>I</td>
<td>2.98</td>
<td>37.79</td>
<td>8.91</td>
<td>15.35</td>
<td>17.82</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>J</td>
<td>2.09</td>
<td>2.04</td>
<td>2.54</td>
<td>6.05</td>
<td>7.14</td>
</tr>
<tr>
<td>Real estate, renting and business activities</td>
<td>K</td>
<td>15.00</td>
<td>22.46</td>
<td>14.24</td>
<td>11.15</td>
<td>13.92</td>
</tr>
<tr>
<td>Public administration and defence; compulsory social security</td>
<td>L</td>
<td>0.66</td>
<td>2.14</td>
<td>5.60</td>
<td>5.35</td>
<td>6.08</td>
</tr>
<tr>
<td>Education</td>
<td>M</td>
<td>1.32</td>
<td>3.56</td>
<td>9.09</td>
<td>2.73</td>
<td>3.78</td>
</tr>
<tr>
<td>Healthcare and social work</td>
<td>N</td>
<td>1.76</td>
<td>3.32</td>
<td>6.46</td>
<td>2.32</td>
<td>2.93</td>
</tr>
<tr>
<td>Other community, social and personal service activities</td>
<td>O</td>
<td>8.39</td>
<td>1.81</td>
<td>6.28</td>
<td>2.70</td>
<td>2.70</td>
</tr>
<tr>
<td>Others and not classified</td>
<td></td>
<td>21.28</td>
<td>0.54</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

were microfirms. In general, larger service entities continued activity in the non-market sector, in which a medium-sized enterprise employed 22 persons on average, compared with 9 persons only in market services.

The share taken by the Kiev services sector in gross output and GVA increased by c.26% and c.30% respectively in the years 1995–2002. The growing importance of the Kiev service economy is further documented by a share in the Ukrainian GVA increasing from 11% in 1995 to 19% today. In 2002 the GVA generated in services was equal to 9,875.2 UAH per capita (of which 8,027.4 UAH was in market services).

In 2002, the output from Kiev services amounted to 9,171.3M UAH, and the income produced to 1,025.0M UAH, of which c.79% was in distribution services (mainly in post and telecommunications—48.2% and transportation services—27.7%). Producer services accounted for 11.6%, social and personal services for 6.4% and 3.2% respectively. Although the role of social services in the Kiev economy seems relatively insignificant (10.2% of the income produced), their role in (re)creating human capital, upgrading the educational level, and maintaining health and social stability can hardly be denied. Therefore, in further sections the emphasis will be put on the accessibility of these and some other services influencing the material conditions and quality of life of Kiev inhabitants.

THE STATE OF AND TRENDS TO THE DEVELOPMENT OF KIEV’S SERVICE INFRASTRUCTURE

HOUSING AND THE MUNICIPAL ECONOMY

The general crisis in the Ukrainian economy in the early 1990s caused a serious decline in assembly and construction activities, as well as in housing in successive years (1991–1998). Even today, floor space in dwellings given over for use is at just one third of the 1990 level. Simultaneously, the financial resources behind housing construction have changed radically. Between 1991 and 2000 the share taken by public funds decreased from 22% to 1.5%. Thus, today’s investments in dwellings are basically financed by enterprises and physical persons. As a result, an increase in the demand for more comfortable dwellings is to be noted, as evidenced by an increase in total floor space of 251,400 m², albeit within the same number of dwellings completed in 2002 as in 2001 (63,800).

As a consequence of these changes, Ukraine’s spatial diversity in housing correlates to a large extent with the level of urban and regional development. Rich Kiev with a dwelling floor space equal to 404,000 m² completed in 1995 (itself the lowest level attained since the Second World War), has enjoyed an annual increase from 16% to 20% in the years 1996–2000. From 2001 on, more than 1M m² of total dwelling floor space has been completed annually. One should not be surprised that 16% of Ukrainian funds for housing are today invested in Kiev—the first locality, in which the housing finance programs were introduced, with great success. 7

The District of Kiev should also be mentioned as occupying third place (after the city of Kiev and Dniepropetrovsk District) in terms of the concentration of the building industry in the small, satellite towns.

Nowadays, the Kiev housing stock is estimated at c.1M dwellings in c.10,000 multi-family housing blocks (a total surface area of 58M m²) and about 22,000 detached, single-family houses (total surface area exceeding 2M m²). However, about 98% of these buildings are located in areas of intensive settlement. From the beginning of the transformation, the proportionality between detached and multi-family housing has not changed significantly, whereas a radical change in ownership occurred. If the share of owner-
occupied flats amounted to 4.5% only in 1990, it increased to 26.3% in 1995, and came to represent the majority (56%) in 2002.

At the beginning of 2003, the average usable dwelling floor space in Kiev reached a level over 50 m². However, the indices for the usable floor space per person and the average number of rooms per flat (2.1 in Kiev) are still significantly worse than in other European capitals. Although the average index has increased from 16.7 m² in 1990 r. to 19.8 m² in 2002, it still does not meet the standards assumed in this domain.

It is worth stressing that Kiev dwellings are relatively well-equipped, at least in comparison to those in other Ukrainian towns. In 2002, 98.5% of dwellings were connected to water and sewerage systems and 99.1% to central heating. 97.7% were equipped with bathtubs or showers and 96.8% had a twenty-four-hour supply of hot water. The increasing proportion of flats with floor heating (to 22.7%) resulted in a decrease in the proportion of dwellings with gas installations (to 76.2%). However, the poor state and slow modernization of sanitary infrastructure reduces the quality of these services.

RETAIL TRADE AND CATERING
In 2002, the number of retail sales points in Kiev reached 3420 (of which almost 70% were shops), with a total sales floor of c.431,700 m². Catering was represented by 1323 establishments with 102,100 seats. After a rapid increase in the early 1990s, the number of establishments did not change significantly (the change being from 11.5 to 13 trade outlets per 10,000 inhabitants and from 4.3 to 5 catering establishments). However, the retail sales floor per inhabitant and the number of seats of catering have decreased 2.3% and 17.8%, respectively, falling to 1647 m² and 389 seats per 10,000 inhabitants in 2002. The deconcentration process already in progress in trade and catering, can be related to changes in ownership (Table 2).

The increasing diversification of incomes in Ukraine (favouring the capital city), combined with improvements in the standard of living in Kiev give a fivefold increase in retail and catering sales per capita since 1995. About 90% of sales in 2002 (93.4% in 1995) were from retail outlets, effectuated mainly by cooperatives and foreign firms. They now account for 91.4% of sales of goods, as compared to 60.2% in the middle of the 1990s. Similar increases in sales by cooperatives and foreign firms (from 41.2% in 1995 to 76.2% in 2002) were observed in catering, as were decreases by state and municipal enterprises.

URBAN PASSENGER TRANSPORT
Transport in Kiev is a complex system composed of roads and car parks, means of public transport (trams, trolleybuses, buses and the metro), some private lines of minibuses, and railway, waterway and air transportation. Public transport plays a major role, servicing c.2/3 of trips within the city (excluding pedestrian).

After a general fall in the middle of the 1990s, the level of use of Kiev public passenger transport has increased 1.7 fold. In the first years of the 21 century, it has stabilized at the level of 1.4 M passengers annually, with a clear predominance of the metro (40.9% in 2003). From the beginning of the transformation, transport has undergone radical structural changes. In 1990, urban bus transport was still the biggest carrier (34% of passengers). Since then, its share has decreased 1.5 fold, whereas the use of the metro has doubled. The proportion of trips effectuated by trolleys and trams decreased from 25.3% and 21.4% respectively in 1990 to 22.0 and 15.0% nowadays.

Enlargement of housing estates and the need to protect the natural environment led to further development and improvement of transport and technical infrastructure. Therefore, the development of ecologically inoffensive transport is of great importance. The total length of trolley-lines has increased to c.406 km, i.e. by 23.4% since the middle of the 1990s. The metro—the most important element in today’s urban passenger transpor-
Table 2. Structure of network of retail and catering establishments in Kiev by type of ownership, in % (data for beginning of year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Type of ownership</th>
<th>State</th>
<th>Municipal</th>
<th>Private</th>
<th>Cooperative</th>
<th>Foreign</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of retail sales objects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>3,2</td>
<td>28,7</td>
<td>1,4</td>
<td>66,7</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>3,1</td>
<td>7,7</td>
<td>8,0</td>
<td>80,4</td>
<td>0,8</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>3,1</td>
<td>9,3</td>
<td>8,1</td>
<td>77,4</td>
<td>2,1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Retail sales floor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>2,1</td>
<td>24,8</td>
<td>0,4</td>
<td>72,7</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>1,7</td>
<td>4,5</td>
<td>3,1</td>
<td>89,6</td>
<td>1,1</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>1,9</td>
<td>3,3</td>
<td>5,1</td>
<td>84,2</td>
<td>5,5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of catering establishments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>19,1</td>
<td>46,1</td>
<td>1,1</td>
<td>33,7</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>20,5</td>
<td>26,7</td>
<td>4,7</td>
<td>46,7</td>
<td>1,4</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>17,0</td>
<td>25,5</td>
<td>6,5</td>
<td>48,7</td>
<td>2,3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of catering seats</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>13,7</td>
<td>63,7</td>
<td>0,1</td>
<td>22,5</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>15,2</td>
<td>56,0</td>
<td>2,1</td>
<td>24,9</td>
<td>1,8</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>12,9</td>
<td>43,5</td>
<td>3,4</td>
<td>37,5</td>
<td>2,7</td>
<td></td>
</tr>
</tbody>
</table>

Source: Statystychnyj shchorichnyk... (2003).

transportation system—has increased the length of its lines by 12.7% (49% in respect to 1990), reaching 51.6 km now. An increase in Kiev's investment outlays in 2002 resulted in c.30 km of new trolley-lines, and the construction of a new metro section with two stations took the total number to 42. The shortening of tram-lines to 280.3 km (down 2.6% in the years 1996–2002) should be considered a negative decision. The tram has mainly been removed from the city centre, giving way to public buses and private microbuses (the so-called marshrutki), both unfriendly to the environment. An annual increase of 4 km in new car roads has resulted in a gradual extension of their total length to 1585.8 km. However, the quality and safety of capital roads still require significant improvement.

The Kiev public transport fleet requires an efficient solution as well. The number of metro-wagons has increased to 593 (by 10.4%), with respect to 1995. In contrast, the bus fleet decreased to 1380 units (-24.2%), trams to 570 units (-21.6%), and trolleys to 594 (-16.7%). Approximately 60% of the buses have passed at least one amortization time-limit. The problem of passenger transport is being resolved temporarily by microbuses. Their number exceeds 500 and is growing continuously. Additionally, buses,
mostly private, are working in the marshrutki system. As a result, the load of buses and minibuses exceeds the norm by 1.5 to 2 times in rush hours, permanently provoking dangerous situations. The number of road vehicles has been increasing quickly, reaching about 600,000 in 2003 (of which more than 400,000 are cars). Thus, urban roads are seriously overloaded. In rush hours, the ground transport speed decreases to 12-15 km per hour, leading to an increase in fuel and electricity consumption, as well as environmental pollution, while traffic safety is worsening.

HEALTHCARE
The number of healthcare facilities in Kiev amounted to 96 in-patient health-centres at the beginning of 2003, with an average capacity of c.116 beds per 10,000 inhabitants (of which c.17 beds in obstetric and c.121 in children-wards). Out-patient healthcare included 234 facilities with a total capacity of 310.5 consultations per shift per 10,000 inhabitants. Additionally, 151 health-centres were located in industrial and academic sectors. Kiev concentrates the highest level of medical staffing in Ukraine, i.e. 85.2 doctor-specialists and 133.5 persons of lower medical qualifications per 10,000 inhabitants. The Kiev healthcare system differs from that of other regions in providing medical services, not only to its own inhabitants, but also to persons from outside the city (or country).

The restructuring processes, demographic changes, some features of medical education organization, etc., have a significant impact on the development of the sector. Unfortunately, the number and capacity of healthcare facilities, especially out-patient ones, is still decreasing. Since 1995, 14.6% of the specialized out-patient departments in the capital have been closed. Additionally, the reorganization of state enterprises has led to a halving of the number of subordinated health-centres. The newly created establishments refused further financing of the social infrastructure for economic reasons.

This downward trend has been counterbalanced by an increase in the numbers of centres caring for women and children (by 1.5 times in number and 1/3 times in capacity). This increase has something to do with a deficit inherited from the past, as well as with the increasing rates of sickness among children in Kiev. The number of doctor-specialists has also been increasing recently as a result of an increased number of graduation from medical faculties (schools), especially fee-paid ones. Simultaneously, the need for well-qualified staff is increasing in Kiev, first of all because of an intensive development of different private healthcare centres. However, the lack of medium-level medical personnel resulting partly from relatively low salaries, as well as a great liquidity of staff, constitute a great problem tending to arrest further development in this sector.

EDUCATION
A new education system was introduced in Ukraine in 1993. It is a complex, European-type multi-level system embracing all forms of education from pre-school (nursery schools) through secondary and higher-level schools up to doctoral studies and self-education.

The changes in the number of educational institutions (pupils and staff) depended above all on their social and economical importance, and on the changes in the demographic situation, reforming tendencies in the economy and the social sector of the city. Therefore, each educational level was formed in a different way.

The Kiev education system, the largest in Ukraine in terms of staffing and equipment, was composed in 2003 of 675 pre-school centres, 513 primary and secondary schools, 31 basic vocational and technical secondary schools and 114 higher education institutions.

As a result of an increase in service expenses, a rise in unemployment (especially of women and persons of pre-pensionable age), and a popularization of ‘pre-school education at home’, the number of nurseries

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9 As of 2000 in Kiev (to compare with country-wide indices of 122.8 and 82.0, respectively).
10 Information on the Ukrainian system of education is available at: http://www.education.gov.ua/pls/edu/educ.home. eng
has been decreasing gradually, to 84% of that registered in 1990. Their capacity has also decreased (to 76,200 places, i.e. by 44%). As with the medical centres, the first to liquidate have been those nurseries which have been financed by enterprises (they made up 31.6% of all the nursery schools in 1990, but only 10.1% in 2003). A decrease (near-halving) in the number of pre-school pupils was counterbalanced by a simultaneous increase in the net education ratio\(^\text{11}\) from 60% in 1990 to 73% in 2003.

In 2003, the majority (72.5%) of Kiev schools offered full secondary education, whereas those of elementary-level (offering education to children of 6 and over) constituted 21.6%. Only a small proportion (2.1%) of secondary schools were engaged in basic secondary education, and some 3.7% in special education.

A characteristic feature of the transformation period was the appearance of a private sector in education (representing 6.9% of the total number of primary and secondary schools today, as compared with 0.8% in 1995). These schools usually offer education of European standard and cherish the idea of an individual attitude to a child. The opening of these schools was considered a response to the crisis in the national education system, which has often lagged behind the changes occurring in society. Various specialized institutions for talented children have been brought into being as well (e.g. profiled classes, specialist schools, high schools, junior high schools and colleges).\(^\text{12}\)

The capital is almost the only region in Ukraine in which the 'shift education' has been almost totally eliminated. Nevertheless, the number of pupils per school-class is still high (28 on average), despite the decrease in the total number of pupils (of 15.5% since 1990). However, the similar index is 13 to 17 people in private institutions.

Technical and vocational schools witnessed a downward trend in the capital as well as all over the country. The decreasing number of schools (in 2003 at only 63.2% of the 1990 level) accompanied a fall in the number of students and graduates.

In contrast, the rising demand for higher education resulted in a twofold increase in the number of these schools, first of all of accreditation level III and IV (from 18 in 1990 to 67 nowadays), which are more prestigious and offer higher degrees. The non-public higher school sector is becoming more and more important in Kiev’s educational system. The number of non-state higher educational institutions had been increasing from 26.9% in 1995 to 36.0% in 2003; embracing the growing number of students: from 4.4% to 20.3%, respectively. The twofold increase in the number of students of accreditation level III and IV (322,400 persons, i.e. 85.4% of the whole student population in 2003) was responsible for the 1.8-fold increase in the total number of students. In the accreditation level I and II schools, the increase reached only 24.2%. These increases in the numbers of day-students were accompanied by an increase in the share of weekend students (from 28.8% in 1995 to 42.0% of the total at present). It should be noted that the number of academic teachers increased at a much slower pace (c.42% since the middle of the 1990s), now attaining 30,200 (or 12 students per academic teacher).

Unfortunately, the development of material and technical bases did not follow the rapid increase in the number of higher educational institutions and students, resulting in the decrease in usable school floor space per day-student to 8.7 m\(^2\), i.e. by nearly 1/4.

\(^{11}\) The net education ratio relates the number of students (pupils) at a given educational level to the number of people of age corresponding to this educational level.

\(^{12}\) For example, high schools and junior high schools now offer full secondary education to 12.4% of Kiev pupils (only 1.4% in 1990, but 7% in 1995).
Thanks to the support of numerous private establishments and sponsors, and partly also of governmental and municipal authorities, it was possible to preserve the multi-profile character of Kiev culture.

Nonetheless, the economic crisis of the early 1990s was firstly felt in all basic Kiev cultural centres, as their functioning depended largely on governmental support. The number of public libraries has more than halved since 1990, and their collection has declined from 566 to 414 volumes per 100 persons. The degrading of the book collection in a material sense, its slow modernization and supplementation, the inefficiency of technical equipment, as well as a general decrease in reading habits, all led to a decrease in the number of readers to 497,900, i.e. by almost 46%.

Although the number of museums and theatres has not changed, the interest in them has decreased almost to just one-third of its former level, at 138 and 41 visitors per 100 citizens. In contrast, the rebirth of cinema in a commercial form caused a significant increase in audiences. A rapid increase in interest in music shows has been noted as well (from 18 participants in 1995 to 119 in 2003).

RECREATIONAL ACTIVITIES

Recreational activity usually includes health resorts, the organization of children's rest and recreation, tourist and travel services. The importance of the first two lies in health protection and social care of the population, the latter in increasing municipal and governmental incomes.

As a result of a decrease in demand and the non-competitiveness of capital sanatorium and health resorts, their number has decreased by c.29% and their capacity by c.27% since 1995 coming down to 8,500 places. All independent centres for one or two-day stays have been closed, as well as a half of the sanatoriums. The reception capacity of guest houses and rest homes have been reduced significantly. An insignificant increase was only noted in the number of recreational bases. In 2002, only 63,100 persons profited from the services provided by sanatoria and health centres (i.e. 50% less than in 1995). This is the result of decreasing incomes in the population, increased prices of services, and—last but not least—an unfavourable image of Kiev health resources on account of their being located too close to the contaminated terrain of Chernobyl, following the breakdown at its nuclear power station.

The situation was different at children's rest centres. Thanks to the support of the municipal authorities, the number of urban summer camps increased by c.50%. However, as a result of the unfavourable ecological situation and the withdrawal of a part of the commercial enterprises from providing social infrastructure, 1/3 of the most valuable extra-mural camps for children were closed. Nowadays, only 4.9% of the total number of camps remain in the suburban zone, with 3/4 of all places (c.89 in 1995). The number of children participating in colonies and summer camps amounted to 23,900 in 2002 (c.22% less than in 2000).

As regards hotel infrastructure—the main basis for tourist and travel services—98 objects were registered in 2003 (76 in 1995), among them one five- and some four-star hotels. Since 2000, the total number of hotel rooms has increased by 3.7% (to 8,400) while their capacity has increased by 3.3%, coming to 15,700 places (i.e. 6 per 1000 inhabitants). This increase was due to an increasing number of new hotels, as well as a raising of the capacities of the existing ones. Despite the rise in the capacity of Kiev hotel services, the figure is still lower than in the early 1990s (about 55% in respect of 1990 and c.34% of 1995).

About 600,000 persons profited from services provided by tourist offices or agencies registered in Kiev in 2002 (c.19% more than in 2000). Foreign tourists made up a little more than 1/4, however, their number has been increasing rapidly in recent years (by c.23% as compared with 2000). The interest in the short-term excursions (e.g. city sightseeing), has doubled. In 2002, such excursions were provided to about 180,000 people by Kiev establishments.
The perspectives for the development of service activities in the Ukrainian capital are integrated into the Social and Economic Strategy for Kiev's Development to 2011. The strategy assumes that the main aim of Kiev's development will be to improve the standard of living and quality of life in the city, as well as its demographic characteristics in relation to the structural changes in the economy. This would bring out constant economic growth, as well as social stability and ecological safety. Preferences in developing the service economy, especially social services, under conditions of a strengthening postindustrial, socially-oriented market economy based on high-quality human capital, have been stated as one of the most important strategic directions to Kiev's development (Kyjiv—2011. Stratehija rozvytku... 2003).

In order to increase the effectiveness of functioning of social services it is first foreseen that changes in the system of their financing be stimulated by introducing national social standards, assuring minimum upkeep costs and developing the social insurance system.

An important direction in the realization of the strategic preferences is to invest intentionally in the innovative renewal of the material and technical bases of services, and stimulate their economic independence. It is further assumed that transparency and honesty would be brought into the service establishments functioning in the competitive environment, by introducing some regulation mechanisms. Table 3 presents forecasted values of selected indices for the development of service infrastructure in Kiev.\textsuperscript{13}

**CONCLUSIONS**

Recent changes in the structure of the Kiev economy have shown the increasing importance of service activities in the social and economic development of the Ukrainian capital. Although Kiev follows a worldwide trend in this regard, it should be emphasized that the changes are occurring in a relatively poorly-developed Ukrainian economy characterized by low relative and absolute values of GNP, whose structure nevertheless imitates that of highly developed countries. The rapid changes in the proportions of services and so-called 'productive' sectors should also be stressed (as measured by the GVA, they have passed from 63.8:36.2 in 1996 to 82.7:17.3 now). By the same measure, the share taken by Kiev in the country's services sector has increased from 11.1% to 19.1% since 1995. It attests to a significantly greater speed of development in Kiev than in other territorial units of Ukraine, but also points to increasing regional disparities.

The service economy of Kiev is nowadays represented by a wide range of services of both market and social significance. However, it should be emphasized that the provided services are largely archaic, as distribution services prevail. In contrast to the highly developed economies, Kiev as yet affords a minor role to the most dynamic and innovative branches of the services sector, known as producer services. Despite the insignificant role of the social services in shaping Kiev's income to date, their importance in (re)creating human capital and shaping the general level of social development could hardly be neglected. The accessibility to these services influencing the material conditions and quality of life of Kiev citizens has been increasing significantly since 1995. However, the effects of the social and economic crisis of the early 1990s are still felt, as the service infrastructural potential has in many cases not yet reached the level attained in 1991 (i.e. in the pre-transformation times). Nonetheless, one should be pleased with the fact that radical qualitative changes are appearing, with the renewal of quantitative parameters of the service infrastructure differ, depending on the assumed scenario of social and economic development. The first variant presents the inertial scenario, the second—the transformative.
Table 3. Some indices of development of Kiev's service infrastructure to 2011 (data and estimates for beginning of year)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Variant I</td>
<td>Variant II</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Variant I</td>
<td>Variant II</td>
</tr>
<tr>
<td>Usable floor space in dwellings (m² per capita)</td>
<td>18.4</td>
<td>19.8</td>
<td>21</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>Retail sales floor (m² per 10,000 people)</td>
<td>1685</td>
<td>1647</td>
<td>1750</td>
<td>1800</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1880</td>
<td>1960</td>
</tr>
<tr>
<td>No. of seats in catering establishments (per 10,000 people)</td>
<td>473</td>
<td>389</td>
<td>410</td>
<td>420</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>430</td>
<td>440</td>
</tr>
<tr>
<td>Turnover of retail sales (UAH per capita, at 2000 prices)</td>
<td>1039</td>
<td>2044</td>
<td>2640</td>
<td>2790</td>
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<td></td>
<td></td>
<td></td>
<td>3660</td>
<td>3850</td>
</tr>
<tr>
<td>No. of beds in hospital wards (per 10,000 people)</td>
<td>129.0</td>
<td>115.7</td>
<td>111.0</td>
<td>114.5</td>
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<td></td>
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<td></td>
<td>105.5</td>
<td>112.0</td>
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<tr>
<td>Capacity of out-patient facilities (consultations per shift per 10,000 people)</td>
<td>314.4</td>
<td>310.5</td>
<td>311.0</td>
<td>314.0</td>
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<td></td>
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<td></td>
<td>312.0</td>
<td>318.0</td>
</tr>
<tr>
<td>No. of nursery schools ('000)</td>
<td>128.0</td>
<td>76.2</td>
<td>74.8</td>
<td>75.5</td>
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<tr>
<td></td>
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<td></td>
<td>72.3</td>
<td>74.3</td>
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<tr>
<td>Collection in libraries (vols per 100 persons)</td>
<td>497</td>
<td>414</td>
<td>419</td>
<td>422</td>
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<td></td>
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<td>421</td>
<td>430</td>
</tr>
<tr>
<td>Audience in theatres (per 100 persons)</td>
<td>40</td>
<td>41</td>
<td>45</td>
<td>47</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>48</td>
<td>51</td>
</tr>
<tr>
<td>Museum visitors (per 100 persons)</td>
<td>139</td>
<td>138</td>
<td>150</td>
<td>153</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>156</td>
<td>160</td>
</tr>
<tr>
<td>The number of places in sanatorium and health resorts ('000)</td>
<td>11.5</td>
<td>8.5</td>
<td>8.7</td>
<td>9.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9.3</td>
<td>10.0</td>
</tr>
<tr>
<td>No. of places in children's camps ('000)</td>
<td>4.4</td>
<td>3.6</td>
<td>3.8</td>
<td>4.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.2</td>
<td>4.5</td>
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<tr>
<td>The value of services provided (UAH per capita, at 2000 prices)</td>
<td>...</td>
<td>3804</td>
<td>4040</td>
<td>4160</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>4400</td>
<td>4750</td>
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Infrastructure. This is related to a large extent to the changing proportions of public to private sectors. Over a dozen years or so, the public sector has been limited significantly. Unfortunately, the lack of proper interest in that sector and its restructuring, led many public services to maintain the inefficient character they inherited from the socialist past. The non-public sector has developed dynamically, however operating in accord-
ance with market rules and under conditions of strong competition.

The future of the services sector, and especially the social component thereof, in the Ukrainian capital will certainly depend on the effectiveness with which the ventures provided for in the aforementioned Strategy 2011 are put into practice. Significant improvements in the quality of life and activity of Kiev citizens, together with social prosperity, employment growth, an increase in real incomes, investment improvement and tourist attractiveness of the capital and its image are all expected under favourable conditions.

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URBANIZATION TRENDS AND PROCESSES OF POPULATION CHANGE IN THE LJUBLJANA URBAN REGION IN THE 1990s

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Abstract: The paper presents the main characteristics to population development and urbanization processes in Ljubljana and its urban region before and after 1990. Up to the end of the 1970s, fast population growth and urbanization with a concentration of population in Ljubljana and its 'satellite' towns, was a consequence of strong immigration from rural parts of Slovenia and the rest of Yugoslavia. In the 1980s and 1990s, déconcentration of population within the Ljubljana region, along with intense suburbanization and depopulation of inner-city and older residential neighbourhoods, were the main urbanization processes. After 1991, Ljubljana as the capital of independent Slovenia, and the Ljubljana urban region recorded dynamic economic development attracting new migration to the region. However, in the second half of the 1990s, the greatest population growth was recorded in dispersed rural settlements on the periphery of the region. In this way suburbanization passed into exurbanization and counterurbanization. In some parts of the inner-city reurbanization and gentrification occurred.

Key words: population development, urbanization processes, urbanization phases, Ljubljana, Ljubljana urban region, Slovenia.

INTRODUCTION

Ljubljana and its urban region experienced a very dynamic population development in the period after 1945. As the capital of Slovenia, one of the six federal republics of the former Yugoslavia, Ljubljana attracted strong immigration, mostly from rural and less-developed parts of Slovenia itself, but also from the rest of Yugoslavia. Immigrants provided a labour force for the developing of manufacturing and services. Up to the end of the 1970s, fast population growth was thus a consequence of intense immigration. For this period pronounced a concentration of population in Ljubljana and its 'satellite' towns was typical. At the end of the 1980s, migrations to the city and whole urban region decreased dramatically such that in the 1980s and 1990s it was deconcentration of population within the region with intense suburbanization and depopulation of inner-city and older residential neighbourhoods that were the main urbanization processes. Thus, the largest suburbanization area in Slovenia (with a population over 150,000) developed in the region.

After 1991, Ljubljana became the capital of independent Slovenia, and the whole region recorded dynamic economic development attracting new migration to the region. As the most developed region with the best
development possibilities in the country, Ljubljana attracts a young and highly-qualified workforce. In the second half of the 1990s, the greatest population growth was recorded in dispersed rural settlements on the periphery of the region. In this way suburbanization passed to exurbanization and counterurbanization. Urbanization of rural parts of the region is showing all the characteristics and negative effects of 'urban sprawl'. In the last decade, a redevelopment of abandoned and degraded urban areas has resulted in reurbanization and gentrification in some parts of the inner-city.

The main purpose of the paper has been to delineate characteristics of population development and urbanization processes in Ljubljana Urban Region (LUR) in the 1990s. As an introduction to the main topic, general urbanization trends in Slovenia are presented briefly. The presentation of population development and urbanization processes in the region is divided into the periods before and after 1991, a year of political and economic changes that influenced population development and urbanization as well. The newest urbanization trends and their consequences for spatial development of the region are presented at the end of the paper.

URBANIZATION TRENDS IN SLOVENIA AFTER 1945

Although the urbanization level in Slovenia is still relatively low in comparison with those in other European countries, at just about 50%, it grew from 26% in 1948 to 35% in 1961, 45% in 1971 and 49% in 1981. The average annual growth in the urban population reached 2.15% between 1961 and 1971 and 2.05% between 1971 and 1981, whereas overall population growth was at the rate of just 0.6% in the first, and 1.1% in the second period (Ravbar 1989). Before 1970, urbanization was mainly the result of deagrarization and industrialization, as well as rural-urban migrations from Slovenia and the rest of Yugoslavia. The fastest population growth was recorded in major regional centres (such as Ljubljana, Maribor, Celje, Kranj, Koper and Novo Mesto), and in predominantly manufacturing towns (such as Jesenice, Trbovlje and Trzic). Two new towns (Nova Gorica and Velenjem) developed as well. In the 1970s, the fastest population growth was typical for smaller towns in the hinterland of Ljubljana, Maribor and Celje. But it has to be pointed out that the urbanization was less intensive in Slovenia than in other Yugoslav republics. This was a consequence of strong daily migrations of the rural population to urban employment centres and the beginning of implementation of polycentric urban and economic development.

In the 1970s and 1980s, polycentrism has become the main concept underpinning urban and regional planning. The creation and development of employment and services in smaller urban and rural central places was encouraged. In this way dispersed industrialization and good accessibility to employment slowed down rural-urban migrations. After 1981 urban growth slowed down considerably. In this period most towns had low rates of population growth, and for the first time several urban centres, mostly larger ones, recorded negative population growth. In this way the urbanization with concentration of population in urban centres of the 1980s passed to suburbanization of urban regions around larger cities. On the account of out-migration of urban population to suburban areas, the fastest population growth was recorded around main regional centres (e.g. Ljubljana, Maribor, etc).

These processes became even more pronounced in the 1990s. The total size of the urban population in Slovenia declined, above all in larger cities. The deconcentration of population within urban regions continued. In consequence, the percentage of the population living in urban areas dropped by 1% between 1996 and 2002. In

1 Between 1996 and 2002, the percentage of the population living in urban areas dropped by 1%. The most marked absolute losses of population were recorded in Maribor (-6000), Ljubljana (-5900), Jesenice (-4300), Nova Gorica (-1200), Celje (-1100) and Murska Sobota (-1000) (Statistical Yearbook 2003).
the first half of the 1990s, the fastest population growth was recorded in suburban settlements, whereas in the second half of the decade it was small rural settlements with good accessibility that saw the fastest growth. In the last years of the 20th century the urbanization of rural areas around the main urban regions took place.

Ravbar (1997) defined five different types of urbanization area in Slovenia: cities, suburban areas, urbanized suburban areas, urbanized rural settlements and rural areas. A belt of 281 suburban settlements, followed by 658 strongly urbanized suburb settlements, surrounds 78 cities, with a half of Slovenia's population. Urbanized rural settlements numbered a further 964, while the remaining 3942 settlements were rural. According to this typology, one third of Slovenia is strongly urbanized and more than 90% of the population lives in urbanized settlements.

POPULATION AND SETTLEMENT STRUCTURE IN LJUBLJANA URBAN REGION (LUR)

The LUR or Central Slovenia is one of twelve Slovenian statistical regions as were defined by the Act on the Standard Classification of Territorial Units. The LUR is the most densely populated region in Slovenia, with 489,000 people (25% of the Slovene population in 2002).

The LUR is a typical monocentric region with a strong central urban area. In Ljubljana a large part of the population of the whole urban region is concentrated, around 270,000 people (or 60%). Apart from Ljubljana there are five small towns with 14,000 to 6,000 inhabitants and several urbanized settlements with more than 2,000 inhabitants in the region, which comprises 25 municipalities.

The areas with a concentration of population developed mainly along main transport axes (in direction of Vrhnika, Medvode, Domzale, Kamnik and Grosuplje) (Figure 1). The region therefore has a predominantly radial settlement structure. The largest area of concentration of population developed in the north-eastern part of the region (between Domzale and Kamnik). This is the largest suburban area in Slovenia. Other belts with a high population density formed between Ljubljana and Vrhnika and between Ljubljana and Grosuplje. In these areas, the population density is between 250 and 500 inhabitants per km². In between these axes of concentration of population there remained predominantly rural areas with dispersed settlements and low population density (under 50 inhabitants per km²). Population distribution and density in the region is strongly influenced by the relief. In the flat and low-lying Ljubljana Basin, population density is high (above 200 inhabitants per km²), while in the surrounding pre-alpine hills it is much lower (under 50 km²).

POPULATION DEVELOPMENT AND URBANIZATION PROCESSES IN LJUBLJANA AND LJUBLJANA URBAN REGION BEFORE 1991

Between the beginning of the 1950s and the end of the 1970s, Slovenia was exposed to strong rural-urban migrations and pronounced urbanization (Ravbar 1994). Around two thirds of the migrants came from the rural parts of Slovenia and one third from other republics of the former Yugoslavia, mostly from Bosnia, Croatia and Serbia (Rebernik 1999). In the 1950s, most migration flows were directed to Ljubljana. In consequence, most of the population growth was concentrated therein, whereas
in the rest of the region population growth was very slow. In the 1960s and 1970s, in other towns and larger urban settlements population growth increased as a result of immigrations as well.

In the 1980s, urbanization in the LUR slowed down considerably. Between 1981 and 1991 the size of the population in Ljubljana increased by only 3%. Figure 2 shows that depopulation of the inner-city that began as early as in the 1970s continued in the 1980s as well. It occurred in the older suburbs and high-rise housing estates as well. In the inner-city, the main reason for population decline remained the functional transformation of residential areas into a central business district. In older suburbs and high-rise estates the population decline was caused mainly by interurban migrations of population connected to changes in family status and age structure. Due to the high share of older population in these parts of the city, an above-average mortality rate was recorded as well. High-rise estates from the fifties and sixties became the areas with the oldest population and the fastest population decline. On the other hand, in some parts of the inner city slight population growth was recorded after a long period of population decline. This was the case for several working-class residential or mixed residential and industrial areas being redeveloped and restructured (e.g. Tabor and Poljane). Due to high demand and high prices, new housing is the most typical form of redevelopment. In Ljubljana, then, the processes of redevelopment and gentrification had already started in the 1980s (Rebernik 1999).

The development of population in the rest of urban region (Figure 3) was much slower than in Ljubljana, except in 'satellite towns'. In predominantly rural and sparsely-populated parts of the region, a decline in population as a result of rural–urban migrations was present. On account of the suburbanization, the population began to

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5 Domžale, Vrhnika, Medvode, Litija and Grosuplje.
grow in the first suburban belt around the city after 1971. This growth was most pronounced on the northern and western outskirts. In the decade between 1981 and 1991, suburbanization became even more intense and suburbanized settlements between Ljubljana and the 'satellites' recorded what were among the fastest annual population growth rates in Slovenia (i.e. 5% to 10%). The largest suburbanized area in Slovenia
(with over 150,000 inhabitants or one third of the population of the whole urban region) developed in this way.

**POPULATION DEVELOPMENT AND URBANIZATION TRENDS IN LJUBLJANA AND THE LJUBLJANA URBAN REGION AFTER 1991**

The LUR remained an area of immigration after 1991 as well. For Slovenia as a whole, relatively weak interregional migrations are characteristic. Between 1991 and 2003, the total population of the region increased by 5.5%, against 2% in the whole of Slovenia (Statistical Office of Slovenia 2003). This was mainly a result of immigration. A large part of the migration to the LUR (60%) was from abroad. Migrations are predominantly economic in nature, and are a consequence of better employment possibilities and a wider range of jobs in the LUR than in the rest of Slovenia. The economy of the region is dominated by market and non-market services, which produce over 70% of value added. In this regard, the LUR is a typical services orientated urban region. The most important development advantages are human capital, with a concentration of a highly-qualified workforce, favourable geographical position and accessibility, a high quality of life and the environment, good economic structure and other characteristics, the availability of capital and research and development expenditure. Less favourable is the development potential of a labour-intensive industry, and a general limited export orientation of the economy.

Figure 4 shows population development between 1991 and 2002. Suburbanization remained the main urbanization trend after 1991 as well. Deconcentration of population from Ljubljana towards the periphery of the region continued at increased intensity. The population of Ljubljana decreased in that time, whereas all other municipalities in the region recorded above-average population growth (Rebernik 2003) and positive net migration. In the period 1991 to 2002, 70% of the migrations from Ljubljana was directed to other municipalities in the region. Most of the migrations took place over relatively small distances (10 to 20 km).

The main reasons for intensive suburbanization in the LUR and in Slovenia are similar to those in the countries of Western Europe, though they have been influenced by several specific factors connected to political and economic transition and its social effects:

- a lack and high prices for housing and building plots in urban areas,
- a relatively low price of building plots and infrastructure on the outskirts of urban areas,
- liberal access to building plots,
- a preference for one-family housing with private gardens,
- lower costs and a higher quality of living in suburban areas,
- improved accessibility due to new roads and increased car ownership,
- poor urban planning and a lack of effective control of urbanization,
- illegal construction (but much less diffuse than in previous decades due to more restrictive planning),
- increased social segregation and a higher share of high-income population.

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6 Only 15,709 persons moved from one statistical region to another in 2003 and the LUR had the highest net migration among the Slovene regions, 605 persons in that year.

7 The LUR is by far the most developed and economically-successful Slovenian region. Its share in the national GDP (Gross Domestic Product) increased from 33.5% in 1997 to 35% in 2002. Its GDP per capita and the incomes of the active population were 30% above the Slovenian average. Also unemployment rate was lower, 7%, against 11% nationally in 2002.

8 A typical emigrant from Ljubljana is 32 (whereas for Slovenia as a whole is 28 years), with above-average income (income tax per capita in Ljubljana is 30% higher than the national average) and good education (15% of emigrants had higher education). In some areas an above-average share of older emigrants is characteristic, mostly in settlements of second homes. On the other hand, immigrants to Ljubljana are younger (more than half are aged between 20 and 34). More than 25% of immigrants have higher education (Dolenc 2000). This is a consequence of the fact that Ljubljana offers much better job opportunities for a more highly skilled workforce than do other Slovene towns and regions.
Ravbar (1997) defines suburbanization in Slovenia as a spreading of the urban type of settlement of relatively low densities to the rural surroundings of towns. The new urban type of one-family housing is in a sharp contrast with the traditional rural architecture and settlement structure. As a result of ineffective urban planning and controls, new housing is extremely dispersed. Very often new residential areas are located in or around existing rural settlements, but individual or small groups of houses out of existing settlements are present as well. New residential areas are small, comprising groups of 10 to 20 single-family houses. Individual construction of houses, carried out by owners of a building plot, with the help of relatives, friends and small construction companies, remains very common. As part of this process a transformation of secondary homes into permanent housing is very characteristic for the LUR. New housing in the rural parts of the region is extremely dispersed, and in most cases located out of existing settlements. It has all the characteristics and negative effects of 'urban sprawl'.

In the predominantly flat Ljubljana basin, population density gradually increased and compact suburban areas with high population densities areas formed.

As a result of a high level of immigration from urban areas, the social structure of the population changed considerably in suburban areas. Slovenian suburbanization is connected mostly with a higher income and middle-aged population, whereas for rural areas it is lower income and an older population that are characteristic. As a consequence, a sharp contrast between

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* Up to 50% in individual settlements (e.g. at Rakitna and Krška Vas, south of Ljubljana).

10 Such as ineffective land consumption, pollution of the environment (mainly caused by increased traffic), higher energy consumption, high costs of infrastructure, traffic jams caused by increase commuting, a disintegration of communities and increased social segregation.

11 Mean population density in the inner suburbanized belt around Ljubljana is 250 to 500 inhabitants per km².
‘old’ and ‘new’ inhabitants of suburban areas is typical. The share of population and households that are agricultural decreased considerably in Slovenia as a whole, and in most suburban areas fell under 5%. Such trends are a consequence of intense demand and a shortage of housing and building plots, and very high real-estate prices in Ljubljana and closer suburban areas. On the basis of the observed migrations, we can conclude that in the region suburbanization is passing to periurbanization, exurbanization or extended urbanization, with the beginnings of a deconcentration of population in densely-populated urban and suburban areas and dispersion into the surrounding countryside.

Rural areas are transforming gradually into a living environment for a (sub)urban population. Jobs and services remain concentrated in towns and larger urban settlements. As a result commuting is intensifying rapidly. Most suburban and all rural areas are poorly equipped with services and infrastructure, with the consequence of poor accessibility to schools, health and other social services and an overburdened infrastructure. Small municipalities in suburban areas are often not able to provide adequate public services and infrastructure for the increased population.

As a consequence of the described processes, three distinct settlement types formed in the region:

- **Urban areas**, including the city of Ljubljana and several ‘satellite’ towns and urbanized settlements. High population densities (above 250 inhabitants per km²), and a concentration of employment and services are characteristic. Population growth is negative or very low.

- **Densely-populated (of 100 to 500 inhabitants per km²) and compact suburbanized areas**, in most cases ‘physically’ attached to urban centres, take in most of the flat Ljubljana Basin. A lack of employment in the suburbanized settlements is typical, causing very intensive daily migration to employment and service centres, mostly to Ljubljana. In the last ten years, population growth has slowed in most of the suburbanized areas, the lowest rates being in older suburban areas close to urban centres. High population growth is still recorded in the outer belt of suburbanization (i.e. at a distance of 15 to 30 km from Ljubljana).

- **Sparsely-populated rural areas with dispersed settlements**, including most of the pre-alpine, hilly parts of the region. Accessibility to services and employment is poor, the local population is gravitating towards Ljubljana and other urban centres. The share of agricultural employment is above the national average (4%), but reaching only about 5% to 10% of the active population. Intensive daily migrations and mixed-income households are very common.

In the last decade, many rural settlements recorded extremely high rates of population growth as a result of immigration of population from Ljubljana and other urban and suburban areas. Rural areas in the LUR are becoming a predominantly residential environment for urban population.

In the 1990s, important changes in population distribution and urbanization trends occurred in the capital city as well. For the first time, the city of Ljubljana recorded a decline in population after a long period of fast growth. In the town centre, population decline started already in the 1970s, expanding to older residential areas in the 1980s. In the 1990s, most of the residential areas in Ljubljana recorded a population decline, the most intensive being in the high rise housing estates from the 1960s–1980s and in the town centre.

The causes of population decline in Ljubljana are similar to those in other European cities. Negative net migration is the re-

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12 Up to 90% of the active population in the LUR is commuting to work in Ljubljana.

13 By mixed-income households we understand households with income partly from agriculture and partly from other sectors.

14 In many settlements they represent up to 50% of all households.

15 Ljubljana recorded uninterrupted population growth from 1945 to 1987. Whereas in the decade 1981 to 1991 the population in Ljubljana grew by 4%, it decreased by 3.5% (or 9 000 people) in the next decade.
sult of emigration of population to suburban and rural areas. Between 1995 and 1999, a population of 13,741 moved out of the city and only 7,133 moved in (Dolenc 2000). Negative net migration thus reached 6.5% per year. Above-average mortality and a low birth rate in some parts of the city are connected to the specific age structure of the population. Natural growth of population has been negative since 1996. Particularly high indices characterize areas with a high share of older population, such as high-rise housing estates from the 1950s, 1960s and 1970s and most of the residential areas developed before 1945. Negative natural population growth is thus reflected in population decline.

An important factor in population change in individual parts (districts) of the city (Figure 5) are internal migrations of the urban population often connected to changes in family status of the household, like marriage, birth or death. Compared to other European cities, Ljubljana has relatively limited intraurban mobility of population, in 1998 reaching only 45 migrations per 1000 inhabitants. In the period from 1995 to 1999 there were 31,770 interurban migrations in Ljubljana (Dolenc 2000). As a consequence of the development of real-estate market and a better housing supply in the last decade, an increased intra-urban mobility of population can be observed. The main process shaping the population of the city is the formation of new and small households, often with one or two members. This results in a lower average household size, which dropped from 2.71 in 1991 to 2.59 in 2002 (Statistical Yearbook 2003) and in an increased number of households. New and small households create high demand for new housing in Ljubljana, in spite of population decline. Similar phenomena are characteristic for many European and North American cities.

Negative net migrations are characteristic for the city centre and most of the older residential areas, whereas neighbourhoods with new housing have positive net migration. After 1991, private housing construction was predominant. In comparison with the period before 1991 (when public housing-construction in the form of high-rise housing estates predominated), housing construction diminished greatly after 1991. The main reason for this decline was the fact that the system of public financing of housing was abolished in 1989. At the same time, the newly-established Housing Fund lacked sufficient funds for new public housing construction. As a consequence of high demand and high real-estate prices (thus assuring a high profit for private investors), private housing construction, mostly in the form of smaller condominiums and to a lesser extent also one-family terraced houses increased again in the second half of the 1990s. Due to the small size and dispersed nature of free building sites, new housing in Ljubljana is very scattered.

The depopulation of most of inner-city areas remains strong (Figure 5). It is most pronounced in the CBD of Ljubljana, due to functional transformation of residential areas. Population decline and ageing of the population continue to characterize older high-rise housing estates, mainly as a result of emigration and high mortality rates in the population. Population growth which has been observed in some inner city areas before 1991 is carried on after 1991 as well. This is a result of the redevelopment of abandoned or derelict urban areas that became very common in the last decade. Degraded or abandoned industrial, residential and military areas are being redeveloped, mostly as new housing and commercial or business areas. New housing attracts a higher-income population and, as a consequence, reurbanization and gentrification are taking place in these neighbourhoods.

16 Mortality over 12% and birth rates under 8%.
17 The number of intraurban migrations per 1000 inhabitants is 76 in London, 103 in Zurich, 60 in Paris and 70 in Rome (Knox 1995).
18 The share of newly built public housing in the years 1992 to 2002 was 20% to 30% (Statistical Yearbook 2003).
19 Typical examples of redevelopment are the neighbourhoods of Tabor, Poljane, Mostec and Bezigradski Dvor, all located at the edge of the city centre.
EMPLOYMENT AND DAILY MIGRATIONS IN THE LJUBLJANA URBAN REGION

A deconcentration of population with intense suburbanization and extended urbanization is characteristic for the region. At the same time, most employment remains concentrated in Ljubljana and a few other towns. As a consequence, commuting has increased considerably in recent decades.

A large part of employment is located in the inner-city of Ljubljana. In the whole region there were 231,000 jobs, of which 170,000 (or 75%) were in Ljubljana (Pavlin and Sluga 2000). Ljubljana is the largest employment centre in Slovenia, with approximately a 22% share of employment. After a short period of decline in employment in the first half of the 1990s, the number of employed persons in the region increased (Pavlin and Sluga 2000). Other employment centres in the region are the ‘satellite’ towns of Domzale, Kamnik, Vrhnika, Grosuplje, Litija, Trzin, Logatec and Medvode, with 3000 to 10,000 jobs each (Statistical Yearbook 2003).

The number of commuters to work is estimated at 60,000 (Pavlin and Sluga 2000). Beside daily migrations connected to employment, migrations to schools, healthcare and services are very intensive. The total number of daily migrants to Ljubljana is thus over 100,000 (Rus 2000). As a consequence very intense commuting, heavy traffic and associated traffic problems are characteristic for the whole region, the most severe being in Ljubljana and the inner suburban belt. The gravitation area of Ljubljana regarding employment and services is larger than the LUR and is including a part of four other statistical regions (Pavlin and Sluga 2000).

CONCLUSION

The latest urbanization processes in the LUR are a further deconcentration of population with dispersed urbanization of...
rural parts of the region (urban sprawl), and the beginnings of the reurbanization of some parts of the inner-city. Employment, on the other hand, remains concentrated in Ljubljana and to a lesser extent in other urban employment centres. As a consequence, intense daily migrations and resultant traffic are characteristic. Within Ljubljana there is a tendency towards deconcentration from the city centre to the periphery of the urban area, mostly close to the highway ring that assures the best accessibility. New commercial, services and business centres developed along the highway ring in the last ten years, whereas in the central business district employment is decreasing. This kind of development is one of the main reasons for a decreasing role of public transport, that remains concentrated in the city centre. The use of the private car that represents almost 90% of trips in the urban area of Ljubljana, is causing many traffic-related and environmental problems, and is in sharp contrast with the declared sustainable development of the city and urban region.

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SHRINKING EAST GERMAN CITIES?

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Abstract: German cities are currently struggling with a not entirely new phenomenon: the economic and demographic decline of cities. This process has become increasingly puzzling and challenging for both urban planners and politicians, and in some regions—especially in eastern Germany—the situation has been worsening dramatically. This paper will first illustrate some of the effects of economic decline and population loss on German cities, second, outline a variety of policy responses and third, discuss efforts to adapt to these new challenges.

Key words: shrinking cities, urban decline, urban restructuring.

GERMAN CITIES IN TRANSITION

Over the last few years the term ‘shrinking cities’ has emerged as a new buzzword in debates on urban development in Germany. The ‘shrinking’, of course, refers neither to a legal reduction in a city’s territory nor to a shrinkage of the physical expanse of cities in space, but simply to population decline and thus reduced average population densities.

In the western parts of Germany we will be increasingly able to categorize two types of cities, i.e. those which are prospering and expanding and those showing economic stagnation or even decline, with the latter also displaying significant population losses. In the eastern parts of Germany the former kind of city will be virtually non-existent—here, we will find almost only cities in decline.

And even for those cities which are still prospering economically, their most pressing urban development problem will no longer be how to manage growth but how to handle the impacts of economic and demographic decline. These processes have been and continue to be increasingly puzzling for urban planners and politicians alike, and in some regions with persistent structural economic problems—especially in eastern Germany and the Ruhr—the situation has been worsening dramatically. Let us first provide a brief outline of some of the key features of such urban regions in decline.

A DWINDLING ECONOMY AS A KEY FEATURE OF DECLINE

In those urban regions in which job losses due to deindustrialization have not been compensated for by a successful process of economic restructuring we find both a lack of qualified jobs and a high rate of unemployment (Figure 1). After unification of the two Germanies in 1990 economic globalization had immediate consequences as many firms in the former GDR collapsed. Most other firms were significantly restructured following privatization. Some Western firms—especially from the automobile industry—
set up new production lines in eastern Germany, mainly due to state subsidies and lower wages. However, not all problems of de-industialization can be explained by reference to processes of economic globalization. There were also specific regional problems related to conditions in the former GDR: infrastructure in general was outdated, the environment quite often suffered from heavy pollution, and there was a distinct lack of democratic traditions—resulting in an altogether rather discouraging climate for investors from western parts of Germany or from other countries in Europe. Thus, in eastern Germany between 1990 and 2004 more jobs were lost than created (Lotscher 2004a).

**DEMOGRAPHIC TRENDS IN SHRINKING CITIES**

**BIRTH RATE AND AGE STRUCTURE**

German unification and the ensuing processes of economic restructuring had dramatic impacts on demographic development. In eastern Germany the birth rate dropped quickly to roughly the average for the western parts of the united country. At 1.4 per thousand it is now one of the lowest in Europe (Figure 2).

Fewer children obviously mean even fewer children in the generation to follow, even while average life expectancy is predicted to increase. As a consequence only two thirds of the current parent generation will be replaced by their own children, and, accordingly, the shape of the population pyramid will be reversed and generally take on an ‘upside down’ pyramid shape in the near future (Figure 3)! Continuing low birth rates will logically lead to a shrinking and aging population in Germany.

**MIGRATION**

In a predictive model for the year 2050, the German Federal Statistical Office assumes an estimated immigration of 100,000 to 200,000 people per year (Statistisches Bundesamt 2000: 15). The anticipated effects of the May 2004 eastern European expansion of the European Union are already included

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**Figure 1. Unemployment rates in German labour market regions (2002).**

Source: Mlady (2003), graphics by J. Weingarten.
in those numbers. However, even assuming such a relatively high—and politically contentious—immigration total, the model reveals that population in Germany will continue to decline from the current 80 million to between 65 and 70 million by 2050. (Without any immigration the decline will be even more drastic, down to 59 million). Hence, it can be safely considered as fact that immigration may ease the process of population decline, but it will, in any case, not stop it.

Experts furthermore expect an increase in inter-regional migration within Germany itself, especially from east to west and from north to south. After unification in 1990, migration flows from East to West Germany were initially predominant (Table 1) but by 1997 migration flows from east to west and from west to east had nearly levelled off: net outmigration from eastern Germany fell from 359,000 in 1991 to 11,000 in 1997. Since then, however, migration to the West has been increasing again, largely due to economic stagnation and decline in the East. A survey by the Department of Statistics of the eastern German federal state of Saxony listed the most significant migration motives as 'jobs, higher income, education and family motives' (Gans and Kemper 2003: 18).

Therefore, those urban regions (Figure 4) struggling with the processes of deindustrialization and economic restructuring—like the Ruhr or in eastern Germany—are continuing to lose population, mainly due to a lack of employment opportunities. The latest population predictions (from April 2004) for the federal state of North Rhine-Westfalia estimate that the larger cities in the Ruhr may suffer losses of up to 16% from their current population levels until the year 2020 (Presse-service NRW 2004, Internet).

Sahner (2002: 14 f.) has illustrated relative population gains and losses in Germany using the 1990 figures as a 100% index value (Figure 5). From 1990 to 1999 West Germany...
01.01.1999

Figure 3. German population: age structure.


http://rcin.org.pl
Table 1. Migration flows between East and West Germany, 1990–2000

<table>
<thead>
<tr>
<th>Year</th>
<th>Migration flows from East to West Germany (in thousands)</th>
<th>Migration flows from West to East Germany (in thousands)</th>
<th>Net migration balance for East Germany (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>395</td>
<td>36</td>
<td>-359</td>
</tr>
<tr>
<td>1991</td>
<td>250</td>
<td>80</td>
<td>-170</td>
</tr>
<tr>
<td>1992</td>
<td>199</td>
<td>111</td>
<td>-88</td>
</tr>
<tr>
<td>1993</td>
<td>172</td>
<td>119</td>
<td>-53</td>
</tr>
<tr>
<td>1994</td>
<td>163</td>
<td>136</td>
<td>-27</td>
</tr>
<tr>
<td>1995</td>
<td>168</td>
<td>143</td>
<td>-25</td>
</tr>
<tr>
<td>1996</td>
<td>166</td>
<td>152</td>
<td>-14</td>
</tr>
<tr>
<td>1997</td>
<td>168</td>
<td>157</td>
<td>-11</td>
</tr>
<tr>
<td>1998</td>
<td>182</td>
<td>152</td>
<td>-30</td>
</tr>
<tr>
<td>1999</td>
<td>196</td>
<td>152</td>
<td>-44</td>
</tr>
<tr>
<td>2000</td>
<td>214</td>
<td>153</td>
<td>-61</td>
</tr>
</tbody>
</table>

Source: Gans and Kemper (2003)

Figure 4. Cities in northern and eastern Germany. Cartography: S. Steinert (2004).
experienced a population increase of nearly 6%, whereas East Germany lost more than 5% of its population. East German 'Großstädte' (cities over 100,000 people) lost nearly 16% of their inhabitants.

Suburbanization and periurbanization¹

Obviously, the population losses of cities experiencing economic decline are also partly due to migration flows to both suburban areas and—even further—to the surrounding countryside. German experts believe that eastern and western parts of Germany will show increasing differences with respect to such migration processes. As Figure 6 (left hand side) shows, periurbanization was on the rise in the western parts of Germany at the end of the 20th century. This observation holds true for the Ruhr, but it also applies to urban regions in East Germany where central cities were losing population even while the periphery was growing.

According to these estimates the situation will become even more pronounced up to 2015 (Figure 6, right hand side). In the western parts of Germany the cores of former industrial areas will be the main losers, most significantly the Rhine-Ruhr conurbation, the Saar and even the Stuttgart urban region. While some periurban development is also predicted for eastern Germany, especially around Berlin/Potsdam and Leipzig, predictions suggest an extensive loss of population.

Impacts of economic and demographic decline

The housing market

As the above estimates and forecasts of urbanization and periurbanization processes demonstrate, there are—and will continue

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¹ Periurbanization—migration beyond the territorial limits of municipalities or metropolitan areas.
to be—booming and expanding as well as declining and shrinking cities in Germany (Figure 6). Furthermore, not only are there significant discrepancies between different cities but disparities within cities also tend to be growing. No matter whether cities are prospering or declining, there will be urban districts with increasing, and others with decreasing, populations within each (Lotscher 2004a).

The transformation processes in the former GDR are still being accompanied by severe social, ecological and economic problems, which reveal their true impacts at the local level, i.e. through the decline of many districts in cities and towns. 'These urban districts are not yet ghettos. [However,] there is ... a danger that if problem pressure exceeds a certain level, those inhabitants who can afford to do so will leave, and those who cannot freely chose their place of residence will remain' (BBR 2000: 76).

Migration to the western parts of Germany (the 'old' FRG) and to suburban areas has already resulted in one million vacant housing units, and this has triggered a self-propelling process of further economic, social and urban decline. The largest share of vacant units is found in the high-rise slab housing districts ('Plattensiedlungen') built between 1960 and 1990, and in the tenement houses close to the city center—as illustrated by the example of Leipzig (Table 2). Not surprisingly, housing and real estate corporations are inclined not only to tear down vacant buildings but also to call for subsidies to demolish them.

**BROWNFIELDS**

Vacant buildings may only tear small holes into the fabric of the built environment. Deindustrialization, however, tends to leave huge areas of vacant land behind. At the end of 2000, there were about 5,680 km² of brownfields in Germany accounting for some 13% of all land occupied by settlement and transportation uses. Estimates consider roughly
Table 2. Vacant housing units in Leipzig

<table>
<thead>
<tr>
<th>Year of construction</th>
<th>Percentage of total housing stock</th>
<th>Number of vacant units</th>
<th>Percentage of vacant units already renovated</th>
<th>Percentage of vacant units not yet renovated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1870-1918</td>
<td>37.0</td>
<td>39.000</td>
<td>23</td>
<td>71</td>
</tr>
<tr>
<td>1919-1945</td>
<td>19.0</td>
<td>9.000</td>
<td>5</td>
<td>52</td>
</tr>
<tr>
<td>1945-1990 (GDR)</td>
<td>32.9</td>
<td>9.000</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Other</td>
<td>11.1</td>
<td>3.000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>100 (310,329 housing units)</td>
<td>60,000</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Source: Stadt Leipzig (2000)

1,280 km$^2$ of those brownfields to be reusable. Just about half of these re-usable lands (47%) were formerly occupied by industry, 41% by military uses, and 12% were formerly used for transportation (BBR 2001: 55 f.).

On the one hand, such brownfields can be seen as gaping large holes in the fabric of the built environment. On the other hand, those presently vacant (though previously-used) lands may also be regarded as presenting significant opportunities for future urban development. It needs to be reiterated, however, that shrinking cities tend to lose population even while their built-up or developed area tends to remain the same!

POLICY RESPONSES

For politicians the effects of economic and demographic decline became clearly evident through the alarming rise of vacancy rates in the East German housing stock. The consequences of rising vacancies are manifold, and they tend to affect all spheres of urban life. Accordingly, the bleak outlook for East German cities triggered a variety of political activities on the national, regional and local levels of public decision-making.

Even further, though, the coordination of policies at the national and the supranational level, that of the European Union, is indispensable where restructuring programmes and policies are concerned. East German cities are currently eligible for support from three different programmes financed through two of the four Structural Funds created by the EU for channelling financial assistance to regions with structural economic or social problems. The whole of eastern Germany has been classified as a ‘Priority Objective-1 Regions’ and will be eligible for financial assistance in line with this programme until 2006 (Table 3). Urban development schemes in six selected cities are supported by the ‘URBAN II’ programme, and a new development impulse is provided to some border regions through the INTERREG III programme. If we take into consideration that half of the total EU budget (€50 billion) is earmarked for the Common Agricultural Policy, the €100 M paid out as subsidies under the URBAN II programme seems like a rather modest investment (Schmalstieg 2003: 8).

THE ROLE OF THE FEDERAL STATE

In 2002 the German federal government launched the ‘Stadtumbau Ost’ (‘Urban restructuring in East Germany’) programme (Table 3). Its aim is to strengthen the urban and economic fabric of towns and cities in the former GDR and to make them more attractive for residents and investors. The
### Table 3. Programmes for urban restructuring in East Germany

<table>
<thead>
<tr>
<th>Programme title or name</th>
<th>EU</th>
<th>FRG</th>
<th>Federal state: e.g. Brandenburg</th>
<th>Local authorities: e.g. Cottbus Sachsendorf-Madlow</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EU</td>
<td>FRG</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programme title or name</td>
<td>Structural Funds 'Objective-1-Regions' (2000-2006)</td>
<td>Districts with special development needs—the socially integrative city ('Die soziale Stadt')</td>
<td>Urban restructuring in East Germany (‘Stadtumbau Ost’)</td>
<td>'Zukunft Im Stadtteil—ZIS 2000'</td>
</tr>
<tr>
<td>Objectives</td>
<td>Economic and social cohesion: correcting structural imbalances in less developed regions</td>
<td>Preventing further decline and degradation of ‘problem districts’</td>
<td>Strengthening the urban and economic fabric of cities in East Germany to attract further investment</td>
<td>Preventing further decline and degradation of ‘problem districts’ in Brandenburg cities</td>
</tr>
<tr>
<td>Regions</td>
<td>Inter alia: all of East Germany</td>
<td>331 urban districts (74 in East German cities)</td>
<td>East Germany</td>
<td>16 urban districts</td>
</tr>
<tr>
<td></td>
<td>331 urban districts (74 in East German cities)</td>
<td>East Germany</td>
<td>16 urban districts</td>
<td>Sachsendorf-Madlow city district</td>
</tr>
<tr>
<td>Strategic approach</td>
<td>Structural and regional development</td>
<td>City district management, encouraging participation of local populations and interest groups</td>
<td>Integrated urban development</td>
<td>City district management, encouraging participation of local populations and interest groups</td>
</tr>
<tr>
<td></td>
<td>City district management, encouraging participation of local populations and interest groups</td>
<td>Integrated urban development</td>
<td>City district management, encouraging participation of local populations and interest groups</td>
<td>Networking, facilitating communication and cooperation among different actors</td>
</tr>
<tr>
<td>actors</td>
<td>Primarily different levels of government</td>
<td>Governmental and private (NGOs+business community)</td>
<td>Governmental and private (primarily: housing corporations)</td>
<td>Governmental and private (NGOs+business community)</td>
</tr>
<tr>
<td></td>
<td>Governmental and private (NGOs+business community)</td>
<td>Governmental and private (primarily: housing corporations)</td>
<td>Governmental and private (NGOs+business community)</td>
<td>Municipal and private (business community, NGOs, clubs and associations, residents, local media)</td>
</tr>
</tbody>
</table>

Data compiled by S. Piniek from various sources.

Federal government, the state governments and the municipalities have joined forces to earmark €2.5 billion (between 2002 and 2007) for the demolition of vacant buildings and revitalizing measures, mainly in inner-city districts. In a sense, this programme forms a political watershed, since until 2000 federal subsidies were only paid for the construction of new housing units, but never for the demolition of existing ones. Allocation of federal funds under the programme requires state governments and the respective municipalities to each contribute 33% of total project costs. The programme sets up a competition involving 261 selected urban municipalities. These must have developed an urban planning and development strategy in order to apply, competitively, for funding. Only if they ‘win out’ against competing proposals will they receive subsidies from the programme (Lotscher et al., forthcoming).

‘Stadtumbau Ost’ is a programme to physically rebuild the cities. It is not based
on an integrative physical-social approach like the one used by the joint federal-state programme ‘Stadtteile mit besonderem Entwicklungsbedarf: Die soziale Stadt’ (‘Districts with special development needs—the socially integrative city’) (Table 3). This programme was launched by the federal government in 1999 to counteract trends towards intra-urban differentiation and social polarization which were becoming alarming to urban planners and politicians alike. In some shrinking regions—once again, primarily parts of eastern Germany and the Ruhr conurbation—urban decay and social polarization are still worsening: the gap between rich and poor is clearly growing, and the impact on the built environment as well as on the socio-spatial fabric of the city is becoming more and more obvious (Lötscher 2004a).

The programme itself aims to integrate different policies, programmes and subsidies to manage the complex challenges of neglected districts in transition and enable them to develop a self-governing renewal process. Each level of government, the federal, the Lander (federal states) and the municipalities contributes €50 million per year to the programme. The 'socially integrative city' programme calls on cities and towns to create a long term, integrated urban development policy plan focusing on small-scale communities within cities. The federal government seems to focus on an existing network of a variety of actors. For example, it awarded a contract to the German Institute of Urban Affairs (DIFU) to provide information, guidance and referral services (DIFU 2003, Internet).

The German Länder nominated a total of 161 districts in 123 municipalities for the 1999 edition of the programme. By 2004, the programme had been expanded to include 331 urban districts (74 in eastern Germany) in 229 municipalities (DIFU 2004, Internet).

Figure 7. Eisenhüttenstadt, aerial view.
In 2000 the federal Ministry of Education and Research launched the research programme 'Stadt 2030' ('City 2030') with 21 research projects involving 33 municipalities. Its aim is to identify best practice policies for urban development in cities struggling with economic and demographic decline (Göschel 2003: 7 f.).

MUNICIPAL APPROACHES—LOCAL REDEVELOPMENT PROJECTS

Given the multitude of problems of economic and demographic decline, East German municipalities have developed urban planning and development strategies to compete for funds from European Union, federal or state restructuring programmes. In the following sections we will discuss three such projects, one in Eisenhüttenstadt, one in Cottbus and one in Leipzig (Figure 4). Eisenhüttenstadt and Cottbus offer contrasting approaches to the devastating downturn in the local housing market, while the case of Leipzig presents some interesting perspectives for the redevelopment of brownfield sites. The three projects differ in terms of the level and sources of financial aid they have received, and in terms of their current stage of realization.

EISENHUTTENSTADT: HOUSING PROJECT VII SOUTH

Eisenhüttenstadt (literally: ‘City of the Ironworks’) is a New Town established in the 1950s by the German Democratic Republic (GDR). It is situated on the Oder River which has constituted the Polish–German border since 1945 (Figure 4). The city grew in step with the EKO ironworks (EisenhuttenKombinat Ost), its consecutive Housing Projects I to IV giving shape to the urban fabric of the city which initially was called ‘Stalinstadt’, only to be renamed ‘Eisenhüttenstadt’ in 1961. Housing Projects V to VII, added between 1970 and 1990, were all built using industrialized construction techniques and standardized, prefabricated components (Figures 7 and 8).

Figure 8. Eisenhüttenstadt: vacant housing units per housing project 2003.

Source: Lotscher et al. (2004b).
German unification and the subsequent economic restructuring processes had a dramatic impact on demographic development. Eisenhüttenstadt's population declined from 53,000 in 1988 to 38,700 in 2002, as many households moved to more western parts of Germany in search of jobs. The loss of 14,300 inhabitants (i.e. 27%) within a span of only 15 years constitutes a staggering and dramatic ill fortune for this medium-sized city, and demographic forecasts predict a further decline down to 35,000 or even 33,000 inhabitants by 2015.

Not surprisingly, the population losses had a devastating impact on the housing market. By July 2003, 4,340 of a total of 18,707 rental apartments were vacant—making for an average vacancy rate of 23.2%. A closer look reveals a differentiated pattern (Figure 8): the highest vacancy rates (up to roughly 60% in Housing Project VII South) are found in the youngest housing projects in the east of town. While this housing stock is only some 15 years old, the high-rise, prefabricated slab housing (the so-called 'Plattenbauten') tends to be of very poor quality, while the surrounding residential environment of these housing projects also leaves much to be desired.

Given its multitude of problems of decline, the municipality developed an urban planning and development strategy in September 2002, in order to compete for funds from the ‘Stadtumbau Ost’ programme. Being successful in the bid, Eisenhüttenstadt will now receive two types of subsidy from the programme: a flat rate for the demolition of buildings (€60 per m²) and a lump sum for the physical improvement of inner city districts. As outlined above, the municipality has to provide one third of total project costs, the other two thirds coming

Figure 9. Eisenhüttenstadt: demolition plan for Housing Project VII.

from the federal government and the state of Brandenburg. All the same, it remains doubtful whether Eisenhüttenstadt can afford even its 33% share of total project costs as stipulated by the programme.

On the basis of population forecasts, Eisenhüttenstadt's planning department expects as many as 5,800 vacant housing units in the city by 2015, i.e. nearly one third of the current housing stock of the city's housing associations (Figure 8)! Even allowing for some margin of error in the forecasts, the department thinks that 3,500 flats will need to be demolished to avoid the emergence of a 'ghost town' situation and atmosphere.

The municipality considers current housing vacancies and physical infrastructure to be the most important criteria when deciding which housing projects should be earmarked for demolition. The underlying rationale is an engineering one: infrastructure provisions for each housing project were based on a target population of 3,000 people. Whenever more than 30% of housing units are vacant or demolished, the sewer system will experience flushing problems, thus necessitating frequent and costly cleaning operations. Likewise, maintenance costs for transportation infrastructure will increase per head. Therefore, the municipality attempts to target complete housing projects for demolition, rather than individual apartment blocks here and there.

For the first phase of demolition up to 2007, the City has targeted a total of 1,965 flats within Housing Project VII (North and South) and in the Fahrstraße/Tunnelstraße project (Figure 8). By the end of 2003, the first 152 housing units had been demolished, with another 411 to follow in 2004, as well as a further 60 units in Housing Project I (Stadt Eisenhüttenstadt 2004). 1,335 flats are earmarked for demolition during the second phase between 2008 and 2010; these are found predominantly in the youngest high-rise slab housing projects (Figure 8).

It needs stressing that Eisenhüttenstadt will not merely experience demolitions. Albeit modest in scale and scope, there are also initiatives for urban revitalization and renewal, especially concerning the provision of infrastructure and public services, e.g. the refurbishment of day-care centres, or the renovation of public buildings. Both revitalization and demolition measures speak of the municipality's pronounced priority to avoid at all costs the emergence of a visually and socially sad and desolate 'ghost town' (Lotscher et al., forthcoming).

COTTBUS: SACHSENDORF-MADLOW
Cottbus is a city on the Spree River, some 100 km south of Berlin (Figure 4). With more than 100,000 inhabitants—though losing about 5% of its population annually—it is still the second largest city in the state of Brandenburg after the state capital Potsdam, just outside Berlin. Cottbus experienced significant urban growth when the GDR developed large-scale open-cast lignite mines, which transformed the whole 'Lausitz' region—its physical landscapes, but also its social and economic structures.

The city district of Sachsendorf-Madlow, situated at the southern edge of Cottbus, was developed in four stages between 1974 and 1986, to provide housing for miners and workers employed by the sizeable energy sector. Its five- to eleven-storey blocks were built using industrialized construction techniques and standardized prefabricated components; it is considered to be the largest slab housing project ('Plattenbausiedlung') in the state of Brandenburg.

In the seven years after 1993, the district of Sachsendorf-Madlow lost 41% of its population. By 2000 population figures had dropped from 30,178 (in 12,000 housing units) to just 17,730. Not surprisingly, the rental housing vacancy rate has become a central problem for the city. While this was negligible during the first few years after unification, it gradually rose from 6% in 1996 to over 25% today (Jahnke et al. 2002: 84 ff.). Years of neglect were responsible for poor infrastructure and housing standards, and these probably acted as further push factors, even while economic decline spurred a major outmigration flow. Those who found jobs
elsewhere and those who could afford to do so left, leaving behind an increasing number of unemployed and elderly people. By 2002 unemployment rates exceeded 26%.

The City of Cottbus developed an urban and social planning strategy as well as an innovative development strategy to cope with these problems and to compete for funds from the ‘Stadtumbau Ost’ (‘Urban restructuring in East Germany’) and the ‘socially integrative city’ programmes (Table 3). Being successful in its bid, Cottbus is in the process of moving from concepts and strategies to actual (re-)development measures. The City's development strategy combines demolition, dismantling and recycling of ‘surplus’ housing, with renovation and upgrading of the remaining housing stock. Like in Eisenhüttenstadt (see above), it is largely housing com-plexes at the edge of the city that have been earmarked for demolition. As one particular high rise complex was dismantled, its prefabricated concrete slabs were recycled to build new townhouses (Figure 10). This recycling process not only meets the highest ecological standards, it also reduces costs by 20% when compared to average construction costs in new housing (Hunger 2003, 651; Schader Stiftung 2004, Internet; IPROS 2004, Internet). Interest in the 13 new townhouse units was such that all were rented immediately after completion in May 2002. The project was one of the 2003 winners of the ‘Bauherrenpreis’, a highly reputed architectural and urban design award (IBA 2004/b, Internet).

The redevelopment of Sachsendorf-Madlow has been financed through different programmes, projects and initiatives. The dem-

Figure 10. Cottbus Sachsendorf-Madlow: dismantling and recycling of a high-rise slab building for the construction of townhouses.

olition, dismantling and recycling of some of the slab housing blocks was subsidized through the federal 'Stadtumbau Ost' programme. This also provided funds for various renovation measures concerning the remaining housing stock: the amalgamation of smaller units into larger apartments to provide more units suitable for larger families; the construction of new building entrances and photovoltaic installations for new heating systems allowing for better energy management.

The joint federal-state programme 'Districts with special development needs—the 'socially integrative city' (Table 3) has designated Sachsendorf-Madlow as one of its model projects. It aims to integrate different policies and subsidies from a variety of urban and social renewal programmes to manage the complex challenges of this formerly neglected district, and to set in motion a self-governing renewal process.

The Fürst-Pückler-Land International Building Exhibition (IBA) has been set up to support regional urban renewal by facilitating cooperation and concerted activities on the part of municipal administrations, housing associations, architects and local grassroots initiatives. The Fürst-Pückler-Land IBA also participates in the European Union sponsored REKULA project, which involves different partners and students from Germany, Poland and Italy in trying to devise innovative settlement forms and structures to manage cultural landscapes that have experienced major transformations over relatively short periods of time. Two local initiatives, the 'Bürgerverein' and the 'Netzwerk Füreinander-Miteinander', have been particularly active participants in these processes (DSK 2004, Internet; IBA 2003, Internet; IBA 2004/a, Internet; IBA 2004/b, Internet; Jahnke et al. 2002: 92 f.).

As of today, it is still rather difficult to tell just how successful this innovative urban renewal project in Sachsendorf-Madlow really is. Outmigration has not stopped, yet there are indications that residents perceive the quality of housing and of their residential environments in Sachsendorf-Madlow to have improved. This may well be an outcome of the management team's decision to concentrate initially on renewal measures in the district's central area, since these measures were both highly visible and capable of producing notable and immediate improvements to residents' everyday life. It seems that this has contributed to a high degree of acceptance of, and even participation in, further policy measures by residents (Hunger 2003: 651 f.; Jahnke et al. 2002: 95).

LEIPZIG: EILENBURGER BAHNHOF

The privatization and organizational restructuring of the former German state railways (DB) has led to a significant streamlining of their operations and left sizeable areas of railway land vacant—an effect similar to that of processes of industrial restructuring and deindustrialization. Former railway yards form types of brownfield and ones that present special problems as well as opportunities for urban (re-)development, not least because they are commonly situated in or very close to the inner city.

The City of Leipzig—one of the largest East German cities with just under half a million inhabitants—is currently handling seven redevelopment projects for former railway yards (Stadt Leipzig 2003: 26). The Eilenburger Bahnhof project is one of the very few examples in Germany of a successfully accomplished redevelopment of a former railway yard. The main land around the former Eilenburg railway station has already been transformed into a public park. The City Council gave the go-ahead for redevelopment in 1997, and landscaping work will be completed by the end of 2004 (Lotscher 2004b: 197).

The project area is situated to the east of Leipzig's city centre. It encompasses some 11 ha in total, the site being some 800 m long and varying between 80 and 130 m in width. It forms an east-west corridor which—

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2 The Eilenburger Bahnhof used to be the terminus of a regionally important railway line. Built in 1874, it was abandoned some 100 years later. The main station buildings have been gradually destroyed or torn down over the last three decades, such that only an engine shed and part of the surrounding wall have survived. These have now been incorporated into the new design.

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after the railway lands were abandoned and lay vacant—acted as a strong separation between densely inhabited areas to the north and south (Figure 11).

According to city planners, the main goals of the Eilenburger Bahnhof project were a) to remove the barrier between adjoining urban districts and b) to provide more green space for recreational purposes in this very densely populated area of the city which had originally been developed in the late 19th century with a mix of housing (mainly five-storey walk-up buildings, see Figure 11), small workshops and factories (Stadt Leipzig 2003: 55).

The new land use concept was the outcome of a consensus-orientated development approach similar to a Local Agenda 21 process; negotiations primarily involved a local citizens' initiative, the landowners, municipal representatives and the Leipziger Ostrau Projekt—a local model project encouraging ecologically sound urban development through networking between different projects and expert citizens.

In 1997 the City invited seven landscape architects to a competition to come up with an appropriate design for a new park for the city district of Leipzig-Reudnitz. In 1998 the final jury decided that none of the designs presented an acceptable solution for the overall area in total. However, one of the designs was chosen for its concept for the urban pole, another one for its landscape park design, and a third for the design of the so-called Anger, the former railway track area continuing to the east of the landscape park.

There are various structural elements that characterize the overall design (Figure 11). A principle axis for pedestrians and bikers emphasizes the direction of the former main railway track; the central area is reserved for a large lawn with trees reminiscent of an English country park; playgrounds and sports fields are situated along the southern border,
and allotment gardens for residents—which help reduce park maintenance costs—are placed along the northern border of the park. The former engine shed at the eastern end of the park will be transformed into an eco-cultural centre. And a so-called urban pole, including a kids’ and youth club, is planned to be developed at the western end of the park. The housing on the north side of the park consists of former railway workers homes, which are listed under a preservation order and have therefore been included in the redevelopment scheme.

The Eilenburger Bahnhof redevelopment project is considered a best-practice example, since all interested groups—including residents’ initiatives—were involved right from the outset of the planning process in a consensus-orientated approach. Furthermore, because it has resulted in a visible improvement of the physical attractiveness and quality of life in the area it is an important asset in view of the city’s population loss due to outmigration (1990–2000: -11.7%) (Lötscher 2004b: 199).

**SUMMARY AND CONCLUSION**

In the western parts of Germany, cities will be increasingly divided into two categories: prospering cities on the one hand, stagnating or declining cities on the other. The latter will also experience negative population growth. In eastern Germany virtually all cities will fall into this second category. Since the economic and demographic aspects of decline are interlinked and feed off one another, a vicious circle emerges.

In spite of severely changing reproductive behaviour in eastern Germany, the central element to demographic change in its cities is a negative migration balance. This net loss of population has economic explanations, (with people migrating to more prosperous regions), but is also fuelled by an ongoing process of suburbanization, driven by a continuous demand for new single-family housing. Yet, as such declining cities do not shrink in space even when they experience significant population losses, they experience a reduction in average population densities leading to increasing per capita costs for the maintenance of infrastructure, while increasing vacancies at the same time threaten the functioning of the local housing market (Lötscher et al., forthcoming).

The rapid growth of vacancy rates in East German cities has highlighted the effects of economic and demographic decline with its multiple and complex consequences for all aspects of urban life. Not surprisingly, the alarming outlook for the future has triggered various political activities on the national, regional and local levels of public decision-making.

East German cities have reacted by developing urban development strategies and by seeking financial aid from restructuring programmes of the EU, the federal or state governments. Three such projects in three East German cities have been discussed in this paper. While the examples from Eisenhüttenstadt and Cottbus introduce slightly different approaches to the problems of housing markets, the Leipzig case illustrates how the City tries to deal with vacant land in the form of former railway yards.

Some concluding theses can serve to highlight the severity of the problems in many eastern German towns and cities:

• The shrinking cities do not physically shrink in space but lose population, therefore experiencing a reduction in average population densities.

• Brownfields are a particular physical consequence of economic and demographic decline. While they can be regarded as providing new opportunities for future urban development, the parallel increase in housing vacancies threatens the continued functioning of the housing market at large.

• Demolition of substantial portions of the housing stock often forms the only possible strategy to avoid the appearance of ‘ghost town’ symptoms in many East German cities—the Eisenhüttenstadt example illustrates this particular point.

• The enormous dimensions to population decline leave cash-strapped municipali-
ties with no fiscal leeway to tackle these problems on their own. Substantial financial help from senior levels of government is urgently required.

- The fiscal crisis of German municipalities may render co-financed programmes like 'Stadtumbau Ost' ineffective, since few municipalities are able to raise the required matching funds.
- This may lead to widespread inertia and an acceleration of physical and social degradation. Without substantial planning efforts and the appropriate funding, the deterioration of the housing stock will lead to processes of slum formation hitherto unknown in the German context.
- If cities want to avoid such a scenario, they need to devise strategies to combine subsidies from different restructuring programmes and integrate programmes, projects and initiatives, but they also need to take steps to involve local decision makers and residents—as in the urban renewal projects in Cottbus and Leipzig.

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DEVELOPMENT OF POLISH TOWNS AND CITIES AND FACTORS AFFECTING THIS PROCESS AT THE TURN OF THE CENTURY

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Abstract: The systemic transformation taking place in Poland after 1989 and the economic changes it has involved have been most readily visible in towns and cities and their development patterns. The quantitative growth whose basic characteristic was an increase in the urban population has in recent years been replaced by a qualitative process marked by the development of the material sphere of towns while their populations keep steady or are on the decline. Although the systemic transformation is thought to be the basic factor of qualitative development, other growth factors are also distinguished, both traditional ones, albeit operating in new conditions, and completely novel ones. In the present article these are generalized and classified as endogenous (the systemic transformation, demographic and social changes, local factors and limitations) and exogenous (changes of the postindustrial or postmodern period, globalization and metropolitanization, European integration).

Key words: development of Polish towns and cities, quantitative and qualitative growth, urban growth factors.

INTRODUCTION

The year 1989 marked the beginning of a new path of economic and social development for Poland and the other countries of Central and Eastern Europe. The old political regime imposed upon this part of the continent after the Second World War crumbled, and a new one based on state sovereignty, democracy, and a market economy started to be introduced. This meant replacing the old command system organizing the structure and functioning of the state, society and the economy by one in which the regulatory role was played by the laws of economics and social development. The political, social and economic changes occurred with a deep, multi-level economic crisis, and with changes brought about by the post-industrial development of the world at the turn of the century (Chojnicki, Czyż and Parysek 1999). In these new conditions the development of the country, its regions, and towns was affected by a variety of factors and processes, sometimes completely novel. Those considered especially significant for the development and transformation of the spatio-functional structure of towns and cities include: systemic changes, postmodern changes in manufacturing and accumulation, urbanization with its stages of suburbanization and reurbanization, as well as the accompanying process of urban renewal, globalization together with one of

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its major components, viz. metropolitanization, and the processes of integration of the post-Communist states with Western European structures.

The present paper discusses the development of Polish towns and cities over the recent years, and the factors shaping the processes mentioned. Towns and cities are those places in which the occurring changes, both beneficial and adverse, are readily visible. The largest cities with a diversified socio-economic structure are the quickest to adapt to the new conditions created by the new processes, which are usually global in nature (Parysek 1995, 2001, 2002).

**THE DEVELOPMENT OF POLISH CITIES IN THE YEARS 1992–2002**

Urban development can be studied using a variety of parameters. In Polish conditions, there is little possibility of employing features other than the demographic because of the lack of suitable statistical data. Luckily enough, however, the development of Polish towns and cities during the transformation period could also be described in terms of their area, urban material substance (as measured by housing and the water-supply system), and economic potential (as measured by employment and the number of economic entities). Thus, the development of Polish towns and cities will be presented in its demographic, infrastructural and economic aspects, albeit to a limited extent. The article is general in its approach because it deals with a set of 883 Polish towns and cities taken together. In some cases, the analysis embraces basic town-size categories.

**URBAN AREA**

Over the years 1992–2002, the area of urban localities in Poland increased by 3.8% (c.800 km²). This growth did not occur in all town-size categories but was a resultant of an increase in some and a decrease in others (Table 1). Its primary cause, however, was the obtaining of urban status by former villages. Thus, an increase in the area of towns of up to 5,000 people (by 23.3%), 5–10,000 (by 10.7%), 10–20,000 (by 4.2%) and 100–200,000 (by 5.7%) was accompanied by a decrease in the area of those with populations of 20–50,000 (by 3.5%), 50–100,000 (by 2.3%) and over 200,000 (by 3.6%). The overall growth, however, was mainly generated by the establishment of 48 new towns (41 of which had populations under 5,000), corrections in the administrative limits of some towns, and a shift of some towns to a lower size category due to population loss.1 In sum, the area of Polish towns changed little. Urbanized suburban zones were not included among towns, mainly in order to preserve their locational attractiveness resulting from lower prices of land, buildings, labour, tax burdens, etc. than in towns themselves.

**DEMOGRAPHIC DEVELOPMENT AND POPULATION CHANGES**

**CHANGES IN POPULATION FIGURES**

The steady rise in the urban population generally observed since the end of the Second World War halted in 1997. In the period under study, i.e. 1990–2002, this segment of the population decreased from 23,614,500 to 23,171,200 (or by 0.2%). Naturally, not all town-size categories showed this tendency. The smallest towns (under 5,000) developed most dynamically (+12.1%). Less dynamic population growth (+5.3%) was recorded in small towns (5–10,000 and 10–20,000), and it was even more limited in those with 20–50,000 (+3.2%) and 50–100,000 (+2.7%). The population of the largest cities dwindled over that period (by 6.1% in those with over 200,000 and by 0.6% in the 100–200,000 category). Both the increase and the decrease were neither monotonic nor steady in nature; often a growth period was followed by one of decline. The year 1994 marked the start of the depopulation of the largest Polish cities (over 200,000), 1999 that in the

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1 E.g. Bytom and Zabrze, mining towns in Upper Silesia, whose populations exceeded 200,000 in 1992 but are smaller now.
medium-sized ones (50–100,000), and 2000 that in the big ones (100–200,000). At the same time, an upward trend started in 1992, and still continues, in the population of small towns, which had experienced a regression in both demographic and economic development throughout the postwar period.

A decline in urban population was accompanied by a dynamic increase in the population of suburban zones, in which it was possible to buy a cheaper flat or house (bigger than in a city, with a garden), enjoy lower costs of living and maintenance, and find healthier living conditions. Similar reasons underlie the high dynamics for population increase in the smallest towns (Parysek 2002; Parysek and Wdowicka 2002).

As studies show, the population figures over the years 1990–2002 were controlled by demographic dynamics, migration, and the establishment of new towns. In the years 1990–1993 net migration to towns exceeded natural increase. The trend changed in 1994 to revert to the previous situation in 1995, which lasted till 1997. Since 1998, Polish towns have shown negative figures for both net migration and natural increase. In the process of depopulation, as in the previous population increase, migration has played the major part, taking the form of an outflow of the urban population to rural areas (Table 1).

### POPULATION DYNAMICS

In the 1950s and 1960s Poland was still among the countries with the highest rates of natural population increase in Europe. However, its dynamics tended to slacken gradually, especially in towns. The early 1980s showed a steady downward trend to the natural increase of the urban population, which has continued until today. In 1997, Poland recorded its first negative rate of natural increase for the entire set of towns, of 5,300 people, while in 2002 the figure grew to c. 16,200 (Table 1), though today the decrease only concerns the smallest and biggest urban areas of the set. The cities with more than 200,000 population first recorded a negative natural increase in the late 1980s, and the tendency has prevailed ever since. In the smallest towns (under 5,000) and large ones (100–200,000), it was first recorded in

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#### Table 1. Changes in area and population, natural increase and net migration for Polish urban areas, 1992–2002

<table>
<thead>
<tr>
<th>Towns with population</th>
<th>Area (km²)</th>
<th>Population ('000)</th>
<th>Natural increase ('000)</th>
<th>Net migration (persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 5,000</td>
<td>2,510 3,094</td>
<td>803.2 900.8</td>
<td>2,871 -410</td>
<td>2,721 -1,640</td>
</tr>
<tr>
<td>5-10,000</td>
<td>2,691 2,978</td>
<td>1,252.4 1,318.7</td>
<td>4,920 88</td>
<td>7,215 -2,609</td>
</tr>
<tr>
<td>10-20,000</td>
<td>3,399 3,542</td>
<td>2,551.9 2,684.3</td>
<td>10,661 1,430</td>
<td>14,560 -6,537</td>
</tr>
<tr>
<td>20-50,000</td>
<td>3,604 3,478</td>
<td>3,963.2 4,091.9</td>
<td>15,706 2,070</td>
<td>15,906 -6,381</td>
</tr>
<tr>
<td>50-100,000</td>
<td>2,617 2,556</td>
<td>3,230.6 3,318.8</td>
<td>11,044 1,036</td>
<td>10,961 -9,649</td>
</tr>
<tr>
<td>100-200,000</td>
<td>1,763 1,863</td>
<td>3,012.5 2,995.4</td>
<td>6,348 -1,848</td>
<td>9,097 -7,293</td>
</tr>
<tr>
<td>over 200,000</td>
<td>3,832 3,693</td>
<td>8,800.7 8,261.2</td>
<td>-8,488 -18,561</td>
<td>14,453 2,067</td>
</tr>
<tr>
<td>Total</td>
<td>20,417 21,203</td>
<td>23,614.5 23,571.2</td>
<td>43,062 -16,195</td>
<td>74,913 -32,042</td>
</tr>
</tbody>
</table>

*Source: Author's own compilation on the basis of data from the Poznań branch of GUS (Central Statistical Office).*
1999. Naturally, this tendency means rapid ageing of the population, which presents municipal authorities with a variety of problems to solve.\(^3\)

**MIGRATION**

Until the late 1980s, towns (especially larger ones) were a magnet attracting migrants from rural areas and smaller towns by offering work, a variety of accommodation, a better supply of basic goods, and better access to services, especially education, culture and healthcare. Although they still remain residentially attractive in many ways, particularly in terms of the labour market and availability of higher-order services, they do not attract as many people as they used to.

An exception is the largest cities, which keep displaying a net in-migration, apart from in the year 2000 (Table 1). Polish towns as a set first recorded a net out-migration (3,900 people) in 1998. In 2000, all town-size categories showed a net migration outflow, and starting with 2001, all except the largest cities. Large cities (100–200,000) were the first to register an outflow, in 1994. Next were those with 20–200,000 (1998), followed by those with 5–10,000 (1999), and the remaining size categories joined them in 2000. However, 2000 was an exceptional year for the largest cities, because before and after it they experienced a net gain in population.\(^4\)

Among the largest Polish cities, those that have kept up a net gain of population for some time now include Warsaw (Warszawa), Wroclaw, Cracow (Kraków), Szczecin, Olsztyn and Białystok.\(^5\) The large cities with net migration losses include Łódź, Poznań and Gdańsk. In the case of Łódź, this has been the effect of transformation problems, especially the collapse of Soviet market-oriented industry (textile, clothing, leather, rubber and electricals); in Poznań, a result of the dynamic development and urbanization of the suburban zone, especially along the east-west communication route; and in Gdańsk, an effect of competition from the other towns of the so called Tri-City complex (i.e. Gdańsk–Sopot–Gdynia), and some smaller towns. However, migration figures had better be approached cautiously. As a result of the relaxation in the registration rules, the actual number of migrants, especially in large cities, is probably much higher than officially recorded. This concerns not only Polish nationals, but also ‘illegal aliens’, staying almost exclusively in towns, whose number is estimated at 200,000.\(^6\)

**URBAN GROWTH: A SHIFT FROM A QUANTITATIVE TO A QUALITATIVE DIMENSION**

The dwindling urban population, negative natural increase, and net migration losses indicate a poor demographic condition of Polish towns and cities and suggest dim prospects for the future. It seems, however, that these developments should not be treated as symptoms of their regression or decline. There are other processes which indicate that what we are dealing with in Poland is urban growth, albeit completely different than before 1990. To start with, we have a different political system, a different economy, a different society, and a different geopolitical situation, hence different factors now control the growth of towns and its nature.

While urban growth was clearly quantitative until 1989, since it was expressed primarily as a dynamic increase in the urban population, after this momentous year it has assumed a qualitative character. As urban dwellers keep declining in numbers,
Table 2. Growth of municipal infrastructure and economic entities in Polish towns, 1995–2002

<table>
<thead>
<tr>
<th>Towns with population</th>
<th>Flats ('000) 1995</th>
<th>Flats ('000) 2001</th>
<th>Water-supply system ('000 km) 1995</th>
<th>Water-supply system ('000 km) 2002</th>
<th>Economic entities ('000) 1995</th>
<th>Economic entities ('000) 2002</th>
<th>Employment ('000) 1992</th>
<th>Employment ('000) 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 5,000</td>
<td>245.5</td>
<td>270.6</td>
<td>3,395.6</td>
<td>4,715.7</td>
<td>44.8</td>
<td>81.8</td>
<td>177.4</td>
<td>163.7</td>
</tr>
<tr>
<td>5–10,000</td>
<td>375.4</td>
<td>394.0</td>
<td>3,640.6</td>
<td>4,612.7</td>
<td>67.9</td>
<td>125.2</td>
<td>335.7</td>
<td>283.3</td>
</tr>
<tr>
<td>10–20,000</td>
<td>752.7</td>
<td>809.2</td>
<td>6,158.6</td>
<td>8,054.8</td>
<td>154.5</td>
<td>282.5</td>
<td>753.3</td>
<td>668.7</td>
</tr>
<tr>
<td>20–50,000</td>
<td>1,279.2</td>
<td>1,328.7</td>
<td>8,645.9</td>
<td>9,879.5</td>
<td>266.2</td>
<td>435.0</td>
<td>1,268.2</td>
<td>1,025.1</td>
</tr>
<tr>
<td>50–100,000</td>
<td>1,076.6</td>
<td>1,095.9</td>
<td>6,148.3</td>
<td>6,756.7</td>
<td>210.4</td>
<td>329.9</td>
<td>1,015.7</td>
<td>824.8</td>
</tr>
<tr>
<td>100–200,000</td>
<td>920.5</td>
<td>1,027</td>
<td>4,783.7</td>
<td>5,540.0</td>
<td>205.7</td>
<td>315.8</td>
<td>944.5</td>
<td>839.2</td>
</tr>
<tr>
<td>over 200,000</td>
<td>3,012.3</td>
<td>3,114.0</td>
<td>11,352.3</td>
<td>12,043.8</td>
<td>378.3</td>
<td>1,089.1</td>
<td>2,761.3</td>
<td>2,684.1</td>
</tr>
<tr>
<td>Total</td>
<td>7,662.3</td>
<td>8,039.4</td>
<td>44,125.0</td>
<td>51,603.2</td>
<td>1,687.8</td>
<td>2,659.3</td>
<td>7,256.1</td>
<td>6,488.9</td>
</tr>
</tbody>
</table>

Source: Author's own compilation on the basis of data from the Poznań branch of GUS.

the material substance of towns, seriously underdeveloped during the Communist period, is being constantly expanded and modernized. This is manifested not only in a steady increase in the number of flats\(^7\) and standard of housing (Table 2), but also in a change in the housing model (big estates of blocks of flats being replaced by small, cosy housing estates, individual residential buildings, and monitored enclave-like estates), industrial, infrastructural and service investment, and the processes of urban renewal, redevelopment and modernization of central, post-industrial and post-military urban quarters. Another manifestation of the towns' qualitative growth is an increase in their economic potential as expressed by the growing number of enterprises. At the same time, Polish towns of the late 20th century and the early 21st century are becoming more and more places in which to work and satisfy needs, and less and less places in which to live. They are labour, goods and service markets not only for their dwellers, but also for residents of the increasingly urbanized suburban zones in whose functions

\(^7\) In the years 1995–2001, the highest increase in the number of flats was registered in the smaller towns (+10.2%) and in those with 100–200,000 inhabitants.


Although the role of residential construction in the shaping of the spatial structure of towns and cities has declined over recent years, mainly because of competition from large shopping centres, commodity exchanges, industrial plants and warehouses, this category of urban building can even today be considered an indicator of their development. In the years 1990–2002, the number of urban dwellings increased by 10.4%. The increase ranged from 8% in cities with a population of more than 200,000 to 14.1% in those with 20–50,000.\(^8\) This indicates some improvement in the housing situation, which is still far from good. Many people still cannot afford to buy or rent flats, which are too expensive for their salaries. At the same time many towns, especially in former industrial centres and in the northern and western parts of the country, are registering accelerated deterioration of the housing stock. This process affects not only 19th- and

\(^8\) In the second half of the 1990s, however, the increase was much slower, i.e. 4.9% and ranged from 1.8% in the cities of 50–100,000 inhabitants to 11.6% in the next category (Table 2).
Early-20th-century dwellings, but also blocks of flats built in the 1950s and 1960s. An example of the development of urban technical infrastructure may be provided by the constant extension of the water-supply system entailing the extension of sewerage and the building of treatment plants. In the years 1995–2002, the length of the municipal pipeline system increased by 17%, of which in towns with a population under 5,000 by 39%, in those with 10–20,000 by 31%, and in those with 5–10,000 by c.27%. This indicates an improvement in urban services and a higher level of sanitation.

The growth of entrepreneurship is documented by a steady increase in the number of economic entities. For the years 1995–2002, the growth dynamics equalled c.158% (Table 2). An especially high growth dynamic was characteristic of the smallest towns (5–10,000—184%, and 183% each for town-size categories of under 5,000 and 10–20,000). Worth emphasising is the fact that 41% of all economic entities have their seats in the biggest cities (including nearly 10% in Warsaw in excess of 262,000). This is indicative of the advancing dominance of the largest cities in Poland's settlement system. A vast majority of newly-established firms are small (under 50 employees) and medium-sized (50 to 249).

The changes in and modernization of the economic structure, as well as technological and organizational progress, are responsible for the fact that the increase in the number of enterprises has not entailed an increase in employment. There has been a marked decline in the size of the working population, expressed in rising unemployment rates, which vary between 5% and 40% in Polish towns. In the period 1992–2002, urban employment dropped by an average of 10.6%, the decline being especially sharp in towns of 20–50,000 (-92%) and 50–100,000 (-19%) (Table 2). In the largest cities it only amounted to 2.8%, while Warsaw and Poznan registered none at all. In those cities, the 2002 employment figures were higher than in 1992: in Warsaw 740,600 in 2002 versus 544,300 in 1992, and in Poznan 219,400 versus 197,000. In 2002, the largest cities accounted for 41.4% of total employment (as compared with 38% in 1992), of which the share of Warsaw alone equalled 11.4%.

Polish towns and cities entered a new phase of development after 1990, which can be called qualitative growth (Parysek 2001, 2002). Generally, this type of growth means a gradual improvement in living conditions. Naturally, it does not take place in each town equally. The economic situation and material conditions are undoubtedly best in the biggest cities, especially those with a diversified economic structure, viz. Warsaw, Wroclaw, Poznań, Cracow, Gdańsk and Łódź. The high growth dynamic of Warsaw allows the capital to increase its advantage over other urban places steadily. Among large cities, those in the worst situation include the monostructural industrial centres of Upper Silesia. Even worse is the situation of the industrial cities of Lower Silesia (especially Wałbrzych) as well as the old centres of the armaments industry in central and southern Poland, and those serving former state agriculture in northern and western parts of the country.

MAIN FACTORS OF THE DEVELOPMENT AND STRUCTURAL TRANSFORMATION OF POLISH TOWNS

The simplest classifications of factors of socio-economic development start by differentiating between endogenous and exogenous ones. Such factors can also be distinguished...
in the present-day development of towns and in the changes they are undergoing.

Considered among the endogenous factors to urban change are those that stem primarily from the systemic transformation which has been taking place in Poland. They also include those that derive from other processes of a clearly internal character, and from the very nature of a town. In the first case, these will be the depth of political, economic and social changes, their rate and character, the stability of the emerging tendencies, especially in demographic development and the transformation of social structures, and finally the mentality of society. Involved in the latter case are the size of the town, its geographical location, the functions it performs, its level of development, socio-economic structure, susceptibility to change, etc., which can be termed local factors (limitations) of development. Another endogenous factor is urbanization, which, while being a global process, has an individual character in each state. The basic role among exogenous factors seems to be played by postindustrial or postmodern processes of change in manufacturing and accumulation, as well as by globalization, whose effect or component of greatest importance to urban growth is metropolitanization. Another exogenous factor of change is the integration of Poland (and other post-Communist states) with West-European structures. The factors distinguished do not act with equal force in each Polish town. The differences are due to the individual character of each place, especially its size, functions, resources, problems, activity of the authorities, etc. (Chojnicki 1995; Domański 1998, 1999; Korcelli 1996; Markowski and Marszał 1998; Parysek 1995, 2002; Słodczyk 2002).

ENDOGENOUS FACTORS
The systemic transformation. This has replaced the political-ideological mechanisms of a centrally-controlled command economy that prevailed until 1989 with the type of regulation allowing the laws of the economy and social development to be factors behind socio-economic development. The economic freedom and equality of economic entities, the market and its regulating role, privatization of the economy and the development of enterprise, the removal of the barrier of isolationism and opening up to the world, the creation of the structures of a self-organizing society (especially self-governing bodies managing towns)—all this emerged as new factors underpinning the growth and structural change of Polish towns (Chojnicki, Czyż and Parysek 1999).

The systemic transformation started in the conditions of a deep economic crisis in this part of the continent, as a result of which the transformation was, understandably, a slow process encountering many obstacles. Another handicap to change was the resistance put up by old matter, especially in the old power structures. In the operation of the state, it has produced a bipolar, competitive political arrangement of post-Communists versus the former democratic opposition, in a constant struggle for power.

The systemic change and its individual components had a varying effect on the development and transformation of towns. First of all, they created conditions for the utilization of development factors and for development itself. They put in place the market as an actual meeting place of sellers and buyers. They made possible the inflow of external capital and they stimulated investment. They contributed to serious changes in the technology and organization of manufacturing, and to the improvement of the efficiency of management. They were the most important factor behind change in the economic structure of towns that led to intensive development of services and the necessary modernization of industry. They released small-scale, local initiative and restored the sense of private property (Tables 3 and 4). They led to the rebirth of local government, as actual manager of towns, which could take comprehensive action in the name of their development and the promotion of their resources and growth factors on behalf of their residents. The local authority also started to be the body which determined priorities in and the directions of a town's...
Table 3. Economic entities in the 15 largest Polish cities in 2000

<table>
<thead>
<tr>
<th>City</th>
<th>No. of entities</th>
<th>Public sector</th>
<th>No. of entities</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warszawa (Warsaw)</td>
<td>248,545</td>
<td>3,294</td>
<td>245,251</td>
<td>98.7</td>
</tr>
<tr>
<td>Łódź</td>
<td>80,852</td>
<td>1,764</td>
<td>79,088</td>
<td>97.8</td>
</tr>
<tr>
<td>Kraków (Cracow)</td>
<td>88,883</td>
<td>1,121</td>
<td>87,762</td>
<td>98.7</td>
</tr>
<tr>
<td>Wrocław</td>
<td>88,149</td>
<td>4,376</td>
<td>83,773</td>
<td>95.0</td>
</tr>
<tr>
<td>Poznań</td>
<td>78,720</td>
<td>1,889</td>
<td>76,831</td>
<td>97.6</td>
</tr>
<tr>
<td>Gdańsk</td>
<td>54,600</td>
<td>2,839</td>
<td>51,761</td>
<td>94.8</td>
</tr>
<tr>
<td>Szczecin</td>
<td>59,355</td>
<td>1,753</td>
<td>57,602</td>
<td>97.0</td>
</tr>
<tr>
<td>Bydgoszcz</td>
<td>43,092</td>
<td>1,302</td>
<td>41,790</td>
<td>97.0</td>
</tr>
<tr>
<td>Lublin</td>
<td>36,415</td>
<td>951</td>
<td>35,464</td>
<td>97.4</td>
</tr>
<tr>
<td>Katowice</td>
<td>38,860</td>
<td>748</td>
<td>38,112</td>
<td>98.1</td>
</tr>
<tr>
<td>Białystok</td>
<td>31,645</td>
<td>598</td>
<td>31,047</td>
<td>98.1</td>
</tr>
<tr>
<td>Częstochowa</td>
<td>26,124</td>
<td>375</td>
<td>25,749</td>
<td>98.6</td>
</tr>
<tr>
<td>Gdynia</td>
<td>27,183</td>
<td>336</td>
<td>26,847</td>
<td>98.8</td>
</tr>
<tr>
<td>Sosnowiec</td>
<td>22,657</td>
<td>533</td>
<td>22,124</td>
<td>97.6</td>
</tr>
<tr>
<td>Radom</td>
<td>24,143</td>
<td>339</td>
<td>23,804</td>
<td>98.6</td>
</tr>
</tbody>
</table>

Source: Author's own calculations after GUS Statistical Yearbooks.

Development, and which took steps intended to ensure the town an appropriate spatial structure and order in its development. A serious obstacle to carrying out all the intentions is the meagrems of municipal budgets in relation to needs, aggravated by the fact that the central authorities tend to encumber local governments with ever greater financial burdens (e.g. education). These slim municipal budgets in turn reflect the state financial policy, a sluggish economy, the slack rate of economic development, the pauperisation of society and difficulties with tax collection (Table 5).

Demographic and social change. The postwar years (until 1990) were a period of fairly dynamic population growth in Poland, especially in towns. However, the declining state-controlled economy was unable to secure a balance between this and urban infrastructure, something which led to an urban crisis. Its manifestations were: a lack of housing and low standard thereof, underdevelopment of the technical infrastructure (poor road maintenance, transport problems, limitations on power supply, a lack of sewerage and treatment facilities, underdevelopment of the telecommunications network, deterioration of the housing stock), and finally underdevelopment and poor performance of units of social infrastructure (especially in the domains of education, healthcare, and culture). These deficiencies contributed to the commonly experienced difficulties of everyday life which occasional, state-financed investments did little to ameliorate. On top of everything, there were permanent 'market problems', a characteristic feature of all command systems. Still, the town was a great magnet for ever-increasing masses of the rural population dissatisfied with the poor living conditions in the country. Towns offered immigrants jobs and modest accommodation in factory flats, low-standard worker hostels, rented private lodgings, es-
tates of sub-standard houses, and after a time, cooperative blocks of flats (Parysek and Kotus 1995). Today, with their unemployment rates of 5% to 40%, towns have stopped attracting new residents. Exceptions are Poland's largest cities, especially Warsaw, but also Poznan, Wroclaw, Cracow and Gdansk–Sopot–Gdynia, where it is much easier to find a job than anywhere else.

What helped towns, in a sense, was a dramatically declining natural increase, which, being one of the highest in Europe (over 19% in 1950), used to be the basic factor behind their growth not much more than a decade ago, especially as the growth was extensive. Today, the populations of Poland's biggest cities keep dwindling. A major influx of immigrants and higher natural increase rates are only recorded in suburban zones where wealthier people find it cheaper to build a house, and the less wealthy to rent lodgings and reduce their costs of living.

In the future, depopulation will continue to be a problem of Polish towns and cities. Despite the steady decline in their populations, it is believed that they are on a development path, as evidenced by their changing images. This time, however, it seems to be qualitative development which is more desirable and advantageous under the current economic and social conditions. This type of growth means a stronger connection between the transformation going on in the towns and the needs of their residents and visitors, whether business people or tourists, thus improving the living conditions.

Positive changes in the mentality of local urban communities have a beneficial effect on the performance of the local authorities (Cichocki 1996; Ziółkowski 2000). They tend to be more and more efficient, despite financial troubles, and take care of their town's milieu, thereby shaping one of the major factors behind growth (Drewett and Engelstoft 1990). Changes in the sphere of mentality also lead to the development of small-scale private enterprise, a very important component of the urban economic structure. A guarantee as to the permanence of private property has

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Table 4. Economic entities in the largest Polish cities in 2003 (ownership structure)

<table>
<thead>
<tr>
<th>City</th>
<th>Ownership</th>
<th>Commercial companies, total</th>
<th>Commercial companies with foreign capital</th>
<th>Cooperatives</th>
<th>Natural persons conducting economic activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warszawa (Warsaw)</td>
<td>0.09 State-owned enterprise 18.7</td>
<td>6.2</td>
<td>0.7</td>
<td>80.5</td>
<td></td>
</tr>
<tr>
<td>Łódź</td>
<td>0.1</td>
<td>7.6</td>
<td>1.7</td>
<td>0.4</td>
<td>92.0</td>
</tr>
<tr>
<td>Kraków (Cracow)</td>
<td>0.06</td>
<td>10.5</td>
<td>1.9</td>
<td>0.5</td>
<td>88.9</td>
</tr>
<tr>
<td>Wrocław</td>
<td>0.04</td>
<td>10.1</td>
<td>2.7</td>
<td>0.5</td>
<td>89.3</td>
</tr>
<tr>
<td>Poznań</td>
<td>0.08</td>
<td>12.0</td>
<td>2.9</td>
<td>0.4</td>
<td>87.4</td>
</tr>
<tr>
<td>Gdańsk</td>
<td>0.05</td>
<td>13.6</td>
<td>2.3</td>
<td>0.7</td>
<td>85.6</td>
</tr>
<tr>
<td>Szczecin</td>
<td>0.05</td>
<td>8.7</td>
<td>2.6</td>
<td>0.5</td>
<td>90.7</td>
</tr>
<tr>
<td>Bydgoszcz</td>
<td>0.07</td>
<td>7.5</td>
<td>1.0</td>
<td>0.3</td>
<td>92.0</td>
</tr>
<tr>
<td>Lublin</td>
<td>0.1</td>
<td>9.2</td>
<td>1.0</td>
<td>0.6</td>
<td>90.0</td>
</tr>
<tr>
<td>Katowice</td>
<td>0.15</td>
<td>14.3</td>
<td>2.4</td>
<td>0.3</td>
<td>92.0</td>
</tr>
</tbody>
</table>

Source: Author's own calculations after GUS Statistical Yearbooks.

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13 They include an increase in social activity, development of local identity, establishment of independent non-governmental organizations, leaders launching local growth-oriented initiatives, etc.
Table 5. Financial situation of the 15 largest Polish cities in 2000

<table>
<thead>
<tr>
<th>City</th>
<th>Budget Income</th>
<th>Expenditure</th>
<th>Deficit/surplus</th>
<th>Income per head</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warszawa (Warsaw)</td>
<td>4,880.2</td>
<td>5,269.3</td>
<td>-389.1</td>
<td>107.97</td>
</tr>
<tr>
<td>Łódź</td>
<td>1,439.0</td>
<td>1,519.8</td>
<td>-80.8</td>
<td>105.62</td>
</tr>
<tr>
<td>Kraków (Cracow)</td>
<td>1,324.3</td>
<td>1,466.1</td>
<td>-141.8</td>
<td>110.71</td>
</tr>
<tr>
<td>Wrocław</td>
<td>1,488.5</td>
<td>1,621.3</td>
<td>-132.8</td>
<td>108.92</td>
</tr>
<tr>
<td>Poznań</td>
<td>1,145.4</td>
<td>1,199.8</td>
<td>-54.4</td>
<td>104.75</td>
</tr>
<tr>
<td>Gdańsk</td>
<td>921.5</td>
<td>975.4</td>
<td>-53.9</td>
<td>105.85</td>
</tr>
<tr>
<td>Szczecin</td>
<td>790.6</td>
<td>871.8</td>
<td>-81.2</td>
<td>110.27</td>
</tr>
<tr>
<td>Bydgoszcz</td>
<td>623.6</td>
<td>704.8</td>
<td>-81.2</td>
<td>113.02</td>
</tr>
<tr>
<td>Lublin</td>
<td>611.0</td>
<td>621.3</td>
<td>-10.3</td>
<td>101.69</td>
</tr>
<tr>
<td>Katowice</td>
<td>740.0</td>
<td>755.1</td>
<td>-15.1</td>
<td>102.04</td>
</tr>
<tr>
<td>Białystok</td>
<td>454.2</td>
<td>495.7</td>
<td>-41.5</td>
<td>109.14</td>
</tr>
<tr>
<td>Częstochowa</td>
<td>426.9</td>
<td>473.0</td>
<td>-46.1</td>
<td>110.80</td>
</tr>
<tr>
<td>Gdynia</td>
<td>438.8</td>
<td>519.1</td>
<td>-80.3</td>
<td>118.30</td>
</tr>
<tr>
<td>Sosnowiec</td>
<td>379.6</td>
<td>413.4</td>
<td>-33.8</td>
<td>108.90</td>
</tr>
<tr>
<td>Radom</td>
<td>395.3</td>
<td>412.3</td>
<td>-17.0</td>
<td>104.30</td>
</tr>
</tbody>
</table>

Source: Author's own calculations after GUS Statistical Yearbooks.

already brought effects in the form of greater care for its maintenance, especially regarding its state of repair and aesthetics.

The increase in the wealth of some (if still too small) part of the local community leads to the introduction of new elements into a town's spatial layout (e.g. residences, detached houses, new, higher-standard multiple-family buildings, modern manufacturing and service establishments). Unfortunately, these encouraging developments are accompanied by unwelcome, even pathological, processes. There is growing deprivation, poverty and homelessness. Being detrimental to the level of personal safety and that of property, these processes restrict people's leisure activities and have an adverse effect on a town's image and on potential investors.

Local factors and limitations on growth. Naturally, each town in Poland has unique features. This implies regional and local differences in the factors and conditions behind development, as well as barriers to and limitations on growth. Without any doubt, such barriers include: a one-sided economic structure, a budget falling short of needs, unemployment, underdevelopment of technical infrastructure, low investment activity, insufficiency of transport systems, the housing deficit, the bad condition of the natural environment, and the already mentioned symptoms of social ills. The fastest-developing towns in Poland include the biggest cities, especially multi-functional ones with a diversified economic structure (Table 6). They have the best-developed infrastructural networks and facilities, the densest networks of business-service establishments and universities, and are centres of research, culture, commerce and exhibitions, as well as being the main transport nodes of the country.

Another endogenous process is urbanization, which varies with the type of town and region. As has been mentioned earlier, the
dynamic urbanization of postwar Poland was largely due to industrial investment that attracted the rural population to towns, and to the widespread poverty of rural areas forcing young people to migrate to towns in search of work. It was a deficient (incomplete) type of urbanization; the influx of migrants to towns was not accompanied by the expansion of the urban infrastructure. Today, urbanization in Poland has two faces. On the one hand, it is de-urbanization, and on the other, re-urbanization. De-urbanization entails the outflow of the population from larger towns and the growth of small and medium-sized ones, especially those located within the sphere of influence of big cities. Re-urbanization, in turn, means re-development of the central parts of those big cities. Recently, one has been able to observe an increase in building density in them (e.g. over the last ten years more than 100 office blocks of so-called class A have been erected in the centre of Warsaw), and projects for the renewal of old residential and industrial buildings are being undertaken on a larger scale. The result of the new Polish type of urbanization has been the emergence of new investment areas on the peripheries of towns, especially service-commercial and industrial, while in the centres new office blocks, hotels, and other broadly understood business-service facilities have appeared. Polish towns and cities are becoming ever more similar to those of Western Europe.

EXOGENOUS FACTORS
Changes of the post-industrial (post-modern) period. The late 1980s closed the period of industrial development in Poland. The overdeveloped, technologically-backward industry with an unsuitable branch structure stopped being a growth factor. The political situation did not justify the development of high-tech industries, and the economic situation made it impossible. Hence, it was necessary to search for new growth factors, mainly services. The 1989 change in the systemic conditions opened up new opportunities for development that can be called post-industrial, although it differed from the process that Western Europe and the USA had gone through. It turned on the restitution of the capitalist economic model with the exception of some changes that had occurred in the capitalist countries between 1939 and 1990. It should be kept in mind that the transition from a centrally planned to a capitalist economy in Poland was exceptionally short and did not cover those stages that the Western economies had gone through during the years 1946–2000, and which resulted from the political situation of that time as well as tendencies, changes and perturbations in the world economy. Therefore, the newly built Polish capitalism has some features of both Fordist and post-Fordist development (Parysek 1992). The principal manifestation of post-industrial change is the dynamic development of services and their almost complete privatisation (primarily commercial services like trade, banking, eating places, and insurance, but also some public services like healthcare and education). Only a few public services are still controlled by the state and local governments. Other significant changes have affected the organization of manufacturing, bringing about decentralization of management and an increase in the role of small and medium-sized businesses, whose behaviour on the market is more flexible. The production structure itself keeps transforming in order to adjust to the needs of the home market and the demands of those abroad. Labour becomes more and more flexible, so

14 Thus, in Wroclaw, a heavily invested-in area is the so-called Bielany node south of the city, a crossroads of the Berlin–Silesia motorway and roads going to Prague and large Silesian towns (Świdnica, Walbrzych, Jelenia Góra). In Poznań, it is Franowo, situated behind the city’s main freight railway station, close to the large housing estate of Rataje and the future ring roads, as well as Antoninek on the exit road from the city to Warsaw (neighbouring the town of Swarzędz), in which new facilities of the Volkswagen car factory have been located. Investment is also intensive in the downtown areas of the biggest Polish cities, usually taking the form of hotels, office blocks and shopping centres (e.g. in Warsaw, Wroclaw, Poznań, Gdańsk, and Łódź). The city still awaiting a new downtown quarter is Krakow, with its highly attractive area between the central railway station and the historic Old Town. In Poznań, in turn, redevelopment is badly needed in the central station area, while in Gdańsk and Gdynia, it is the harbour areas.
Table 6. Economic entities in the largest Polish cities in 2003 (sectoral structure)

<table>
<thead>
<tr>
<th>City</th>
<th>Total</th>
<th>Private sector in %</th>
<th>Economic entities in sectors (in %)</th>
<th>Real estate, renting and business activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warszawa (Warsaw)</td>
<td>268307</td>
<td>98.6</td>
<td>Industry 9.9, Construction 9.0, Trade and repair 30.8, Transport, storage and communication 8.8</td>
<td>22.3</td>
</tr>
<tr>
<td>Łódź</td>
<td>90731</td>
<td>97.6</td>
<td>Industry 15.5, Construction 8.0, Trade and repair 32.9, Transport, storage and communication 7.9</td>
<td>16.3</td>
</tr>
<tr>
<td>Kraków (Cracow)</td>
<td>100523</td>
<td>97.7</td>
<td>Industry 9.4, Construction 8.9, Trade and repair 31.3, Transport, storage and communication 8.5</td>
<td>20.7</td>
</tr>
<tr>
<td>Wrocław</td>
<td>93914</td>
<td>95.0</td>
<td>Industry 8.7, Construction 10.7, Trade and repair 30.2, Transport, storage and communication 7.0</td>
<td>24.2</td>
</tr>
<tr>
<td>Poznań</td>
<td>85451</td>
<td>97.8</td>
<td>Industry 10.6, Construction 8.1, Trade and repair 30.9, Transport, storage and communication 7.4</td>
<td>21.5</td>
</tr>
<tr>
<td>Gdańsk</td>
<td>58288</td>
<td>95.3</td>
<td>Industry 13.2, Construction 9.9, Trade and repair 26.6, Transport, storage and communication 8.1</td>
<td>22.7</td>
</tr>
<tr>
<td>Szczecin</td>
<td>63008</td>
<td>96.6</td>
<td>Industry 8.4, Construction 10.9, Trade and repair 29.4, Transport, storage and communication 8.4</td>
<td>23.3</td>
</tr>
<tr>
<td>Bydgoszcz</td>
<td>47064</td>
<td>97.8</td>
<td>Industry 10.6, Construction 9.6, Trade and repair 33.8, Transport, storage and communication 7.8</td>
<td>17.7</td>
</tr>
<tr>
<td>Lublin</td>
<td>39629</td>
<td>97.6</td>
<td>Industry 7.8, Construction 8.6, Trade and repair 33.4, Transport, storage and communication 8.9</td>
<td>18.2</td>
</tr>
<tr>
<td>Katowice</td>
<td>40907</td>
<td>96.0</td>
<td>Industry 8.1, Construction 7.9, Trade and repair 35.2, Transport, storage and communication 6.8</td>
<td>22.7</td>
</tr>
</tbody>
</table>

Source: Author's own calculations on the basis of data from Statistical Yearbooks.

that today it is a high level of general education, rather than narrow specialisation, that is likely to bring better job opportunities, except in some uniquely special occupations. Law, which is now being adjusted to Western standards, has become the factor regulating the operation of society and the economy. Legal regulations, and not arbitrary political decisions of the party in power, define the framework of the state as a territorial social system (Chojnicki 1996; Chojnicki, Czyż and Parysek 1999). Towns are the places in which post-industrial change has been very conspicuous. A network of commercial and service establishments that reflects actual demand has developed. Many new business-service institutions have been built in town centres, as well as a modern network of shops, including exclusive shops designed to attract the foreign tourist. Shopping centres—a new development unknown previously in this part of Europe—have appeared on city peripheries. Huge shopping centres are also being built in the central parts of the biggest Polish cities.

What makes them different, however, is that they offer better-quality goods to a wealthier customer with an individualized taste. Also, the shopping atmosphere they create is quite unlike the supermarket one. Numerous small and medium-sized establishments have been set up, on the one hand offering employment and on the other generating the badly needed budgetary revenues. The opening up of the economy to the world makes possible the transfer of technology, which in turn is a condition for the development of modern industry. The diversified structure of urban economies results in a better-balanced labour market, while young, well-educated experts meet the demands of modern firms as to personnel. A democratically-elected local government plays the role of a factor controlling the development of towns and transforming their spatial structures. Naturally, these are

15 E.g. the Galeria Dominikańska in Wrocław, the Stary Browar and Kupiec Poznański in Poznań or the recently open shopping center Arcadia in Warsaw.

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not model post-industrial changes, but their scope and depth makes the processes taking place in Western and Central Europe ever more similar. Also, there is no doubt that they are among the exogenous factors to the growth and spatial-structural transformation of towns, including those in Poland.

Globalization and metropolitanization and their effects on Polish cities. It is generally believed that globalization is one of the main processes shaping the face of the contemporary world. Although it has been studied and described for almost 20 years, its mechanisms and effects are still not well understood (Anderson 1996), and it arouses as much hope as fear (Krugman 1999). It has a tremendous influence on the world economy, social life, and culture. On the one hand, it manifests itself in unification (the same models of the organization and operation of the economy and society, and the same cultural patterns), and on the other hand, in diversification (the deepening of differences in the level of development and living conditions). It also exerts a powerful influence on the growth and physiognomy of modern cities (Castells 1994; Taylor 1997; Mc Neill 1999; Kukliński 1999, 2000).

In the towns of Poland, globalization manifests itself primarily in the internationalization of the economy. This is a gradual process embracing practically all the stages distinguished (Shanks 1985; Stryjakiewicz 1999, 2000). In the sphere of manufacturing, these are, successively: export of goods—transfer of technology (licensing)—foreign sales representation—offshore manufacturing—foreign business unit—multiple business unit—global business network. The situation is similar in retail and wholesale trade, catering, banking, insurance, consulting, and other business-environment sectors. This is, of course, connected with the dynamic investment process that changes the face of towns. There appear representative offices of world manufacturing and financial corporations, new manufacturing plants, commercial centres, office blocks, catering establishments, and amusement and leisure centres (Table 7). While the adjustment of the urban infrastructure to these investments may be delayed and incomplete, city authorities solicit them because they help to solve many urgent problems, especially unemployment. Naturally, the towns that benefit the most are big cities, especially those featuring such modern location factors as highly-qualified labour, scientific and research potential, diversified economic structure, and the so-called benefit of place as defined by a milieu favourable to investment and habitation. Globalization leads directly to metropolitanization, that is to the development of metropolitan functions and metropolitan structures that characterise spatial relations of global reach (Parysek 2001, 2002). In a few years’ time Warsaw will probably have attained the status of a sub-continental or continental metropolis with its investment boom, while such Polish cities as Poznań, Wrocław, Cracow, and Gdańsk—Gdynia—Sopot show a rapid development of metropolitan functions in a national dimension. Apart from investments in the city centre (office blocks, hotels), emerging on the periphery are new economic areas (shopping centres, storehouses, manufacturing establishments, sport and recreation grounds) as well as low-rise residential buildings, also of the villa type. Thus, the growth can be observed at the cores and in the external rings of cities. Especially dynamic has been single-family building construction (in suburban localities of a recreational nature), including mansion-type housing, as well as multi-family buildings, more private than they used to be years ago. The role of urban renewal is becoming more and more important, but lack of money prevents it from developing into a serious project.

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Table 7. The biggest foreign investors in Poland during the transformation period (1993–2002)

<table>
<thead>
<tr>
<th>Investor</th>
<th>Country</th>
<th>Sum invested ($M)</th>
<th>Field of investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>France Telecom</td>
<td>France</td>
<td>3,199.4</td>
<td>telecommunications</td>
</tr>
<tr>
<td>Fiat</td>
<td>Italy</td>
<td>1,749.3</td>
<td>car industry, banking, insurance</td>
</tr>
<tr>
<td>Daewoo</td>
<td>S. Korea</td>
<td>1,452.3</td>
<td>car, electrical and machine-building industries, construction, insurance</td>
</tr>
<tr>
<td>HVB Group</td>
<td>Germany</td>
<td>1,336.0</td>
<td>banking, finance, insurance</td>
</tr>
<tr>
<td>Citygroup</td>
<td>USA</td>
<td>1,300.0</td>
<td>banking, finance, insurance</td>
</tr>
<tr>
<td>OAO Gazprom</td>
<td>Russia</td>
<td>1,283.8</td>
<td>construction</td>
</tr>
<tr>
<td>Vivendi Universal</td>
<td>France</td>
<td>1,243.4</td>
<td>telecommunications</td>
</tr>
<tr>
<td>Unitek Pan-Europe Communication</td>
<td>The Netherlands</td>
<td>1,200.0</td>
<td>media and entertainment</td>
</tr>
<tr>
<td>UniCredito Italiano</td>
<td>Italy</td>
<td>1,200.0</td>
<td>banking, finance, insurance</td>
</tr>
<tr>
<td>European Bank for Reconstruction and Development</td>
<td>International capital</td>
<td>1,194.6</td>
<td>banking, capital investment (crediting)</td>
</tr>
<tr>
<td>KBC Bank N.V.</td>
<td>Belgium</td>
<td>1,146.0</td>
<td>banking, finance, insurance</td>
</tr>
<tr>
<td>Metro AG</td>
<td>Germany</td>
<td>1,125.0</td>
<td>retail trade</td>
</tr>
<tr>
<td>Kronospan Holdings Ltd.</td>
<td>Cyprus</td>
<td>954.6</td>
<td>forestry and wood processing</td>
</tr>
<tr>
<td>Casino</td>
<td>France</td>
<td>923.0</td>
<td>retail trade</td>
</tr>
<tr>
<td>Tesco PLC</td>
<td>UK</td>
<td>850.0</td>
<td>retail trade</td>
</tr>
<tr>
<td>Carrefour</td>
<td>France</td>
<td>814.7</td>
<td>retail trade</td>
</tr>
<tr>
<td>General Motors Corporation</td>
<td>USA</td>
<td>800.0</td>
<td>car industry</td>
</tr>
<tr>
<td>Allied Irish Bank PLC</td>
<td>Ireland</td>
<td>746.7</td>
<td>banking, finance, insurance</td>
</tr>
<tr>
<td>Credit Agricole</td>
<td>France</td>
<td>687.7</td>
<td>banking, finance, insurance</td>
</tr>
<tr>
<td>ING Group NV</td>
<td>The Netherlands</td>
<td>677.0</td>
<td>banking, finance, insurance</td>
</tr>
<tr>
<td>Enterprise Investors</td>
<td>USA</td>
<td>665.3</td>
<td>capital investment</td>
</tr>
<tr>
<td>Auchan</td>
<td>France</td>
<td>658.5</td>
<td>retail trade</td>
</tr>
</tbody>
</table>

*Source:* The State Foreign Investment Agency.

Investment and development make towns grow more and more similar. Architectural styles are the same, the same global firms appear, and multiple stores, shops, petrol stations, fast-food restaurants, etc. owned by the same organizations all look alike. Shops sell the same goods (products of global firms), and advertisements are identical. Unification can be observed in the street and in whole town quarters, with identically-
dressed people adopting a 'global' lifestyle (jeans, T-shirts, training shoes, hamburgers, personal stereos, mobile phones, etc.). The same concerns artistic events (rock music), television programmes (reality shows, chat shows) and interests. What differs are the old architecture and green spaces—and also older people.

European integration. The on-going process of adjustment of the country's legal system to the rules operating in the Union creates favourable conditions for the adoption of Western standards and solutions, including in the planning of urban development and the designing of internal structures of towns, while European funds make possible certain municipal investments improving their functioning. Other means can be obtained for the drawing up of projects of great importance to the development of a town. However, it is not always easy for cities to draw on those funds, because of a great number of varied limitations. When talking of the effect of integration processes on the development of the towns and cities of Poland, one should not forget their bilateral cooperation with those of Western Europe. This may range from very official to very concrete, and in many cases it brings both sides real benefits, including for their development and structural changes. It will only be possible to assess the true effects of the integration process some time after Poland and neighbouring countries' accession to the European Union as full members. One might suppose that this event will be shown to have allowed them to benefit fully from the financial means available and the new conditions, and to use them for the restructuring and development of towns.

18 Poland has been a member of the European Union since 1 May 2004, and this event has made it possible for Polish cities to apply for EU means. At present (the end of 2004), applications by city authorities for suitable funds are being considered; it will still be some months before the results are known. What is known, however, is that the applications concern primarily assistance with the financing of investments in municipal infrastructure (the construction and modernization of roads, expansion of public transport, water and sewage systems, environmental works, extension and modernization of hospitals, etc.).

CONCLUSIONS

The new systemic conditions that started to be created in Poland after 1989 have produced changes in the rate and nature of development of Polish towns. There have also appeared new controls on urban growth with the introduction of democracy, a market economy, and civil society, as well as the opening up of Poland to the world, and the country's gradual political, economic and military integration with the Euro-Atlantic system. Also beneficial was the change in the political situation in Europe and the world. Polish towns have entered on the path of qualitative and comprehensive growth, as expressed by an improvement in living conditions and an elimination of backwardness in the development of municipal infrastructure. The urban population keeps declining steadily as a result of both a negative natural increase and slackening in-migration. The decrease in the number of residents accompanied by the expansion of infrastructure is bringing about an improvement in the conditions of service. These changes have not been recorded in all town-size categories equally, being most readily visible in the largest cities, among which Wrocław, Cracow, Poznań, Gdańsk together with Gdynia and Sopot, and especially Warsaw have come to the fore in Poland's settlement network as the principal centres of economic, social and cultural life. The changes are also visible in the smallest towns, which seem to have been gradually coming out of the stagnation lasting since the early 1950s. Dynamic growth has also been recorded in the suburban zones of the largest cities where life can be arranged in an easier, cheaper and healthier way. The situation is bad in former mining towns and heavy-industry centres, mainly due to difficulties with the restructuring of industry and a poor condition of the environment.

The development of Polish towns at the turn of the century is controlled by new factors. If some of them are traditional ones, they have a different force and a different impact in the new systemic conditions.
Among the endogenous factors behind urban growth, a special role has been played by the systemic transformation and its effects, including the market economy and economic freedom, the rebirth of local government, demographic and social changes, and local growth resources that can be fully utilised only in the new systemic conditions. One should also mention a new stage of the urbanization of the country (de-urbanization and re-urbanization). Among the external factors, the most crucial seem to be the changes of the post-industrial period, post-modern changes, globalization with its accompanying process of metropolitanization, and the political and economic integration of Europe. It is hard to determine the quantitative contribution of each factor, especially with reference to the entire set of Polish towns. However, it is possible in the case of individual cities, and so it is possible to organize research on the subject. Such research is currently being conducted by the present author.

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Restructuring of the Metropolitan Region of Berlin-Brandenburg: Economic Trends and Political Answers

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Abstract: The article critically explores the way in which the transformation processes in Eastern Germany have combined with the European integration to affect the demographic, migratory and economic trends in, and the developing international linkages of, the metropolitan region of Berlin-Brandenburg. On the basis of the initial situation in 1990, the article pays attention to the specific pattern to the social and economic transformation since that time of different types of regions—the core city of Berlin, the suburban belt and the peripheral parts of the metropolitan region. This analysis emphasises a conflicting picture. While Berlin had hitherto been the leading European region for knowledge industries, it has clearly not yet stabilized its new economic base and is still suffering from the loss of traditional manufacturing industries. Furthermore, a particular threat is posed to the smaller towns of Brandenburg’s periphery by a drift into economic disaster with social erosion and depopulation. Additionally, there is evidence of an inability to cope with the dramatic economic and social changes, on the part of the restructured local and regional governments.

Key words: transformation, core-periphery dichotomy, demography, knowledge economies, transnational economic linkages, regional institutions, governance, system, and Berlin-Brandenburg.

Central European Metropolitan Regions in the Common Market

In Central Europe, economic and spatial issues can no longer be addressed solely within national boundaries. Above all, metropolitan regions are tending to become spatial hubs in Europe’s network of infrastructure, in political and economic networks of power, in cultural and social networks of information-transfer and communication, and in the networks of memory and of hope (Kunzmann 2002). The metropolitan regions in Central Europe are going to compete with cities and regions around the world and, increasingly also with each other, and they have to find a new economic and social position within these networks of regions. All these regions constitute distinctive regional social and economic formations, whose dynamics are undergoing major transformations due to the impacts of globalization and European integration. In addition, these regions have not completed their transformation from a socialist to a market economy. Many scientific surveys on
the socio-economic transformation of Central and Eastern Europe predict that these countries will need 25 to 30 years before their economies and societies have caught up with Western European standards. In consequence, all metropolitan regions in Central Europe are confronted with a two-fold challenge of transformation. First, they have to develop specific new economic functions, based on knowledge and commercial services, to develop and improve their links to the metropolitan networks by enhancing their international accessibility. Thus, they need to redesign themselves as places of high attractiveness to capital, knowledge-workers and people who want to participate on the cultural scene. And second, they have to reorganize their institutional structures to become powerful political entities within the European context.

In the following sections of this paper, these aspects of regional restructuring during the last decade will be discussed in more detail for the Berlin-Brandenburg region. Moreover, this analysis will provide a basis upon which to consider how local and regional governance structures have tried to overcome the challenges of regional transformation and how it was possible for new metropolitan government and governance structures to be established.

THE INITIAL SITUATION OF BERLIN–BRANDENBURG IN 1990

When discussing the transformation of the Berlin–Brandenburg region since 1990, some very specific preconditions have to be taken into consideration. As a main characteristic, it has to be mentioned that the city of West Berlin and its surrounding area, as well as the two parts of the city were completely separated from each other by the Wall between 1961 and 1989. Berlin was the only place in Europe in which the East was confronted by the West within one city region. Another characteristic is the specific settlement structure. The region has a total area of 30,365 km² and approximately 6 million inhabitants (Table 1). However, it was and remains dominated by the city of Berlin with approximately 3.4 million inhabitants. In contrast, even the close sphere of influence outside the city’s boundaries, with approximately 780,000 inhabitants (50 km radius) in 1990, is characterized by mostly small and medium sized towns with extensive settlement spaces and large areas of agriculture and forest. Finally, the peripheral parts of the region are among the most thinly-populated areas of Germany. These parts have some anchor towns in which service centres and manufacturing industries from the socialist period are located. In these peripheral areas of the metropolitan region (100 km radius excluding the Western parts of Poland), there were 1.7 million inhabitants at the beginning of the transition. Overall, the region reflected a settlement structure more or less unchanged since 1939. After 1990, the city of Berlin and the sparsely-populated suburban and peri-feral areas founded two new separate states (Länder), i.e. Berlin and Brandenburg. They have separate responsibilities for their territories, in spite of the fact that both states, historically, belong to one region.

In 1990, Berlin constituted the biggest agglomeration of manufacturing industries in Germany. There were large manufacturing plants in the East as a result of socialist industrial policy, while plants in the Western part of the city were based around large subsidies from West Germany. Berlin was also the biggest agglomeration of scientific and research activities, the city with the greatest number of students and particularly extended cultural activities. Moreover, the dominating role of Berlin was further strengthened by the decision taken by the Federal parliament in the early 1990s, under which many parliamentary and governmental functions were moved back to Berlin.

Outside Berlin, some towns in Brandenburg were developed as locations for heavy industries, petrochemical industries, coal mining and electricity generation during the socialist period. In this way, the former East German government made every endeavour to compensate for its lost links to the
Silesia and Ruhr heavy industry and energy producing regions. For instance, as of 1990 manufacturing sites like Eisenhüttenstadt, Schwedt, Rathenow and Brandenburg/Havel represented an industrial structure, which had already been abandoned decades previously in West Germany having been replaced by modern knowledge-based industries. Both the highly subsidized economic and administrative structures in both parts of Berlin and the outdated industrialized agglomerations within the sparsely-populated rural parts of Brandenburg have become a large burden upon the social and economic transformation of the entire region.

PATTERNS OF SOCIAL AND ECONOMIC TRANSFORMATION

Planning authorities, political actors, real estate agents and scholars of regional science predicted that Berlin after reunification would be able to resume its historical role as a metropolis of Central Europe in the near future. And in its surge, Brandenburg would be able to take advantage of economic spillover effects to the more remote centres. Based on its leading position in science and culture, the city plus its region was expected to become the most important service centre of Central Europe during the 1990s. Against this background, most predictions anticipated a dramatically growing immigration and capital influx, fostering dynamic population growth and economic development, which would make Berlin–Brandenburg as vigorous as the economically powerful regions in West Germany and in other Western European countries. Planning ideas of the years after reunification reflected these growth perspectives by providing for expansive areas of settlement for housing and industry. Moreover, local and regional planning conceptualized strong economic spillover effects for Brandenburg from the growth pole of Berlin, which would stimulate economic development in the cities of the peripheral areas of the region. The popular view was that the region of Berlin–Brandenburg would be able to catch up with metropolitan regions in Western Europe within a few years. Though this vision has not become obsolete in principle, low economic growth rates, high unemployment rates and the fiscal crisis in Berlin and Brandenburg have forced local and regional actors to change their perspective and update their view of the region’s development.

REGIONAL DEMOGRAPHIC AND MIGRATION TRENDS

One main objective of spatial development in the early 1990s was to prevent the concentration of economic and demographic growth in the city and its immediate surrounding area. Instead, endeavours were made to ensure that positive growth impulses of the core city also spread to the

Table 1. Population in Berlin and Brandenburg and its development between 1991 and 2001

<table>
<thead>
<tr>
<th>Population</th>
<th>1991</th>
<th>2001</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berlin–Brandenburg</td>
<td>5,999,400</td>
<td>5,981,474</td>
<td>-17,900</td>
</tr>
<tr>
<td>City of Berlin</td>
<td>3,446,000</td>
<td>3,388,434</td>
<td>-57,600</td>
</tr>
<tr>
<td>Suburban area</td>
<td>779,800</td>
<td>948,640</td>
<td>+174,300</td>
</tr>
<tr>
<td>Periphery of Brandenburg</td>
<td>1,773,600</td>
<td>1,644,400</td>
<td>-134,700</td>
</tr>
</tbody>
</table>

Source: Statistische Landesämter Berlin und Brandenburg.
more remote centres in the sparsely-populated areas of the regional periphery. The decisions taken by the German parliament, to shift its location and that of key ministries to Berlin, have been interpreted as an additional step boosting the demographic and economic evolution of Berlin and its hinterland (Federal Ministry for Regional Planning, Building and Urban Development 1993). However, the optimistic prognosis for demographic change within the region has to be reversed. At the beginning of the nineties, most predictions forecast 1 million additional inhabitants due to immigration between 1990 and 2010. Meanwhile, optimistic assumptions expect that the number of inhabitants will at best remain stable for the next years. Inner-regional demographic and migratory shifts have indeed intensified the social dichotomy within the region.

For instance, over the last ten years the city of Berlin has attracted more than one million people, most of them young people from abroad and other German regions. However, over the same period of time, the city has lost through out-migration some one million people, many of them qualified for work but without any chance for employment in the region. Approximately one third of Berlin's population has thus been replaced in the last ten years. Steadily, migration in and out of the city also changed the population patterns within the city. Due to an increasing influx of foreigners in the first half of the nineties the number of foreigners living in Berlin rose sharply from

Figure 1. Population development in the Berlin–Brandenburg region, 1990 to 2002.
Restructuring of the Metropolitan Region of Berlin–Brandenburg.

315,000 to approximately 450,000. During this period of time, Berlin acted as magnet for international migrants, especially from the countries of Central and Eastern Europe as well as from countries in political crisis (e.g. from the Balkans). In addition, over the entire period under review, population patterns changed continuously due to a steadily declining number of inhabitants with German citizenship. On balance, migration patterns show that, since 1990, a large number of German inhabitants from Berlin have partly moved to the suburban surroundings of the city, thereby improving their housing conditions. Most of the other part have moved to the economically-prosperous parts of Germany, thereby improving their employment conditions. Moreover, the low fertility of the German population contributes to an ageing population profile of the city and further adds to the quantitative decline in overall population.

The transformation of the regional economy

The dramatic demographic changes correspond with specific economic transformation processes. Over the past fourteen years, the economy of the entire region has undergone fundamental structural changes, as characterized by a general shift from the manufacturing sector toward a more knowledge-based service economy. Apart from this common feature, there have been at least three kinds of regional economic restructuring, each typical for one of the three areas under discussion—the core city, the suburban belt and the peripheral parts of the region. As a result of the interlinked structural changes in each area, a process of spatial 'unravelling' or differentiation of the economic landscape has taken place.

In the city of Berlin and its immediate surroundings above all, the process of economic restructuring is apparently leading to modern economic clusters that can form the basis of a new economic core region. Here, transportation technologies, medical and biological technologies and other R&D-intensive industries, software development, cultural production and producer services now constitute the core sectors of economic activity. Berlin is among the 15 leading urban regions for scientific research and technological achievement in Europe, and it is a leading European region for cultural output. Altogether, this sector's structure reflects innovative clustering of diverse knowledge based activities, which distinguishes the region as a possible growth pole in a rapidly growing 'knowledge economy'. Like other Western metropolitan regions, Berlin has changed its economy dramatically, moving from its former main sources of wealth, i.e. tangible and natural assets, to intangible created assets (notably knowledge and information of all kinds). Thus, the comparative advantage of the high-cost location of Berlin, as compared to its Eastern neighbours, is increasingly based around knowledge-driven economic activities. All these deal with generating, obtaining, connecting, storing, monitoring, analysing and
Table 2. Economic performance of Berlin–Brandenburg and the Federal Republic of Germany in 2002/2003

<table>
<thead>
<tr>
<th>Indicator</th>
<th>City of Berlin</th>
<th>Brandenburg</th>
<th>City of Frankfurt/M.</th>
<th>City of Munich</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment rate (2003) in %</td>
<td>19.8</td>
<td>20.2</td>
<td>9.8</td>
<td>7.7</td>
<td>10.4</td>
</tr>
<tr>
<td>GDP/employed person (2002) in €</td>
<td>50.3</td>
<td>43.1</td>
<td>79.8</td>
<td>71.5</td>
<td>50.2</td>
</tr>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP/person (2002) in € (in thousands)</td>
<td>22.7</td>
<td>17.1</td>
<td>73.7</td>
<td>54.3</td>
<td>25.6</td>
</tr>
</tbody>
</table>

Source: Statistische Landesämter Berlin und Brandenburg, Statistisches Bundesamt.

Distributing information. They are crucial to the penetrating of knowledge and innovation via global economic networks. Knowledge-intensive business activities are growing faster than all other branches, measured in terms of both employees and GVA (gross value added). Therefore, at first glance, Berlin appears to be becoming a modern metropolis on the basis of its dynamic ‘knowledge-economy’.

Nevertheless, due to the collapse of the traditional manufacturing industries accelerated by the shocks of social and economic transformation, Berlin is currently in a difficult economic situation. Keeping in mind the economic situation in 1990, Berlin had to tackle economic problems of both the former Eastern and former Western blocs. In the eastern part of the city, manufacturing companies lost their traditional customer base in Eastern Europe almost overnight and had little chance to compete with established suppliers on Western markets. In the Western part of the city, the cutback of the subsidies on which West Berlin’s industries had been heavily dependent, set off a process of relocations of production sites to low-cost areas, or their closure. Since 1990 Berlin has lost two thirds (!) of its jobs in manufacturing industry. Similar, if less intensive transition processes can be observed in most German city-regions. For instance, Frankfurt am Main lost more than 47% of its traditional blue-collar manufacturing jobs between 1990 and 2001. The respective figures for Düsseldorf, Cologne and Munich were 39, 32 and 22%. However, the speed and structural dynamics to this economic change are not comparable with those in East Germany and especially Berlin. Employment losses in the collapsing traditional economic sectors were much greater and happened ‘overnight’.

Unlike the prosperous West German metropolitan cities, which were able to continue along their economic growth path by way of a permanently modifying economic base, Berlin experienced losses that were not completely compensated for by the growing services sector (Figure 2). On the contrary, the number of jobs declined, and many of the new jobs require specific qualifications that unemployed persons are often unable to offer. Thus, the expansion of the ‘knowledge economy’ has been accompanied by structural unemployment among low-skilled workers (often migrants from abroad or workers from the socialist manufacturing industries) for an unforeseeable period. In addition, as many public administrative institutions of the former GDR were inevitably closed, the numbers of jobs there fell as well. Unemployment rates are high and have risen steadily from 15% in the mid 1990s to more than 19% today. In this context of continuing structural economic problems, Berlin is
characterized by an increasing social polarization. While a rising proportion of households have high net incomes, unemployment rates are increasing among the poor inhabitants and the number of welfare recipients is growing as well.

In line with the dramatic collapse of manufacturing industry (Figure 3), it becomes clear why Berlin’s economic performance is falling behind that of other West German metropolitan cities. Economic growth rates stagnated during the 1990s, and even became negative during the crisis of the ‘new economy’ at the beginning of this century. Comparing Berlin and Frankfurt am Main, Germany’s most powerful city economically apart from Düsseldorf, Munich and Stuttgart, per capita GDP growth in Berlin...
Hans Joachim Kujath

amounted to 2.9% between 1998 and 2002, whereas in Frankfurt it was 16.2%. Similarly, GDP per employed person (productivity) amounted to €50,300 in Berlin and €79,800 in Frankfurt am Main in 2002 (Table 2). Even moving the government from Bonn to Berlin did not stimulate regional economic development. Instead, the economic weakness of the city of Berlin has ensured low taxation revenues resulting in high public budget deficits. The government budget hardly allows for the maintaining of the local administration, to say nothing of improving the city’s attractiveness through massive spending on modernization of the economic framework and its infrastructure.

Inspite of overwhelming problems of economic restructuring and the competition posed to the established structures of Western Germany and Western Europe, Berlin has managed to attract a critical mass of knowledge resources, of high-technology commercial clusters and of service and cultural industries. These sectors are meanwhile more or less established on international markets and will contribute to Berlin’s progressive economic performance. This raises a question as to how and in what period of time Berlin can be expected to catch up successfully to the economic position of competitors in the Western parts of Germany. As Berlin has lost most of its former potential for obtaining a leading rank within the advanced European city-system, it might take more time than initially suspected to create an appropriate collective institutional and cultural context for the new metropolitan cluster. Time is also needed to attract and develop a political and economic elite which will be able to stimulate a circular and cumulative feedback process of intra-regional growth and expanding transnational or regional relationships.

As in many comparable metropolitan regions in the West, it was in the suburban Berlin that most benefits from the economic transformation processes accrued. Not only did the number of inhabitants grow which it continues to do, but there was also an increase in the number of jobs. This success story results partly from decentralization trends among manufacturing firms but is also partly triggered by structural economic shifts after reunification. Paramount among these have been:

- the spatial redeployment of many manufacturing plants in high-tech but also services from the core of the city to suburban areas in search of adequate sites outside heavily built-up areas;
- a reorganization of networks for increasing freight transport between Berlin and the rest of the world so as to develop the metropolitan region into an international logistical hub. Many logistic-providers demanding large plots for warehouses and multi-modal utilities of trans-shipment for commodities have settled down in the suburban area, where conditions are best for them. These hubs supply the region with commodities and are often trans-shipment bases for trade between Western and Central Europe;
- new forms of retail trade characterized by the locating of a considerable range of goods in large separated shopping centres outside the city with best road accessibility. In the suburban area of Berlin, reunification was followed by the building of numerous shopping malls, some of them with more than 100,000 m² of space for retail trade. These suburban malls now constitute new central places attracting people and their purchasing power from the commodity markets of Berlin, but also from the peripheral parts of Brandenburg, thereby bringing about changes in retail trade structures within the metropolitan region as a whole.

The suburban area suffered less under the burden of declining old manufacturing industries. More or less all new economic activities influenced the economic performance of the suburbs positively, if one takes into account the development of GDP, employment and rate of unemployment, as well as the taxation revenues of the respective municipalities and fast-growing towns. Though this process has often been interpreted as one which incriminates the economic development of the city, it is only a process in which metropolization triggers territorial specialization and territorial spread of the metropolitan economy with
specific clusters of service and knowledge industries within the city and appended economies in its surroundings.

In the large metropolitan regions of West Germany and Western Europe metropolitanization does not end in the first Brandenburg the geographical periphery is characterised by social and economic decline. As demographic and migration trends already indicate, apparently, the region is experiencing extremely uneven patterns of economic development (Figures 4, 5).

![Diagram](http://rcin.org.pl)

**Figure 4.** Change in employment in the Berlin–Brandenburg region, 1998 to 2001.

urban belt. Rather, metropolitanization includes geographically peripheral areas 100 km away from the core city, reflecting shifts in economic advantage from the centre to the periphery. The smaller cities and towns of the metropolitan periphery have often chosen pathways of economic growth and are attractive locations to live in. Whereas in the Western metropolitan regions a spatial balance between the centre and their periphery has been achieved, in Berlin and It has been the peripheral areas in particular that have suffered from the problems of the Eastern German transition, resulting from comparatively lower productivity and simultaneously high wage levels. Additionally, the peripheral areas suffer from a general phenomenon of transformation the external domination by (in this case) West German and West European companies who establish manufacturing and distribution subsidiaries, profiting from generous subsidies and the
availability of skilled labour. These Western enterprises are now the principle basis of Brandenburg’s economy. However, their contribution to employment is relatively limited and not able to compensate for the job losses resulting from economic collapse in the early nineties. Furthermore, these firms are foreign bodies within the regional economy, maintaining much closer ties with headquarters located elsewhere than with regional actors. Moreover, they are not embedded in regional economic networks of supplies, clients or providers of R&D capabilities. Grabher (1996: 190) describes these plants as ‘cathedral’s in the Eastern German desert: ‘Since they are vertically integrated into the production chain of their parent corporation, they create limited regional supply opportunities and thus reduce the potential for multiplier effects within the region’. These ‘transplants’ can be regarded as intensively competitive,
The symptoms of this dualism are obvious signs of a poor working regional economy. The value for output per worker is much higher in the modern sectors than in the rest of the regional economy. This is partly due to the higher capital intensity of production compared with the indigenous regional economy. Also, workers in the modern sectors earn higher wages than those in the rest of the regional economy. A persistent unemployment problem coexists alongside well-paid industrial workers. Finally, the lack of decision-making functions, especially those related to technical, scientific and management tasks, hampers the development of a strong regional middle class and entrepreneurship (Grabher 1996, Krugman and Obstfeld 1994). Apart from with selective examples of successful restructuring, the economic future in these areas looks gloomy. The unemployment rate is growing steadily in some least-favoured parts and amounts to nearly 30% today. On most parts of the periphery, GDP as a measure of economic welfare is below the 75% criteria of the EU average, which leaves these areas eligible for EU funds under objective 1. Consequently, these areas have to be classified as underdeveloped regions, although this is not obvious at first glance, as large financial transfers from the EU and Western Germany partly compensate for low incomes and a lack of earnings in the private sector (Haussermann 2003:117).

SPATIAL IMPACTS OF DEMOGRAPHIC AND ECONOMIC CHANGE
From a spatial point of view, economic, migration and demographic forces have affected the core city of Berlin, the suburban area and the peripheral parts of the region in different ways. In each of these areas processes of spatial reorganization have occurred throughout the years since the beginning of transformation. These processes were accelerated by market forces and led to a characteristic spatial pattern of change.

Apparent, the city of Berlin is on the way to becoming a highly specialized 'sticky place' for all kinds of knowledge-intensive activities, which tend to concentrate and cluster in limited spatial areas of the city. Driven by new economic demand and expectations of an economically prosperous future, the face of Berlin (especially the city-centre), has changed drastically since the unification of the two parts of the city. With the fall of the Wall, Western investors quickly settled in the downtown areas of East Berlin, with the result that a new synthetic city-centre was created, while thousands of square meters of new offices were left unused. Despite the slowdown of economic growth and empty office space, the long-term expectations for economic growth, particularly in the corporate service sector, tend to continue. Real-estate companies and private financial funds enforce the rebuilding of the city in East and in West Berlin by building and offering new office buildings. In the city of Berlin a 'battle for space' took place and is still ongoing, driving out producers and inhabitants with comparatively low purchasing power (Kratke 1999).

When it comes to the spatial impacts, the collapse of the manufacturing industries of Berlin leaves behind large areas of brownfields, quite often representing the best locations on the river Spree near the city-centre, which is now renovated and converted for the media and cultural industries, as well as for other service industries. Other spatial impacts of transformation are propelled by the housing markets. Some older housing districts with poor people near the city-centre have been subject to severe upgrading processes, stimulated by demand on the part of young middle class households who look for a stimulating environment near the cultural centre of the city. West Berlin citizens were 'pioneers', in taking over many residential neighbourhoods that had once been located east of the Wall. On the other hand, there is an increasing number of neighbourhoods, particularly in the Western part of Berlin, which have developed into ethnic ghettos. In the Eastern parts, many large housing estates of the socialist period are emptying out as more and more people leave them. This process is accompanied by a decline in these areas' social position, by difficulties in renting out and by the growing financial...
problems of the estate owners. After attempting to upgrade buildings with high outlays in the 1990s, these housing estates are now threatened to become sunk cost. Unless demand for housing increases again in a period of economic upturn, these areas will sooner or later be given up. Altogether, with regard to its settlement structure, the city of Berlin is in a period of heavy transition and cannot be compared with the quite stable structures of the established metropolitan regions in Western Europe. Over and above this, both parts of the city have not overcome their 'distinct bipolar feel' due to forty years of separation and life in different social systems. Berlin therefore appears, not merely as a single city composed of numerous different neighbourhoods each with its own 'look and feel', but also as a social and cultural landscape, split into two pieces and struggling to find a compromise (Good 2004).

On account of spatial structures having not been changed significantly between 1939 and 1990 in the Berlin region, it was possible on the outskirts of the city of Berlin, for small and medium-sized towns, agricultural areas and numerous natural areas to be preserved until 1990. As most land had been nationalized by the GDR, no private initiative could occur, not even in the immediate surroundings of Berlin. These specifics of the suburban area, however, have gone through a process of accelerated and, until 1995, uncontrolled market driven suburbanization of population and industry. This process brought with it all the well-known negative effects on natural resources, infrastructural development, traffic congestion and social segregation. During this period of the 'Wild East' there was virtually no control over local planning by higher administrative levels, basically because of problems encountered as the administration of the new states was being set up. In the years after reunification, the municipalities acted in a more or less 'lawless environment'. They planned extended new housing estates, more than ten retail-centres (malls) with hundreds of thousands of square meters of retail space as well as several logistic sites. These are situated like a necklace along the motorway around Berlin, uncontrolled by any regional administration (Häussermann 2003). The built-up area of former villages and small towns has expanded enormously. Uncontrolled sub-urbanization could only be stopped after local and regional planning authorities had been established and the restrictive German planning law came into effect. Since then, administrations have been able to preserve some elements of the former suburban spatial qualities. This concerns especially the 'regional parks' which connect the green areas all over Berlin with the wide agricultural and forest areas of Brandenburg. In addition, the current economic crisis of the region supports the implementation of goals concerning environmental protection and balanced development between the city of Berlin and its immediate suburban area. Stagnating population size and uncertain economic perspectives have reduced housing demand. And, since 1998, there has been a growing number of empty dwellings, both in the city and in the suburbs. However, it is so far unknown whether spatial planning and environmental protection will be able to control market forces, once the Berlin-Brandenburg region is able to cope with its structural problems and new economic dynamics are stimulated.

As migration and economic trends indicate already, discrepancies between the regional core and peripheral areas have been and still are increasing noticeably. As a consequence of job losses and depopulation processes in the peripheral areas, a collapse of the historically developed settlement structure could, it is feared, occur. Many small towns and villages in some rural areas may be affected, and could lose the basis of their existence. More challenging is the fact that medium-sized and bigger towns in this area have also suffered from severe economic decline and out-migration. In certain respects, this development appears to resemble the territorial changes in the regional core area. Their old manufacturing industries have collapsed, an urban sprawl of middle-class households has taken place and there has been a sub-urbanization of workplaces, particularly in the fields of logistics,
services and retail trade. As a consequence of the suburbanization, a belt of limited wealth has been developed. However, unlike in the core area of Berlin, within the peripheral towns new business services and other knowledge-driven economic activities have only been developed on a relatively small scale. The same holds true for migration trends. In-migration has not balanced out-migration. Consequently, great areas of these towns are suffering from decline as they empty out. Industrial areas have become brownfields, older residential areas and the socialist housing estates are noticeably emptying out and falling into disrepair, and the old city centres become too big for a shrinking population with shrinking purchasing power. Shops and department stores are closed. In a cumulative process of economic decline, these towns are threatened with the loss of their historical function as central places for the surrounding rural region. In addition, local conditions make a redefinition of these towns as new growth-centres or centres of innovation and regional development in close connection to the core city of Berlin more difficult. Because of this dramatic process of decline, the current discussion of regional policy and regional planning focuses on a question as to how the most important central places of the regional periphery might be stabilized by concentrating public subsidies and infrastructural construction there.

NEW NETWORKS AND LINKAGES TO EUROPEAN METROPOLITAN REGIONS

In considering the change of the Greater Berlin area into a European metropolis we must not concentrate exclusively on the patterns of intra-regional demographic, economic and other trends. Instead, metropolitan regions cannot be regarded as islands. Thus, transregional and transnational linkages especially to other metropolises are to be taken into account. These transboundary relationships are increasingly based on services, information commodities, financial flows, flows of people and stakeholding. The growth of global markets for knowledge and information goods, as well as specialized information-services, tends to strengthen cross-border city-to-city transactions and networks. In this way, the dominating function of the core city within the metropolitan region is further reinforced (Sassen 2001). Moreover, these cities are the spatial hubs in Europe’s infrastructure, political, cultural and social networks. European cities compete with cities all over the world, and increasingly with each other. It was assumed theoretically that Berlin, as the core of the Greater Berlin region, was to become a centre of information exchange and knowledge export, and a gateway for the regional economies of Central and Eastern Europe, connected with the Greater Warsaw region or Prague on the one hand and the metropolitan regions in Western Europe on the other. This has been expressed through the vision of establishing Berlin as an ‘East-West hub’, i.e. a centre of information and business and a gateway.

How far do these visions coincide with reality? Not much is known about the economic and social interaction and communication networks of Berlin. In official statistics the international economic importance of Berlin is not seen to be as significant as that of Munich or Stuttgart for instance. One reason might be Berlin’s poor economic performance. Another reason concerns the measurement of foreign trade and exports, usually achieved in reference to flows of commodities from the manufacturing industries (whereas the exports of services and knowledge are hardly recorded in statistics). Taking into account the growing importance of knowledge as a factor underpinning production and output in numerous new service industries, quite a number of new economic sectors can be identified in Berlin, something which may contribute to the development of new types of transnational economic network. For example, hundreds of thousands of people from Poland, but also many other places all around the world, visit Berlin month by month, attracted by tourist and cultural events, as well as by the immense diversity of retail

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trade. Polish people especially also use Berlin's airports as hubs for international flights. Generally speaking, (ahead of Rome), Berlin has become the third most popular destination for international city tourism in Europe. Hence, Berlin can certainly be regarded as an international city. Leaving aside several other nationalities, officially registered Polish people in the region alone account for nearly 130,000 inhabitants. They represent a pool or store of competences, especially language skills, that is of great importance for the East-West transfer of culture and knowledge, and for economic exchange. Thus, Berlin is increasingly marked out as a place of locally-bound international services: hundreds of firms—in consulting, legal advice, air travel and travel, logistics, insurance and translation—regard themselves as actors in East-West transfers (BerliNews, April 24.04). In the last few years, the region has become a location for congresses and fairs. In this respect, within a short time, it has managed to catch up with Paris, Rome and London. Furthermore, Berlin is one of the largest European agglomerations in science and R&D, with scholars from all over the world, although primarily from the Central European countries. This has resulted in many economic spin-offs, also leading to networks with partners abroad including the metropolitan regions in Central Europe.

Although Berlin is still lagging clearly behind as regards the services sector and knowledge economy, it has started to export knowledge-intensive services and information products. Trends indicate a strengthening role for Berlin in the network of German and European metropolitan areas, caused by expanding interaction and communication between the service and knowledge-related industries. Among other things, outputs for export are to an increasing extent knowledge-based corporate services, products of the communications and media industry, in software, design, advertising and marketing, and R&D. Many of these outputs are produced in cooperation with foreign partners. The creative industries especially are advancing, and thereby increasing Berlin's prospects of becoming an international information and communications hub. In strong linkage with this development, the art market has established itself in Berlin just like the film industry, with protagonists linked in a worldwide network.

Despite such successful steps in economic networking, the international economic importance of Berlin (like that of other Central European metropolises) is not yet comparable with those of Western cities such as Frankfurt, Munich and Milan, and particularly London and Paris. Apart from economic change, there are additional reasons why Berlin has not been able to take advantage of its geographically-favourable location at the boundary between Western and Central Europe. Above all, incomplete infrastructural networks are to be mentioned. Although the national infrastructural links to Berlin were extended with great effort after reunification, connecting the region with the urban regions of West Germany, the connections to the Eastern urban centres are still of poor quality. Usually, it takes more than a decade until the planning of highways and high-speed railway networks as well as communication backbones (a fiberoptic network) are realized and can be utilized. Another handicap is the lack of an airport of international significance in Berlin. Despite a decade of discussion and bargaining so far, it will most likely take another decade before Berlin gets an efficient airport with a wide range of international linkages. Today, best international accessibility is a precondition for becoming a centre of interaction and communication, so as long as Berlin does not provide these preconditions, it inevitably fails to take advantage of its own specific place bound potentials, i.e. its specific qualities of culture and the environment and thus its potentials for the knowledge economy. To mobilize these local advantages, it is of overriding importance for Berlin (as well as for most cities in Central Europe which suffered from the neglect of infrastructure by their socialistic regimes), to establish new links with the competing European city-regions.
Local and regional governance have assumed growing importance when it comes to the developing of answers to the dramatic economic changes in the core city, the accelerating economic decline in some peripheral areas of the region and the obstacles to economic networking in an enlarged Europe. In the context of the current regional challenges, it has to be recognized that all regions, and especially the metropolitan, are faced with a more or less borderless EU, which imposes more political tasks and competences on the regional political level. Owing to globalization and European integration, trade barriers have been eliminated step by step. Furthermore, European integration implies, among other things, the harmonization of instruments in the sphere of social, fiscal and regional development. As a consequence, national influences on trade, competition, industrial subsidies, monetary and even fiscal policies have been weakened. Thus, the economic and political logic of European integration is accompanied by greater regionalization of economic organization, identity and political activity, as well as by intensified transnational competition between regions, which can hardly be controlled by national borders. Following Kenichi Ohmae (1990) the nation state has at least been weakened and can even be regarded as dysfunctional in a 'borderless world'. He furthermore suggests that, with the process of globalization, economic and political sovereignty shifts to the regional level at which new political entities are set up. These entities he refers to as 'region-states'. The conclusions drawn by Ohmae are extremely far-reaching, and in a world composed of nation states they are quite unrealistic, but they provide good and logical reasons for the rise of regions.

The region of Berlin-Brandenburg has already experienced this new status of regional sovereignty for fourteen years more or less successfully. As a less-favoured metropolitan region, it has to tackle not only economic weakness but also limited institutional capacities to manage economic upgrading and experience in the management of appropriate overall conditions based on realistic strategic assumptions with regard to the regional future. The vital question for all regional actors in such a difficult situation is: What makes the region competitive and innovative in comparison with the established regions of the EU? This question will firstly be discussed from an institutional perspective and secondly from the point of view of the regional strategy chosen and the measures applied in implementing it.

BUILDING NEW REGIONAL INSTITUTIONS
In looking at the institutional situation of the metropolitan region after reunification, it becomes clear that too little use was unfortunately made of the opportunity the transition process offered for a sustainable, new and innovative regional institutional structure. Instead of a common federal state of Berlin and Brandenburg being established, two separate federal states (Laender) of these names were established in 1990. Their government and public administration have mainly been concerned about distinguishing features, often in strong opposition to the neighbouring state. Brandenburg fears domination by the big core city of Berlin and thus favours spatial decentralization of economic development for the benefit of smaller cities on the periphery. In contrast, the city-state of Berlin favours its own development without any specific consideration for peripheral areas.

However, faced with suburbanization of inhabitants and enterprises, the state of Berlin especially is confronted with the disadvantageous consequences of this institutional structure of two relatively autonomous federal states. Berlin has lost purchasing power of inhabitants, high and middle-income taxpayers, and jobs. All these effects worsen the city's fiscal crisis. The immediate suburban areas outside the city's territory benefit from this dualism and this is also the reason why Brandenburg is not interested in stopping these processes of spatial economic exchange. Brandenburg benefits from the territorial transfers of economic potential from...
Berlin; however, it has failed to decentralize this potential to support its exploitation in peripheral areas. Brandenburg itself also suffers from a fiscal crisis caused, first, by its generally poor economic performance, especially in the peripheral areas and, second, by its initial attempts to establish its own universities, cultural institutions, school-system, state police and hospitals, independently of the structures in Berlin.

The rivalry between the two states during the 1990s has hindered any efficient administration for the region as a whole. The outcome has been a more or less spontaneous process of regionalization, mostly driven by market forces and the competitive interests of municipalities around the city of Berlin, all of them aiming at attracting investors and wealthy families. Actually, most metropolitan regions in Europe and North America suffer from similar differences between their economically functional urban area and their territorial system of administrative, financial and political control (Bennett 2000). In most of these cases, territorial administrative fragmentation is between the core city on the one hand and districts as well as municipalities of the remaining region on the other. Under pressure for an improving regional performance (especially in terms of competitiveness and innovation), nearly all the metropolitan regions in question have taken steps to establish regional self-administration. Thus, they overcome administrative and political fragmentation by means of local government associations or by integrating municipalities under the umbrella of a regional government (city-region). In addition, a lot of innovative voluntary types of cooperation between leading actors of a region, not belonging to the administrative level, have been developed. Examples are, for instance, regional cooperation aimed at the development of international connections, informal political networks within a region and initiatives promoting its image. Basically, all metropolitan regions respond to globalization and European integration in such or similar ways. Such initiatives are also urgently needed in the Berlin-Brandenburg region.

In a first step, the challenge of territorial political and administrative reorganization in Berlin-Brandenburg relates to the abolition of the two federal states' dualism. Then, in a second step, an appropriate administrative regional organization integrating the local into the regional level needs to be found. However, difficulties in the joining of these two states arise, as, under German constitutional law, such a merger has to be confirmed in a referendum by the majorities of citizens in the states affected. A referendum held in 1996 concerning unification, of these two states failed through the veto of the Brandenburg population. They feared domination by the city of Berlin and withheld their support for the institutional reintegration of Berlin into the regional context. A second attempt is supposed to take place during this decade.

Meanwhile, however, the two states are dealing with a complicated system of interstate bargaining, as well as more than a dozen inter-state treaties concerning cooperation in important fields of action within the metropolitan area. Under such conditions, attempts to solve the regional economic problems are difficult and time-consuming processes, also threatening private initiatives and deterring private investors. Merely regional planning has been established on a joint base by a formal joint planning organization of the two states. The joint planning unit was created in 1996 in anticipation of the unification and was supposed to be a visible example of successful common procedures. Today, this planning unit is in a strange situation, as it is only able to act after the two states have finished their individual decision-making and coordination routines concerning spatial development. Thus, despite the attempts described above, Berlin-Brandenburg still experiences institutional difficulties when it comes to acting on a solid basis of regional planning.

1 Between 1945 and 1990, West Berlin was surrounded as a separated enclave by the GDR. After German re-unification, both parts of Berlin were united into the new city state of Berlin, on the basis of the institutional model of West Berlin. The new federal state of Brandenburg was established simultaneously.
GOVERNING POLARIZED DEVELOPMENT OF THE REGION

In the face of dramatic processes of economic, demographic and migration change, the demand for coordinated regional planning between Brandenburg and Berlin, and for specific support from the national government and the EU is increasingly apparent.

Initially, the joint planning unit is to be responsible for or coordinating the individual plans of Berlin and of the districts and municipalities in the state of Brandenburg, with regard to the settlement structures, infrastructure, environmental and economic development of the whole region. Even the Federal Government of Germany emphasises...
the specific tasks in joint planning for the Greater Berlin area, in order to ensure well-ordered spatial development through the prevention of a situation in which growth only concentrates in the city and its immediate surrounding area. In order to prevent further rapid polarization between the agglomeration of Berlin and Brandenburg's peripheral regions (and thus to avoid detrimental social, economic and environmental effects for the whole region), strategies were devised to strengthen decentralized settlement and spatial structures (MCRP 1997) (Figure 6). Pursuing the target of so-called ‘decentralized concentration’, the joint planning unit is asked to ensure that growth impulses from Berlin are also spread to the remote centres of the regional periphery in a polycentral structure and to prevent undesirable trends as regards land consumption and urban sprawl. In fact, the joint regional plan has coordinated the development of new regional railway express-lines, as well as the development of highways within the region, connecting the centres of the ‘decentralized concentration’ of Brandenburg’s periphery with the city of Berlin. Furthermore, these plans formed the basis for a strengthening of the peripheral centres through public investments in high schools and other public facilities, as well as through spatial concentration of subsidies promoting clusters of economic potential in peripheral centres also.

However, as economic growth impulses have failed to be created so far, the basic concept of the joint regional plan, which aimed at the development of attractive urban hubs in Brandenburg's periphery as a counterweight to Berlin, has become obsolete. Obviously, neither regional plans nor infrastructural investment and subsidies in favour of economic redevelopment of the peripheral centres could prevent further deterioration of the dichotomy between the core centre of Berlin and the peripheral towns in Brandenburg. Contrary developments could be observed instead, since in some cases large public investments in the peripheral centres have been devalued. In consequence, initial strategies for a strengthening of decentralized settlement and spatial structures have now to be revised, as have the initial tasks of the joint planning unit. Learning from failure, political and planning targets for regional development now seem to become more modest. The latest targets aim at strengthening competitiveness of the metropolis, i.e. pushing instead for a controlling of growth. Outside the immediate metropolitan area, stabilization of selected leading economic centres in Brandenburg as 'anchor cities' has become the new objective, revising the previous strategy of 'decentralized concentration' subsidizing nearly all relevant towns.

Like intra-regional spatial policies, transregional policies are also experiencing great difficulties with handling the unforeseeable challenges of re-integrating the metropolitan region into transnational metropolitan networks. Strategies enhancing interconnection through international transport and communications systems, better networking and closer cooperation between European metropolitan regions are common ground in all metropolitan regions. Just as for intra-regional spatial reconfiguration, the implementation of strategies further strengthening the position of the core city can hardly be understood from the political position of the periphery. Obviously it is difficult to understand how an entire region will profit from the integrating of its dominant node into international networks. In any case, opposing political interests in both states have often blocked the implementation of planned common projects (construction of the new international airport, pooling sources of universities and research institutes, common healthcare planning, common marketing strategies, etc.). And as long as the two states act as representatives of different territories and societies with contrasting interests, it can hardly be expected that they will find themselves in a common regional government with a strong planning and implementing administration.
CONCLUSIONS

To summarize, the metropolitan region of Berlin–Brandenburg is most unlikely to be able to successfully compete with regions like New York, London, Paris or Tokyo in the course of the next decade at least. It is more likely that it will find its role within the polycentric national and European networks of urban regions. Of utmost importance for development within the European context will be its ability to intertwine with the emerging capital cities of Central Europe. These capital cities to a large extent dominate the economic geography and the endowments with social and economic potential in their respective countries. The only exception is Poland, which is characterized by three dominant cities, which are Poznań and Kraków (Cracow), besides Warszawa (Warsaw). Comparable with the role Berlin plays for Eastern Germany, these cities and their immediate proximity benefit from a more highly qualified labour force, better institutional and physical infrastructure, a bigger domestic market, better training and research facilities than in other parts of the country. Growth potentials are concentrated in these city-regions especially. From a Berlin viewpoint, they can be expected to become economic competitors on European and global markets. However, they are also potential partners in several fields of common interest, economic, social and cultural exchange. Looking at the geography of Central Europe, there are strong arguments that these city-regions could be able to generate a network of intensive economic exchange. This might constitute a new centrally-located powerful macroregion and can be described by a triangle of cities, reaching from the West of the Czech Republic (Prague) to Vienna and Budapest in the South, Cracow and Warsaw in the North-East and Berlin in the North-West. Even if the city-regions of this triangle are not homogeneous, they have in common the fact that most of them experience comparatively high incomes, and many have comparative advantages in similar potentials (density of active highly qualified population, accessibility, R&D expenditure, etc.). Each city-region might benefit from combining mutual potentials. Then, in the long run, the entire macroregion could be in a position to make up for the lead maintained by the strong North West European Pentagon marked by Hamburg, London, Paris, Milano and Munich (ESPON 2004, Kujath, Kunkel, Zillmer et al. 2004).

Currently however, the economic transformation of the metropolitan region of Berlin–Brandenburg is at a critical stage. Berlin has not so far stabilized its new economic base of knowledge industries and still suffers from the losses of traditional manufacturing industries. This has resulted in economic weakness, and led to growing disparities between the central and peripheral parts of the region. In some parts of the periphery, Brandenburg even seems to be drifting into economic disaster, with social erosion and depopulation. It is becoming apparent that economic activities and social life shift back to the main regional economic and cultural ‘anchor’ centres of Brandenburg and, in particular, to the core city of Berlin. Despite the structural crisis due to transformation, the core area of the region—the city of Berlin and its immediate suburban areas—provides unique potential of knowledge, R&D and education for new metropolitan knowledge and cultural industries. This gives grounds for optimistic perspectives with regard to the city’s economic future. Furthermore, Berlin and its immediate surroundings offer potentials in the fields of culture and the natural and built environments, something which distinguishes the city region from most other European cities. It brings about a very special quality of life, which is regarded as an ‘absolute’ advantage of post-industrial cities, and it can be expected that these features will attract people and firms of the new economies. The peripheral areas of this region are closely linked to Berlin’s future. They have to take advantage of the potentials of decentralized new technologies, of the recreational needs of Berlin’s population and of their attractive countryside with

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forests, lakes and cultural monuments in the catchments of the city. In other words, there is a strong interrelationship between the cities' economic development and regional restructuring in other parts of the region.

What matters is that all these potentials can become powerful sources for the driving of regional economic development and the integrating of the whole region into European and global networks of knowledge and information transfer. The imminent key tasks concern the strengthening of the weak administrative institutional infrastructure through a joining of the separated states of Berlin and Brandenburg, and a forcing of the construction of the lacking collective infrastructure that could make Berlin an international hub of persons' transport and an international meeting point. Last but not least, regional and local planning have to respect and safeguard the environmental qualities of the city and its hinterland, which contrary to those of most Western metropolitan regions, have been preserved through a lack of vitality on the part of the former socialistic system. In this context, the socialist legacy is not only a challenge, but also a chance, for Berlin-Brandenburg.

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ECONOMIC TRANSFORMATION OF SMALL SILESIAN TOWNS
IN THE YEARS 1990–1999

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Abstract: This elaboration concerns small towns in the highly urbanized region of Upper Silesia. The character of the towns is presented against the background of the urban conurbation of the Upper Silesian Industrial Centre, as are demographic changes—such as the decline and ageing of the population—during the 1990s. The size structure of enterprises, including the smallest so important in the process of transformation, was shown. Moreover, a regionally differentiated labour market—characterized by a decrease in the number of persons employed in medium and large enterprises, and an increase in the number of small economic enterprises—was described.

Key words: small town, economic transformation, demographic changes, Upper Silesia.

INTRODUCTION

In 1999, small towns (of up to 20,000 inhabitants) constituted 74% of all Polish towns (Demographic Yearbook 2000). These towns are a part of an old and dense settlement network, which was being formed in Northern Europe from the 11th century on (Benevolo 1995). There is no explicit definition of a small European town; each country applies criteria conforming with its own demographic, legal and historical conditions. In Poland, apart from the criterion of possessing civic rights, the criterion of size (not more than 20,000 inhabitants) is the one most often applied.1

In the 1990s, the problems of small towns were not the centre of attention for European research workers. Research work from the Czech Republic (Vaishar and Zpletova 1998; Vaishar et al. 2001; Prokop 1993), Hungary (Rudl 1998) and France (Bessey and Sicamois 1998) is among the small amount that was done. In the Poland of the 1990s, in which a radical constitutional and economic transformation had been initiated, the interest in small towns revived. On one hand, a revival of local initiative and economics had occurred as a result of the transformation. On the other, a number of small towns found themselves in a critical situation, being unable to cope with new economic conditions (e.g. the competitiveness of big towns, a reduction in the subsidies for industrial establishments) and as a consequence losing the economic basis for their existence and population. For these reasons, research work on small towns

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1 The present work is based on the author’s Doctoral Dissertation (unpublished).
1 The Central Statistical Office also applies the division into three subgroups: to 5,000, from 5,000 to 10,000, from 10,000 to 20,000 inhabitants.
in different regions of the country has been undertaken.²

The aim of the article is to present demographic and economic changes in the small towns of Upper Silesia (of not more than 20,000 inhabitants) in the 1990s. In the end of the 1990, 31 towns (45% of those in the voivodship) fulfilled the criteria of municipality and size (Demographic Yearbook 2000). Some aspects of the municipal economy (sizes of enterprises, employment) and some aspects of demography (e.g. changes in the size and age structure of the population) have been taken into account. The elaboration is based partly on material obtained from field surveys, and partly on analysis of statistical data (published and not published).

THE CHARACTER OF THE SMALL TOWNS IN THE SILESIAN REGION

The existence of mineral resources (hard coal (mainly), iron, zinc and lead ores, marl and limestone) and of industry developing on the basis of these resources, exerted a decisive influence on the formation of a modern
urban network in Silesia Voivodship. Not all the towns of this region expanded (in terms of population) in the period of dynamic industrialization. Some of them remained small centres. Most of the surveyed towns are situated in the central part of the region (Katowice Sub-region) within the borders of the Upper Silesia Industrial Region and the Rybnicki Coal District.

Fifteen towns with central functions dominating and 16 towns with specialized functions (9 in mining, steel and the metals industry as well as the railways) were distinguished (Figure 1). The first group came into being between the 13th and 19th centuries as communication and service centres servicing extensive (up to the present moment) rural areas. The second group are former villages, which—due to local mineral resources—transformed into industrial towns.

The surveyed towns were characterized (in 1999) by a differentiated share of employment in different sectors of the economy: from 12% to 73% in industry (the highest share in small mining towns of the Katowice Sub-region) and from 27% to 87% in services. A higher share of employment in services was observed mainly in towns-central places, servicing agricultural areas and tourist centres (from 47% to 82%) than in industrial towns (from 27% to 59%), particularly those with one big manufacturing establishment.

Small Silesian towns have preserved their local character and do not perform (except in one case) the function of a powiat in the new territorial organization of the country. These functions were reserved for bigger towns (of more than 20,000 people), the network of which is exceptionally well developed in the surveyed region. In other parts of the country 25% to 54% of small towns performed the function of a powiat.

CHANGES IN THE DEMOGRAPHIC POTENTIAL OF SMALL TOWNS: DECLINE AND AGEING OF THE POPULATION

In 1999, 31 small towns, of populations ranging from 1901 to 18,975 persons, were inhabited by 271,000 people (Table 1). As compared with 1990, the number of towns had increased (by 8), as had the population (by 101,400, that is about 40%). Administrative reforms were the reason for this increase—civic rights, lost in the 1970s on the basis of a decision of former authorities, were restored in 8 towns.

The surveyed towns were characterized by weak demographic dynamics in the last decade; the average rate of population growth was of only 0.14%. A steadily developing decline in population was observed in 10 towns, while symptoms of approaching demographic regression appeared in another 12. A low natural increase (from the mid 1990s) was the cause of this situation. In the early 1990s (1990-1991), small towns were still characterized by a positive population balance; data for both natural increase and net migrations were positive. Over 70% of the surveyed towns had a surplus of births over deaths. In the years 1992-1993, the size of the population declined steadily though all towns retained a positive balance of population. The situation changed during the subsequent few years: in 1994 only 12 towns (out of 24 for which data are available for the whole of the 1990s) gave evidence of a positive natural increase. 1995 was the first year, in which a real decline was observed in small towns. After 1995, the demographic situation stabilized again.
<table>
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<tr>
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<th>1995</th>
<th>1999</th>
<th>Increase or Decline in persons</th>
</tr>
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<td>10074</td>
<td>-171</td>
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<td>2032</td>
<td>-113</td>
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</tbody>
</table>

Source: Data from the Statistical Office in Katowice. ("—") implies, that data for earlier periods are not available, towns being either districts or rural areas then.
Economic Transformation of Small Silesian Towns in the Years 1990–1999

though this was the effect of positive net migration and a decreasing rate of increase. At the end of the decade, in 1999, symptoms of demographic regression had appeared, due to a steady decrease in the number of births, and increase in the number of deaths, as well as weakening migration. Small towns again noted a decline in population.

The unfavourable demographic situation for small Silesian towns was worsened by the appearance of features of an old society (Zuzanska-Zysko, 2003). The share of the population aged 65 years and more was about 0.8 percentage points higher than in other towns of the region, and almost 2 percentage points higher than the national average (Table 2). The decreasing population and increasing share of the population of post-working age not only characterizes the demographic situation of small towns of the region, but also constitute elements to the evaluation of their economic situation.

Table 2. Age structure of the population of small Silesian towns compared with that in the voivodship and the country in 1995 and 1999

<table>
<thead>
<tr>
<th>Specification</th>
<th>Years</th>
<th>Total</th>
<th>Age</th>
<th>Post-working 65 and more</th>
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<td></td>
<td></td>
<td></td>
<td>pre-working 0–17</td>
<td>working 18–64</td>
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<tr>
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<td>1999</td>
<td>38,683.6</td>
<td>9,613.8</td>
<td>24,376.1</td>
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<tr>
<td>%</td>
<td></td>
<td></td>
<td>24.9</td>
<td>63.0</td>
</tr>
<tr>
<td>('000)</td>
<td>1995</td>
<td>38,609.4</td>
<td>10,644.8</td>
<td>22,647.4</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td></td>
<td>27.6</td>
<td>58.7</td>
</tr>
<tr>
<td>Towns of Silesia Voivodship</td>
<td>1999</td>
<td>3,876.2</td>
<td>896.7</td>
<td>2,466.3</td>
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<tr>
<td>('000)</td>
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<td></td>
<td>23.1</td>
<td>63.6</td>
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<tr>
<td>%</td>
<td>1995</td>
<td>3,924.9</td>
<td>1,018.1</td>
<td>2,431.4</td>
</tr>
<tr>
<td>('000)</td>
<td></td>
<td></td>
<td>25.9</td>
<td>61.9</td>
</tr>
<tr>
<td>Small towns of Silesia</td>
<td>1999</td>
<td>270.8</td>
<td>63.9</td>
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<td>Voivodship ('000)</td>
<td></td>
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<td>23.6</td>
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<td>%</td>
<td>1995</td>
<td>231.6</td>
<td>61.3</td>
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<tr>
<td>('000)</td>
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<td></td>
<td>26.4</td>
<td>60.3</td>
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</table>

Source: Data from the Statistical Office in Katowice and <www.stat.gov.pl>

The nation-wide political and economic transformations after 1990 influenced the ownership structure and size of enterprises in the surveyed region. Comparing the years 1995 and 1999, the number of enterprises is seen to have increased from 8% to 103% in almost all surveyed towns. Unfortunately, earlier data are incomplete and not comparable. In 19 towns there was constant growth (Table 3). It was mainly private enterprises that were formed: 13,400 firms were registered in 1995, and this number had increased to 21,500 by the end of 1999 (by about 54%). This growth was twice as rapid as in Silesia Voivodship as a whole (c. 26%). Though the firms increased in number and proportion,
<table>
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<td>Strumień (C)</td>
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<td>216</td>
<td>226</td>
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<td>148</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td>13947</td>
<td>14971</td>
<td>16764</td>
<td>20088</td>
<td>21465</td>
<td>40</td>
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</table>

**Source:** Registered in the REGON Register.
(C)—central places; (M)—dominating function mining; (Me)—metal industry; (T)—tourism; (R)—rail transport; (W)—others specialized
sometimes considerably (in 17 towns from 25% to 50%, in 5 towns by over 50% in the years 1995–1999) (Table 3), their role on the regional scale (of Silesia Voivodship) is unimportant. They constitute an inconsiderable though growing percentage of all firms in the region (from 5% to 7% in the years 1995–1999).

The rate of growth in the number of firms in small towns differed in relation to character of the economy: it was weaker in specialized towns (from 8% in mining towns to 52% in towns of a strong tourist function) and stronger in towns servicing agricultural areas (from 22% to 103%).

The weakest initiative (in line with the analysis of the gathered data) was observed in those towns, in which one large state-owned establishment was located (employing 250 and more persons). In all towns where industry dominates in the structure of the economy (employing more than 50% of the population), the rate of initiative was the lowest in the overall set. The presence of large enterprises of the traditional heavy industry in these towns counteracted the diversification of economic structures and impeded changes in the production profile and organization of work. As long as these establishments had functioned, assuring stable work and the privileges resulting from it, there was no necessity of finding a new place of work. The increase in the rate of initiative differed from place to place from 43 to 182 (with lowest values in the central part of the region and highest ones in the north (Figure 2). In the years 1995–1999, the greatest increase in the number of enterprises was that observed in small towns of the Bielsko Sub-region, with about 330 entities per town, while in the Częstochowa Sub-region it was only 169, and in the Katowice Sub-region 123.

The surveyed towns were characterized by non-significant differences in the size structure of economic entities. In the years 1998 and 1999, as many as 83% to 95% of establishments employed not more than 5 persons. Such a high percentage of microfirms is a new phenomenon, connected with the political and economic transformations of the 1990s. Such small firms mainly engage in their economic activities in the sector of market services, in agriculture and in construction. The liberalization of regulations concerning economic activity on one’s own account after 1989, combined with the difficulties which faced big firms (crashes and mass layoffs) to ensure that the creation of individuals’ own enterprises become be a ‘normal’ occurrence, and sometimes even a necessity. The activities of inhabitants, expressed in terms of the number of established firms, may thus derive from a lack of other possibilities of work. The fact of possessing houses, garages and farm buildings, which can be adapted for the purposes of new economic activities, can be a simplification, more frequent in small towns than in larger ones.

**CHANGES ON THE LABOUR MARKET**

In 1999, there were 100,000 employed persons in the surveyed towns (5.5% of all those employed in Upper Silesia). In comparison with the previous year, employment was lower by about 2,700 persons, mainly due to a transformation of establishments (through privatization and liquidation and occasionally a reduction of employment). A decline in the number of employed persons occurred, as in the country as a whole (Kabaj 2000), in medium and large enterprises only.

In years 1991–1999, each of the surveyed towns lost an average of 133 jobs. The biggest losses were noted in the Katowice Sub-region, where over 10,000 persons lost their jobs (an average of 677 per small town in this
A considerable decline in the number of jobs was observed in four small mining towns. On the scale of the individual town magnitudes ranged from several hundred to several thousand workplaces over a few years (e.g. in Łędziny employment decreased by 3,100 over years, in Pszów 900 over 5 years). Losses cannot be determined for all towns, because some were for some time districts of large towns, so did not as such gather data. A considerable decline in employment was observed in the Katowice Sub-region, this being particularly ‘rich’ in large (250 employee or larger) state-owned or cooperative establishments requiring transformation (e.g. mines or steelworks located in most of the surveyed towns). The most favourable labour market was to be observed in small towns of the Bielsko Sub-region, where a decrease of 130 employed was noted (22 persons on average in each town). In this region there are fewer technologically time-worn state-owned manufacturing enterprises. Moreover, the development of tourist and health-resort functions, as well as trade along the Polish-Czech borderland was undoubtedly favourable to the creation of new job opportunities.

Not everywhere was a decline in employment observed. In about 1/3 of small Silesian towns (for which statistical data are available in the years 1993–1999) employment increased in enterprises employing more than 5 persons from 2.7% to 44.8%
In the remaining 2/3 of small towns employment increased in small firms only. It is difficult to determine, in the light of the available data, whether this was due to persons being employed for the first time, or being laid off from larger enterprises.

In 1999, a majority of persons (25,000) were in jobs connected with production activities (section D of the European Classification of Activities\(^\text{15}\)). Trade and repair (section G) employed 17,000 persons (Table 5). Third place was taken by mining and quarrying which, in spite of a reduction in employment, was continuing to give work to about 15,000 persons in 1999 (8.5% of total employment in mining in Silesia Voivodship). In total, some 57,000 persons were employed in mining and quarrying, manufacturing and trade (sections C, D and G), that is over a half of all persons employed in small towns, and about 54,103 persons in the remaining sections of the national economy (from 1600 in agriculture to 7166 in transport).

In spite of enormous growth in the number of small micro-firms in the 1990s, a majority of inhabitants of the 31 surveyed towns were still employed in the enterprises employing more than 5 persons (73% in 1998). Micro-firms employed from 27% to 29% of persons.\(^\text{16}\) In the surveyed set of towns, there were 8 towns with about 40% or more persons employed in micro-firms—mainly in trade, hotels and restaurants and in other service activities.

Information obtained during field surveys conducted in six small towns\(^\text{17}\) in the years 1998–1999 confirmed the commonly-known feature of greater flexibility of the smallest firms in their activities. In the surveyed towns it resulted in a quick adjustment of production (e.g. of shoes and Christmas ornaments) to be in fashion, in the multi-specialization of employed persons, in the adjustment of sale days to the needs of clients etc. MicroEnterprises played their role in economic transformations of the observed centres, even if creating local job opportunities. It was particularly important in suburban areas as compared with the central zone of the Upper-Silesian conurbation, where finding job was much more difficult than in the centre. During field surveys in the Częstochowa Sub-region the formation of a conglomeration of small towns and rural gminas specializing in the production of similar articles (e.g. shoes, Christmas ornaments) was observed. Maybe these conglomeration represent the beginnings of future local poles of growth?

### SUMMARY

Small Silesian towns are shown from the results of the analysis of statistical data and field surveys to have reacted to political and socio-economic changes in the 1990s in a differentiated ways. Industrial towns entered the new century with a lesser percentage share of firms per 1000 people and lower employment in services (Table 5). Industry in a small town—a motor of development at first, turned out to be a restraint in the course of time—especially if it was a traditional industry requiring transformation and harmful to the environment—i.e. that kind of industry most often found in small Silesian towns. It was, therefore, harder to observe positive changes in these centres. However, such changes were observed in towns of a tourist function (including the recreational and the therapeutic). New jobs (particularly in hotels and restaurants, as well as health care) were created in these towns in order to meet the needs of tourists and patients, the offer of tourist services was broadened.\(^\text{18}\) The economic transformation in centres servicing rural areas was

\(^{15}\) European Classification of Activities introduced in Poland in 1994, based on the NACE.

\(^{16}\) These shares were spatially differentiated from 11.5% (in the Katowice Sub-region) to 58.4% (in the Częstochowa Sub-region).

\(^{17}\) In Krzepice, Żarki, Wojkowice, Skoczów, Szczyrk and Wisła.

\(^{18}\) Szczyrk and Wisła offer ski and snowboard learning, mountain excursions on quedes, and paragliding shows, Ustron year-round sanatorium services.

[http://rcin.org.pl](http://rcin.org.pl)
Table 4. Small Silesian towns: employed persons in economic entities employing more than five, 1991–1999

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
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<td>Wilamowice (C)</td>
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<td>525</td>
<td>466</td>
<td>445</td>
<td>381</td>
<td>520</td>
<td>633</td>
<td>624</td>
<td></td>
<td>40</td>
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<tr>
<td>Strumień (C)</td>
<td>—</td>
<td>829</td>
<td>847</td>
<td>868</td>
<td>811</td>
<td>892</td>
<td>906</td>
<td>1200</td>
<td></td>
<td>38</td>
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<tr>
<td>Imielin (W)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>564</td>
<td>651</td>
<td>620</td>
<td>756</td>
<td>746</td>
<td></td>
<td>32</td>
</tr>
<tr>
<td>Koziegłowy (C)</td>
<td>366</td>
<td>467</td>
<td>365</td>
<td>304</td>
<td>389</td>
<td>438</td>
<td>446</td>
<td>401</td>
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<td>32</td>
</tr>
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<td>Woźniki (C)</td>
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<td>545</td>
<td>552</td>
<td>502</td>
<td>536</td>
<td>608</td>
<td>647</td>
<td>588</td>
<td></td>
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<td>Ustroń (T)</td>
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<td>5374</td>
<td>5882</td>
<td>5887</td>
<td>6208</td>
<td>6123</td>
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<td>Skoczów (C)</td>
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<td>5976</td>
<td>5638</td>
<td>5899</td>
<td>5436</td>
<td>5706</td>
<td>5779</td>
<td></td>
<td>3</td>
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<td>Krzepice (C)</td>
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<td>1057</td>
<td>1307</td>
<td>1245</td>
<td>1355</td>
<td>1431</td>
<td>1243</td>
<td>1264</td>
<td></td>
<td>2</td>
</tr>
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<td>Błachownia (Me)</td>
<td>2329</td>
<td>2686</td>
<td>2548</td>
<td>1876</td>
<td>2277</td>
<td>2211</td>
<td>2219</td>
<td>1900</td>
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<td>Pilica (C)</td>
<td>—</td>
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<td>564</td>
<td>561</td>
<td>606</td>
<td>546</td>
<td>539</td>
<td></td>
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<td></td>
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<td>Szczerkociny (C)</td>
<td>1157</td>
<td>981</td>
<td>1494</td>
<td>1437</td>
<td>1336</td>
<td>1399</td>
<td>1370</td>
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<td>-5</td>
</tr>
<tr>
<td>Kalety (W)</td>
<td>1271</td>
<td>1017</td>
<td>1121</td>
<td>1000</td>
<td>1026</td>
<td>949</td>
<td>913</td>
<td>947</td>
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<td>-5</td>
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<tr>
<td>Miasteczko Śląskie (Me)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>2189</td>
<td>2051</td>
<td>1970</td>
<td>2017</td>
<td>2036</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Sieńierz (C)</td>
<td>1488</td>
<td>1308</td>
<td>1710</td>
<td>1410</td>
<td>1707</td>
<td>1637</td>
<td>1660</td>
<td>1278</td>
<td></td>
<td>-9</td>
</tr>
<tr>
<td>Orzesze (W)</td>
<td>2510</td>
<td>3105</td>
<td>2957</td>
<td>3228</td>
<td>3202</td>
<td>3236</td>
<td>3022</td>
<td>2852</td>
<td></td>
<td>-12</td>
</tr>
<tr>
<td>Żarki (C)</td>
<td>693</td>
<td>857</td>
<td>1222</td>
<td>1283</td>
<td>1354</td>
<td>1267</td>
<td>1307</td>
<td>1128</td>
<td></td>
<td>-12</td>
</tr>
<tr>
<td>Koniecpol (C)</td>
<td>2421</td>
<td>2248</td>
<td>2527</td>
<td>2392</td>
<td>2399</td>
<td>2376</td>
<td>2404</td>
<td>2060</td>
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<td>-14</td>
</tr>
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<td>Pszów (M)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5945</td>
<td>5817</td>
<td>5603</td>
<td>5060</td>
<td>5028</td>
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<td>-15</td>
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<tr>
<td>Poręba (Me)</td>
<td>2423</td>
<td>1832</td>
<td>1789</td>
<td>1864</td>
<td>1860</td>
<td>1797</td>
<td>1690</td>
<td>1574</td>
<td></td>
<td>-16</td>
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<tr>
<td>Kąźnia Raciborska (Me)</td>
<td>2281</td>
<td>2150</td>
<td>2488</td>
<td>1925</td>
<td>1920</td>
<td>1815</td>
<td>1750</td>
<td>1622</td>
<td></td>
<td>-16</td>
</tr>
<tr>
<td>Łazy (R)</td>
<td>2686</td>
<td>2576</td>
<td>2869</td>
<td>2887</td>
<td>2869</td>
<td>2707</td>
<td>2419</td>
<td>2425</td>
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<td>-16</td>
</tr>
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<td>Toszek (C)</td>
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<td>1239</td>
<td>1020</td>
<td>1242</td>
<td>1178</td>
<td>1189</td>
<td>1126</td>
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<td>-16</td>
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<td>Wisła (T)</td>
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<td>2636</td>
<td>2603</td>
<td>2410</td>
<td>2266</td>
<td>2158</td>
<td>2118</td>
<td>1933</td>
<td></td>
<td>-20</td>
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<td>Wojkowice (M)</td>
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<td>—</td>
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<td>3255</td>
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<td>3213</td>
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<td>2522</td>
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<td>-23</td>
</tr>
<tr>
<td>Szczyrk (T)</td>
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<td>1374</td>
<td>1243</td>
<td>1049</td>
<td>1131</td>
<td>989</td>
<td>963</td>
<td>810</td>
<td></td>
<td>-23</td>
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<td>Lędziny (M)</td>
<td>11109</td>
<td>11361</td>
<td>10730</td>
<td>10517</td>
<td>10432</td>
<td>10141</td>
<td>9452</td>
<td>7996</td>
<td></td>
<td>-24</td>
</tr>
<tr>
<td>Ogrodzieńiec (C)</td>
<td>928</td>
<td>1658</td>
<td>1712</td>
<td>1525</td>
<td>1545</td>
<td>1407</td>
<td>1387</td>
<td>572</td>
<td></td>
<td>-62</td>
</tr>
<tr>
<td>Radlin (M)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>9999</td>
<td>6047</td>
<td>6397</td>
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<tr>
<td>Radzionków (W)</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>36</td>
<td>560</td>
<td>583</td>
<td>575</td>
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</table>

Source: Data from the Statistical Offices in Bielsko-Biała, Częstochowa and Katowice and <www.stat.gov.pl>. (C)—central places; (M)—dominating function mining; (Me)—metal industry; (T)—tourism; (R)—rail transport; (W)—others specialized.
Table 5. Silesia Voivodship: Employed persons by sections of the European Classification of Activities (NACE), 1999

<table>
<thead>
<tr>
<th>Specification</th>
<th>Employed</th>
<th>Of which</th>
<th>No more than 5 employed persons</th>
<th>Of which</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Voivodship</td>
<td>in persons</td>
<td>%</td>
<td>towns in persons</td>
</tr>
<tr>
<td>Total</td>
<td>1818896</td>
<td>1622921</td>
<td>89.2</td>
<td>100041</td>
</tr>
<tr>
<td>Agriculture, hunting, forestry; fishing</td>
<td>15894</td>
<td>7744</td>
<td>48.7</td>
<td>1599</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>174302</td>
<td>157911</td>
<td>90.6</td>
<td>14834</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>397703</td>
<td>346542</td>
<td>87.1</td>
<td>24933</td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>42133</td>
<td>39773</td>
<td>94.9</td>
<td>1762</td>
</tr>
<tr>
<td>Construction</td>
<td>160782</td>
<td>142905</td>
<td>88.9</td>
<td>6987</td>
</tr>
<tr>
<td>Trade and repair</td>
<td>349257</td>
<td>312997</td>
<td>89.6</td>
<td>17171</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>34161</td>
<td>29010</td>
<td>84.9</td>
<td>2967</td>
</tr>
<tr>
<td>Transport. storage and communication</td>
<td>124500</td>
<td>111119</td>
<td>89.3</td>
<td>7166</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>56757</td>
<td>53574</td>
<td>94.4</td>
<td>1791</td>
</tr>
<tr>
<td>Real estate. renting and business activities</td>
<td>133664</td>
<td>128135</td>
<td>95.9</td>
<td>7174</td>
</tr>
<tr>
<td>Public administration and defence; compulsory social security</td>
<td>43121</td>
<td>39108</td>
<td>90.7</td>
<td>2188</td>
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<tr>
<td>Education</td>
<td>105632</td>
<td>90692</td>
<td>85.9</td>
<td>5207</td>
</tr>
<tr>
<td>Health and social work</td>
<td>133355</td>
<td>120591</td>
<td>90.4</td>
<td>6733</td>
</tr>
<tr>
<td>Other activities</td>
<td>47635</td>
<td>42620</td>
<td>89.5</td>
<td>2529</td>
</tr>
</tbody>
</table>

Source: Data from the Statistical Office in Katowice

http://rcin.org.pl
manifested in a higher initiative rate, and increased employment in medium-sized and large enterprises 1990s.

It is too early to evaluate whether, and on what scale, that small Silesian towns have profited from the opportunities of development which arose after 1989, and which towns were able to profit from these possibilities at all. A number of these towns must firstly make up for many years’ economic negligence, while that part of them prosperous to some extent before 1989 must overcome the crisis of the 1990s. We still have too little data, and the period of observation is too short, to point to the winners and the losers. Probably, a process of selection will occur.

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THE BIRTH AND DEVELOPMENT OF A MODERN SOCIALIST CITY:
SHENZHEN, CHINA

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Abstract: One of the first Special Economic Zones (SEZs) in an opening China since late 1970s, Shenzhen municipality is a 'globalizing' socialist city. This paper discusses the Shenzhen experiment. Four interrelated underlying forces are investigated: central government policies, needs and trends of foreign direct investment, ever changing regional and local urban realities, and local governance and plan making processes. The Shenzhen SEZ first planned by the central government, has faced almost continuous challenges since its establishment. Centrally planned master blueprints and the mode of urban governance have imposed constraints on Shenzhen's ability to cope with changing trends of foreign investment: from simple processing and assembly works to high-technology investment. The spatial structures and institutions established in the early days then had presented Shenzhen with many difficulties in her course of socio-economic and administrative restructuring. Planners are also challenged by sustainability demands of conserving the environment and promoting social welfare when economic development takes place. Shenzhen proved to be a difficult yet exciting experiment for socialist planners to build a 'modern' city in an age of globalization.

Key words: globalizing socialist city, socialist economy, central-local relationships, urban development and planning, Shenzhen, China.

INTRODUCTION

With a population of 4.7 million in 2001, the mega-city of Shenzhen was just a sleepy border town with 0.3 million inhabitants two decades ago. Located in southern China, immediately north of Hong Kong, Shenzhen is a linear city with a moderately hilly terrain (Ng 2003: 429). Before China's open door policy in late 1970s, the per capita net income of the rural residents was less than Rmb¹ 13 per month (SSB 2002: 48) in Bao'an County where Shenzhen was located. As a result, the County was the major source of illegal immigrants into the then British colony of Hong Kong, where per capita GDP in 1979 was HK$ 25,081 (CSD 1991: 9 cited in Ng 2003: 430). Hence, besides being an experimental site for China's

¹ Rmb stands for Renminbi, the 'people's currency'.

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economic reforms, Shenzhen was chosen as a Special Economic Zone (SEZ) in the hope that it would attract investments from Hong Kong for industrialization and hence stem illegal emigration. In the last 24 years the city has not only experienced a spectacular (13 fold) increase in population but also undergone a physical, functional as well as social transformation.

It was not just that Shenzhen was built from scratch, for the setting up of Shenzhen's municipal government was itself a novel experience as no city government was at that time given the task of introducing market elements into the local economy. The young city has been experimenting with a new relationship with central government, while tackling unfamiliar market forces in a migrant society. The municipal government has had to grope for a new way of relating to, instead of relying on, central government. However, this does not mean that the central government gives a free hand in with the national development strategy. On the other hand, the municipal government has to learn about the market and makes continuous adjustments to groom and nurture it. Nevertheless, the handling of urbanization and industrialization processes within the changing local, regional, national and international contexts is extremely difficult and complicated. Foreign capital is mobile and Shenzhen faces intensive competition from other regions in China as the country deepens her Open Door Policy. "Controlling" development in a socialist market economy presents many challenges to the young municipal government and urban planners. Moreover, the city has been facing a constant influx of permanent and
The Birth and Development of a Modern Socialist City: Shenzen, China

temporary population. How to govern a ‘city of migrants’ is a big problem.

The paper discusses the dynamic interactions of these factors in the planning and development processes of the city of Shenzhen. Figure 1 attempts to outline some of these intricate relations and processes underpinning the birth of a modern city in a transforming socialist economy.

PLANNING AND DEVELOPMENT OF SHENZHEN: THE PAST 24 YEARS

The present Shenzhen is made up of the Shenzhen Special Economic Zone (SSEZ) and two districts, Bao'an and Longgang (Figure 2). Since the 1980s, three Master Layout Plans have been made to adjust to socio-economic and environmental changes in the SSEZ. Table 1 outlines the different stages of development of the SSEZ.


Shenzhen was chosen by the central government as the first Special Economic Zone in China to attract foreign investment for its modernization endeavour. Planning played an important role in directing its subsequent growth and development. In the first draft Master Layout Plan of Shenzhen made in August 1980, it was planned to develop Shenzhen into an industry-led modernized SEZ at the border, based on the integration of agricultural and industrial development (Gu 1998b: 89). The area of the zone would be 327.5 km² with a planned area of 49 km². The planned population for 1990 was of 300,000 and the long-term planning target 600,000 (Gu 1998b: 89). However, the central government rejected this modest blueprint because the Hopewell Group from Hong Kong approached Beijing and suggested the development of a city of 32 km² with 700,000 inhabitants in the neighbouring Futian district (Lin 1983; Yeh 1985) (Figure 2). In July 1981, the central government demanded that the SSEZ should be developed into a large industrial city and a multi-functional new town specializing in commercial, agricultural, residential and tourist activities. The central government also ordered the formulation of a Shenzhen Social and Economic Outline Plan (SSEOP) to integrate economic development in Shenzhen and direct its physical development. Together with the local economic planning commission and the city planning department, the Municipal Party Committee drafted the SSEOP in November 1982, specifying therein that (1) Shenzhen would become an economic entity embracing tourism, manufacturing, agricultural production, commercial, and real estate development; (2) industrial growth was accorded top priority, focusing on high-tech and capital-intensive activities; and (3) Shenzhen's agricultural sector was charged with providing food for the growing population of Hong Kong and Shenzhen (Ng and Tang 2004: 197).

Based on the SSEOP, the First Master Layout Plan of Shenzhen was devised to transform the SSEZ into a city propelled by industrial and service activities. Manufacturing industry was expected to expand, tourism would boom, and 9,000 hotel rooms were planned to accommodate 1.4 million projected tourists by 2000. The general planning strategy was to create an environment conducive to foreign investment in manufacturing industry, housing and tourism; and to maximize the utilization of land and other natural resources to build urban infrastructure attracting foreign investment (Yeh 1985). Ten industrial districts with a total area of 15 km² were identified (Chiu 1986). According to this Plan, Shenzhen would be developed into a linear city with a planned population of 250,000 in 1985; 400,000 in 1990 and 800,000 in 2000. The SSEZ was divided into three zones. Endowed with rich natural resources, the eastern region was planned for tourist and residential development. The middle region was the major focus of urban residential and commercial development. The middle region was the major focus of urban residential and commercial development, whereas the western region would basically be an industrial region.

In the first two years of its existence, foreign direct investment made up about 40%
Table 1. Development and planning history of the Shenzhen Special Economic Zone (SSEZ)

<table>
<thead>
<tr>
<th>Year</th>
<th>Planning Document</th>
<th>Boundary (km²)</th>
<th>Planning Area (km²)</th>
<th>Planned Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>City and Town Development Planning</td>
<td>Bao'an county was turned into Shenzhen Municipality: 2,020</td>
<td>10.65</td>
<td>Short term: 100,000 Long term: 200,000–300,000</td>
</tr>
<tr>
<td>1980</td>
<td>Draft Master Layout Plan</td>
<td>SSEZ: 327.5 Built-up area: 60.0</td>
<td>49.00</td>
<td>Short term: 300,000 Long term: 600,000</td>
</tr>
<tr>
<td>1982</td>
<td>Shenzhen Socio-Economic Outline Plan (SSEOP) and the First Master Layout Plan</td>
<td></td>
<td>110.00</td>
<td>1985: 250,000 1990: 400,000 2000: 800,000</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Year</th>
<th>Planning Document</th>
<th>Boundary (km²)</th>
<th>Planning Area (km²)</th>
<th>Planned Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>Second Master Layout Plan</td>
<td></td>
<td>123.00</td>
<td>1990: 600,000 2000: 1,100,000</td>
</tr>
<tr>
<td>1989</td>
<td>The Comprehensive Report on Modifications of the Second Master Layout Plan</td>
<td></td>
<td>150.00</td>
<td>2000: 1,300,000–1,500,000</td>
</tr>
<tr>
<td>1989</td>
<td>Establishment of the 3-tier 5-phase planning system: city comprehensive plan; sub-regional plan; district level plans (district plans, statutory plans, and detailed blueprints)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Third Phase: 1993—(The Building of a World City)

<table>
<thead>
<tr>
<th>Year</th>
<th>Planning Document</th>
<th>Boundary (km²)</th>
<th>Planning Area (km²)</th>
<th>Planned Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>Bao’an and Longgan Counties were turned into Districts for better planning and co-ordinated development. A new Master Layout Plan is warranted.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>Modification of the Master Layout Plan started.</td>
<td></td>
<td>170.00</td>
<td>2000: 1,500,000–1,700,000</td>
</tr>
<tr>
<td>1995</td>
<td>Municipal Government approved the Outline for Modifying the Shenzhen Master Layout Plan</td>
<td>Urban land use: 100 m²/capita</td>
<td>2010: within 5,000,000</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>Draft Third Master Layout Plan</td>
<td>Planning Area: 2,020 Built-up Area: 2000: 380 (SSEZ: 130) 2010: 480 (SSEZ: 160)</td>
<td>2000: 4,000,000–4,200,000 (1.73–1.8 million in SSEZ) 2010: 4,300,000–5,100,000 (1.8–2.2 million in SSEZ)</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>Third Master Layout Plan approved by the State Council</td>
<td>Same as above.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Gu 1998a: 5; Gu 1998b: 89–91; Ng and Tang 2002: 34
of the capital construction investment. However, the investments were largely into real estate development, and the amount experienced steady decline then (Wong 1985; Chiu 1986). An inadequate physical infrastructure and legal framework deterred many potential investors: only three of the 10 planned industrial districts were completed and ready to host industries in 1985 (Wong 1985). Since not much foreign investment was attracted to these industrial districts, the Shenzhen government had to turn to domestic sources of investment. To attract investment from the central ministries, tax exemption and free land tracts were offered. In 1984, enterprises of more than 24 bureaux and departments from the central government had committed investment in Shenzhen, either operating factories or building industrial estates.

Nevertheless, the SSEZ achieved a high rate of economic growth between 1979 and 1985. Shenzhen surpassed almost all economic and production targets set out for it in the plans. The zone's gross value of industrial output (GVIO) by 1985 was more than Rmb 2 billion, almost doubling the target. Within these six years, the GDP of the SSEZ expanded more than 18 fold to reach Rmb 2.7 billion. The share taken by agriculture declined from 37% to 7%, while that due to the manufacturing sector including industry and construction grew from 21% to 42%. The services sector also became an important economic activity. However, the aim to transform Shenzhen into an industrial city was not fully realized because it was construction activities, rather than manufacturing ones, that primarily added to the growth of the economy (SUPB and CAUPD 1986).

Total fixed asset investment in Shenzhen Municipality reached Rmb 3.3 billion in 1985, and 83% of this was for building and an expansion of capital construction. Although the SSEZ was created to attract external investment, most of the capital
construction investment came from domestic sources, including as credits from Chinese state banks and investment from domestic enterprises. Hence, the SSEZ became highly susceptible to China's fiscal and credit policies. For instance, when the central government adopted very stringent fiscal and credit policies to cool down the overheated construction programmes, the amount of fixed asset investment in Shenzhen shrank to Rmb 2.5 billion in 1996 (SSB 2002, 136).

The setting up of industrial zones and construction programme led to rapid population growth. Between 1980 and 1985, the number of permanent residents within the SSEZ had increased by 25,000 per annum, while the temporary population increased by 40,000 per year (SUPB and CAUPD 1986: 6). In 1985, the population reached 470,000, over half of whom were temporary residents not considered in either the master plan or the SSEOP. In 1985, the SSEZ's built-up area reached 48 km², more than double the planned target. Rapid growth of the SSEZ led to many urban problems: inadequate social amenities and provision of infrastructure and public facilities; traffic problems in Luohu and Shangbu (SUPB and CAUPD 1986) and pollution problems as a result of industrialization.

In 1984, the central government decided to open another 14 coastal cities to attract foreign capital and advanced technology. Although the SSEZ was promoted by the State Council to become a window, not just a laboratory of China with national significance (Shenzhen Museum 1999), internal competition for foreign direct investment put pressure on the SSEZ to upgrade its infrastructure and urban environment. 1984 also saw the signing of the Sino-British Joint Declaration that confirmed the return of colonized Hong Kong to the China mainland in 1997. Hence the SSEZ had to reconsider its role in the wider regional context and by 1986, the local government had decided to build an export-oriented economy that would lead to a spectacular increase in FDI and international trade.

FROM INDUSTRIAL TAKE-OFF TO ECONOMIC RESTRUCTURING (1986 TO THE EARLY 1990s)

The first draft of the Second Master Layout Plan for the SSEZ, elaborated jointly by the China Academy of Urban Planning and Design together with the Planning Department of the Municipality, was completed in 1985. In May 1986, the Shenzhen Urban Planning Committee was set up to refine the draft plan. The Second Master Layout Plan of the SSEZ was approved by the provincial government in 1989. The plan was aimed at developing the SSEZ into an export-oriented economy spurred by overseas investments1 (SUPB and CAUPD 1986: 5). It was planned that from 1986 to 1990, the SSEZ would experience growth of its export-oriented economy and by the end of 2000, the Zone would become a modernized, outward-looking metropolitan city with industrial, port, trading and tourism development. Shenzhen would join Hong Kong and Guangzhou as the three key cities in the golden triangle of the Pearl River Delta.

The Plan also envisaged the SSEZ shedding its agricultural activities to Bao'an district and focusing on industrial and service-sector developments. Major economic sectors would include manufacturing, the retail and wholesale trades, tourism and finance. Major industries would include capital- and technology-intensive industries, electronic industries, machinery, food, high-end construction and building materials, and the electrical and textile industries. A total of 19 km² of land in 15 planned industrial districts was assigned for the building of 2,000 to 3,000 factories. Industrial output was planned to grow by an annual rate of 16 to

1 Six major planning principles were adopted in the Second Master Layout Plan (SUPB and CAUPD 1986: 4–5): Strategic planning of land use, transport and communication development to enhance Shenzhen's hub functions and as the window of China to the outside world; Developing self-sufficient urban clusters with different characters in the linear city, with green belts as buffer zones; Adopting planning standards which are suitable for the needs of the SSEZ; Being flexible to accommodate future changes; Focusing on balanced and comprehensive development; Developing the SSEZ into a place with character.
18%. From 1986 to 1995: the SSEZ planned to absorb Rmb 1.7 billion and USD 4.5 billion of investment.

The Second Master Layout Plan had to address a number of issues bequeathed from the development of a centrally-owned special economic zone. As different central bureaux and departments had set up their own factories or communities in the SSEZ, their autonomous management and development had led to segregation of communities and very often to uncoordinated spatial development. Polluting industries were also a problem. A related issue concerned traffic congestion problems within and between urban clusters. As a response, major conservation areas were designated in the SSEZ. Planners then also realized that Shenzhen should not copy high-density development from Hong Kong and should develop its own characteristics. Within the 327.5 km² of the SSEZ, 160 km² or 49% was of built-up areas. Three major clusters with green belts in between were identified (Figure 2). This multi-centred structure aimed at minimizing commuting while the green belts were to serve as green lungs. The eastern cluster basically remains for residential and tourist development. In the central cluster, Luohu became a mixed-uses district and Futian was officially designated as the future administrative, financial and commercial centre of the SSEZ. The western clusters such as Shahe has the Shenzhen University and Huaqiao Cheng, a China Travel Services owned property which was designed by a Singaporean consulting corporation called Dadi. Regionally, the SSEZ had to improve connections with Hong Kong and the Pearl River Delta. A new custom checkpoint was introduced and other facilities were proposed to enhance the Shenzhen–Zhuhai–Guangzhou highway with the road network in Hong Kong (SUPB and CAUPD 1986).

When industrialization was underway in Shenzhen, the introduction of a land market and the transfer of land use rights to individual proprietors, in 1987, had led to a boom in property development and increased extra-budgetary capital for the local government to improve infrastructure and implement development plans. However, much of the land had been given free of charge or at markedly lower prices to various state enterprises before the reform to allow the transfer of land use rights. Of the 155 km² of usable land, about 50% had been given away or leased out by 1987 (Shenzhen municipal government 1997; Zhu 1994). In the years from 1988 to 1990, another 26.6 km² was taken up by land users (Zhu 1994; Tang 1998). From 1991 to 1996, this figure was twice as high. 64% of this increase occurred between 1991 and 1993 when property development was overheated in China (Shenzhen Real Estate Markets Yearbook Compiling Committee 1998). The ratio of occupied land to the total usable land resource was 49.5% in 1987 and the figure was increased to 66.7% in 1990 (Zhu 1994). According to Li and Wang (1998: 41), usable land amounted to less than 200 km², 110 km² of which were leased out. If land leasing continued to expand at a rate of 5 km² per year, land will then be used up in 18 years time. Land hoarding was also a problem in the SSEZ. In 1996, 18 km² of land was adopted. While the local government had tried to control the size of the incoming population, between 1979 and 1984, the total for the SSEZ increased from some 30,000 to 400,000, that is by 217.7% annually, and more than 40,000 people each year flocked into the zone as temporary residents (SUPB and CAUPD 1986: 6). To cope with the rapid increase in the population, substantial investment was made in social, educational and other urban services: 179 residential districts were planned for the growing population; and Rmb 11.4 billion were spent to build urban and commercial infrastructure. The infrastructure built then would cater for a population of 1.5 million, whereas the transportation system would serve a population of 2 million.
in Shenzhen was hoarded and not readily accessible to potential occupants.

The rise of the land market has led to economic restructuring in the young Special Economic Zone. In 1988, industrial land occupied more than 20 km$^2$, exceeding the planned target in the Second Master Layout Plan. The amount was later increased to 25 km$^2$ (Shenzhen Municipal Government 1997). However, economic restructuring, rising land and production costs and regional competition very quickly phased out traditional industries and industrial land cover declined to 14.12 km$^2$ in 1994. In 1993, Bao'an and Longgang Districts were designated as the new industrial centres in Shenzhen. High-tech industries started to gain prominence in the 1990s. Since 1991, the services sector has become the largest beneficiary of capital construction investment, receiving over half of the total capital construction investment.

Coupled with the economic restructuring process was rapid population growth. Total population in the SSEZ experienced 30% annual growth between 1986 and 1989, with a more than two-fold increase to reach one million, a much higher figure than the original target of 800,000 for the year 1990. The number of temporary residents has outgrown the permanent ones since 1987. As a result, the municipal government modified the Second Master Layout Plan with new targets: 800,000 permanent population and 700,000 temporary population by 2000. Population growth had led to intensified development in the central part of SSEZ, which overspilled to the western part, causing a sharp increase of traffic between these two urban clusters. As secondary road networks were not well developed then, moving people around became a major problem in the 1990s.

The evolving regional context also challenged planning in the SSEZ. In 1994 alone, 52 million people and 7 million vehicles crossed the border at the 12 check points between Hong Kong and Shenzhen (Shenzhen Municipal Government 1997). In 1987, the central government decided to deepen the open policy by extending privileges to other parts of China. In response, Shenzhen municipal government, under the approval of the State Council, set up two tax-reducible zones at Futian and Shatoujiao. During the early 1990s, to counteract rising political concerns over coastal-inland disparities (Sklair 1992, Shenzhen Museum 1999), Deng Xiaoping and Jiang Zemin made several trips to Shenzhen in 1992 and 1994 to show the reformists' support for the SSEZ and urge the local government to restructure its economy (Shenzhen Museum 1999).

However, planners have also realized that in the course of modernization, the wider streets have lost their vitality; higher buildings lack a human scale, expanded road spaces have lost their functions as social spaces for people to meet. Many have advocated a restructuring of the city to create a strong urban image and open spaces championing local culture and identity (Liu and Zhang 1999). As Shenzhen's economic restructuring deepened, planners realized more fully the need to appreciate the dynamics of local development, rather than just following simple directives from the central government, in mapping out future growth strategies.

FROM A SPECIAL ECONOMIC ZONE TO A WORLD CLASS CITY? (THE EARLY 1990s ONWARDS)

In 1989, Shenzhen merged planning, land administration and housing development and management into one single bureau: the Shenzhen Urban Planning and Land Administration Bureau. Since then, planners have been able to utilize 5% of the total land revenue as planning fees (Wang and Li 2000: 26). Planners in Shenzhen had initiated the formulation of the Third Master Layout Plan in 1993. The whole process took seven years to complete when the State Council finally endorsed the plan in 2000. As a result of economic restructuring and industrialization of the two districts outside the SSEZ, the Third Master Layout Plan covers the whole municipality, not just the SSEZ. The planning area is enlarged from 170 km$^2$ to 2,020 km$^2$. The Third Master Layout Plan mapped out an urban development strategy
focusing on land use, transportation planning, heritage conservation, environmental protection and planning for tourism, public utilities and infrastructure.

The Plan aims to develop Shenzhen into a modern economic zone and a world city with a prosperous economy, a socially stable and secure society, an amiable environment, and a rational spatial layout with comprehensive infrastructure provision. Shenzhen is to be developed into a city with the environment of Singapore and efficiency of Hong Kong (Shenzhen Municipal Government 2000: 1–2). The city aims to become a regional centre of finance, information, trade, commerce, transportation and tourism as well as high-tech development and R&D in southern China. The city will control population size, improve the quality of the human resource; utilize technology and education to enhance development; and nurture a modern urban culture. Environmentally, pollution and soil erosion will be controlled; new land development limited; and nature reserves and heritage protected, thus turning Shenzhen into a model environmental and ecological city in the region.

The spatial and sectoral division of labour in the Shenzhen Municipality is as follows (Shenzhen Municipal Government 2000):

- Agricultural development (Articles 13, 14 of the Plan):
  - Agricultural reserves are demarcated and encroachment of urban activities strictly prohibited;
  - Agriculture will concentrate geographically on Bao'an and Longgang Districts
  - Value-added, corporatized and export-oriented farming is strongly encouraged.
- The SSEZ will mainly host high-tech companies and their headquarters. Industrial land uses will be at the port areas in the east and west, particularly in Nanshan (Article 28).
- Economic restructuring has led to a reduction in industrial land within the SSEZ. Only 14 km² or 9% of the total land area is to be allocated for industry in 2020. Other than those pollution-free industries which generate employment, former factory sites in central areas are to be cleared to make room for residential, financial, commercial and administrative uses (Article 28).
- The services sector will become the leading sector with transport, commerce, trade, tourism and finance as the main economic pillars.

Shenzhen Municipality is divided into three urban clusters (the eastern, central and western) in order to enhance the city as a regional service centre. The Eastern cluster consists of a high-density industrial town, a major port, and tourism and related services. The central cluster consists of Luohu-Shangbu and Futian, which will become a new landmark to demonstrate the modernity and world-city image of Shenzhen. The Western cluster, comprising the traditional industrial zones, will be upgraded for high-tech industrial development, in the shape of the Science Park and three other industrial areas. Ecologically-sensitive areas north of the SSEZ are demarcated for protection.

The designing principles (Article 41) adopted are as follows:

- Maximizing the physical setting to create a city fronting the sea with mountains as the backdrop;
- Respecting local history and culture in shaping urban spaces;
- Building a world city with creativity and character;
- Building a humane society with a strong sense of community.

While stressing the importance of
building Shenzhen into a world city with local character, the Third Master Layout Plan is constrained by the centrally defined population projection and amount of urban land per capita. While the current population has exceeded 4.3 million and the total population may have reached 7 million (as revealed in the 2000 Census) when those without temporary residence permits are included, the central government instruction is that total population should not have exceed 4.3 million by 2010 (Shenzhen Municipal Government 2000, Article 10). This is because the population projection is tied in with the amount of urban land to be consumed. The central government failed to approve the 1997 draft plan which had targeted the use of 520 km$^2$ of urban land. Consequently, the land use target was reduced to 480 km$^2$, as the population projection for 2010 is to be 4.3 million and the average total land use per capita set between 105.1 and 120 m$^2$, hence the total land use envisaged will be less than 480 km$^2$. While this helps meet the targets of the central government, there is a possibility of under-provision of social amenities, public utilities and services in the future.

To sustain economic growth, the SSEZ has moved towards high-tech industrial development, which has experienced a phenomenal growth rate such that in 1999, high-tech industry recorded an output value of Rmb 82 billion (40.5% of the gross value of industrial output) and six times the figure in 1990 (CAUPD 2000). After the onset of the Asian financial crisis, the Shenzhen government invested in infrastructural development to stimulate the depressed market. Shenzhen also became a regional retailing centre. In 1999, the SSEZ's retail sales reached Rmb 47 billion, one third of which was believed to be contributed by Hong Kong residents, as Shenzhen goods are of bargain prices to them (Mingpao, October 20, 2000). Shenzhen has also tried very hard to become a logistics hub in southern China (Gallagher 2002).

Even with all the rhetoric about natural and heritage conservation, Shenzhen is after all an economics-driven city. For instance, the Futian Mangrove and Birds Nature Reserve is the only state nature reserve located at the urban fringe in Shenzhen. In order to construct the seafront boulevard and other development projects, this nature reserve is shrinking and bird species are disappearing (Wang 1998). This was queried by the Shenzhen People's Congress and the Shenzhen Environmental Protection Bureau and so the highway developer decided to build a soundproofing wall to separate the nature reserve from the busy traffic.

Nevertheless, in the City's latest development strategy, Shenzhen 2030, it is recommended that improving quality of life and ecology, promoting cultural diversity and prosperity should be part and parcel of the economic development strategy that aims at further internationalizing Shenzhen (Ng 2003). In the regional context, it is advocated that Shenzhen should work closer with Hong Kong to promote mutual growth and cooperation.

**CONCLUDING REMARKS**

Shenzhen has changed dramatically in the past two decades. A city of immigrants, Shenzhen was seen as a place for making quick money in the 1980s. Unbounded by traditions, people in Shenzhen are open-minded and have developed an assimilative culture. The first-generation immigrants have established their business and families in Shenzhen, which they now call home. A sense of belonging has gradually developed among the elite groups and they have the aspirations of participating in the development and planning of their city (Wang and Li 2000: 26).

The unfolding of this bold experiment in a transitional economy, a reforming socialist city trying to join the globalizing economy, has shed much light on the globalization process (Ng and Tang 2004). While eager to join the new international division of labour, planners in Shenzhen have increasingly realized the need to understand local developments to map out the future growth strategy. However, even up to this date, the local development within a socialist city is
still strongly influenced by the central government, as illustrated in the case of Shenzhen. The early failure to attract foreign investment forced Shenzhen to look inward to the powerful ministries at the central level and other provincial governments for capital investment. The existence of these interests, which are closely related to land use development, has serious implications for consequent spatial developments in the SSEZ. More importantly, the central government has defined the population size and the amount of urban land to be built on in the SSEZ, making it very difficult for a rapidly growing economy such as Shenzhen to come to terms with.

The course of searching for an appropriate development strategy and institutions beneficial to market development is another daunting task for the municipal government. After all, China has closed her doors for almost three decades. The municipal government has to learn along the way of encouraging foreign and domestic investments to boost industrialization and urbanization in Shenzhen. On one hand, the government has to provide an environment conducive to market growth. On the other, the government has to cope with negative externalities generated by rapid market growth in the absence of an established legal framework that can guide development (Ng 2002a). This experiment is part and parcel of the changing macro-strategies and circumstances at the national and regional levels in China's reintegration with the global economy. In association with the rapid population growth at the local level there are many urban problems that can be identified, challenging the wisdom of planners and the government in directing Shenzhen's future course of development.

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