



## Facing the challenge of shrinking cities in East Germany: The case of Leipzig

Marco Bontje

*Department of Geography and Planning, Faculty of Social and Behavioural Sciences, University of Amsterdam, Amsterdam, Netherlands, and Leibniz Institut für Länderkunde, Leipzig, Germany (E-mail: M.A.Bontje@uva.nl)*

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### Abstract

In the early 20<sup>th</sup> century, the East German city of Leipzig seemed well on its way to become a metropolis of international importance. The city was expected to grow towards over one million inhabitants in 2000. Seventy years later, Leipzig's population has shrunk to less than 500,000 inhabitants instead. The German partition after World War II took away most of its national administrative and economic functions and much of its hinterland. The socialist GDR regime worsened the long-term development perspectives and living circumstances of the city. The German reunification brought new development chances, but like most East German cities, Leipzig's hopes soon became disappointed. The local politicians faced a difficult redevelopment task: apart from the question how to revive the local and regional economy, they also had to deal with a housing vacancy rate of 20%, a huge need for renovation in the older neighbourhoods as well as in the socialist high-rise areas, the negative effects of urban sprawl on the city core, and various environmental pollution problems. After briefly describing the development path of Leipzig until the 1990s, the paper will discuss the current attempts of the city government to give Leipzig a more positive post-industrial future. On the one hand, Leipzig is developing a strategy to 'downsize' the city's built environment and infrastructure to adapt to a probably lastingly smaller population. On the other hand, many growth instruments well known from the international scientific and political debate are tried to put Leipzig back on the (inter)national map. The paper will discuss these development strategies in the light of the international debate on the question 'how to fight the shrinking city', with specific attention for post-socialist cities.

### Shrinking cities in a post-Fordist and post-socialist context

Theories and strategies of urban and regional development most often tend to stress the desirability, or even necessity, of growth. A review of theory and policy documents can soon lead to the impression that a city or region would be lost when it does not possess of a growing population, a growing economy and/or a growing national or international importance. Logan and Molotch (1987), for example, argue that city elites throughout US history have always agreed on the necessity of growth. This 'growth obsession' does not only refer to absolute growth of population and employment, but also to the relative position of cities in national and international hierarchies. Studies of the dynamics in national, continental and global urban systems documented the rise and fall of cities in terms of population size, employment base, infrastructure links, the presence of headquarters and the like (Hall and Hay, 1980; Cheshire *et al.*, 1986; Reclus, 1989). The possibility that continuous growth is an impossible, and probably also a highly undesirable, situation for any city or region has been recognised in theory and policy practice only to a very limited extent (Leo and Brown, 2000; Savitch and Kantor, 2003). To the extent that theory and policy strategies account for the possibility of decline, they usually do so only for a short period of time. The best-known example is the stages of urban development

model (Hall and Hay 1980; Van den Berg *et al.*, 1982). This model suggests that urbanisation is a cyclical process and that urban and regional decline will eventually make way for new growth.

The stages of urban development model was mainly based on only one phase of international economic development: the Fordist mode of industrialisation, characterised by mass standardised production and mass employment in large industrial complexes. It fits much less in the current situation of European urban and economic development, a phase in which cities have to find a new employment base after industrial restructuring. In the more recent debate on urban growth and decline, the key concepts are 'human capital', 'creativity', 'networks', and most of all 'competitiveness' in a globalizing world (Zukin, 1991; Castells, 1993; Graham and Marvin, 2001; Florida and Gates, 2001; Sassen, 2002; Swyngedouw *et al.*, 2003). Some cities are fortunate enough to have a long history in non-industrial activities and/or a creative and innovative business climate favourable for the emergence of new high-tech industries. Other cities manage to claim a central position in networks of traffic, trade or finance. This has been a major factor in the emergence of cities and regions throughout history (Hohenberg and Hollen Lees, 1985). However, if urban growth is too dependent on one particular means of transport, growth can suddenly turn into decline, too. Classical cases are harbour cities such as

Liverpool. This city boomed in the 18<sup>th</sup> and 19<sup>th</sup> century when it was the ideal location for passenger and cargo ships to the US and the English colonies. The end of the British colonial empire, the invention of the aeroplane and the shift in British trade relations from the Commonwealth to mainland Europe, however, meant an enormous loss of status for Liverpool and brought the city into a long period of decline it is still struggling to recover from (Middleton, 1991; Robson *et al.*, 2000). Another classic type of city where fast growth can suddenly change in even faster decline is the one-company town. Cities that focus too much on one branch or one cluster of economic activities make themselves very vulnerable. Notorious examples include Detroit's steel and car industry (Zukin, 1991; Boyle, 2003), the steel, textile and mining cities of Northern England (Evans *et al.*, 1995) and the German Ruhr region (Shaw, 2002). Some of these cities and regions (the Ruhr region in particular) have meanwhile managed quite well to adapt to the post-Fordist economic requirements, while others are still in crisis.

To a large extent, cities in post-socialist Central and Eastern Europe had to deal with these general causes for stagnation or decline, too. However, both the socialist era and the sudden transformation from a socialist to a post-socialist society and economy had a huge autonomous effect on the fate of these cities (Szelenyi, 1996; Kovacs, 2000). One could speak of a 'pressure-cooker' situation, in which post-socialist countries were forced to 'catch up' with Western capitalist political, economic and societal developments since World War II as fast as possible. The transformation from Fordist to post-Fordist modes of production, a rather gradual process in most of the Western capitalist countries, took place as a 'shock therapy' in the course of only a few years in post-socialist countries. Most state-owned companies did not survive privatisation, leading to plant closures and a massive loss of industrial jobs. Both local and international investors often preferred to build new business parks at the city edge or in the suburbs, rather than redeveloping the poorly accessible and polluted inner-city industrial sites (Burdack and Rudolph, 2001). Especially local and regional 'monostructures', in which one or a few heavy industries were concentrated, ran into crisis. Housing market conditions also changed dramatically. The introduction of market rents and the rapidly growing share of owner-occupied housing increased socio-economic polarisation within cities and between cities and suburbs. Residential sub-urbanisation, a hardly known phenomenon under socialist rule, became a mass movement in the early 1990s. Moreover, the large housing estates and the inner-city neighbourhoods rapidly lost their attractiveness to sub-urban living environments. The large housing estates had been built as the ideal socialist living environment, but met the changing demands and preferences of their inhabitants insufficiently. The inner-city neighbourhoods had systematically been neglected by socialist regimes and suffered from vacancies, lack of facilities and physical decay (Häussermann, 1996).

The current situation of East German cities can partly be explained within this general post-socialist framework. However, East Germany was the only post-socialist coun-

try to merge with a West-European capitalist country, and this has given the problem of post-socialist transformation a unique dimension (Häussermann, 1996; Grimm, 1995). Despite enormous investments of the German federal government, the integration of East Germany into the Federal Republic of Germany has so far been much more problematic than expected and hoped in the early post-reunification years. Even though there are certainly regional variations between better and worse performing regions and cities within the former GDR, the area as a whole suffers from an accumulation of interdependent problems that are hard to solve. These problems include massive joblessness, lack of attractiveness for investors, population loss (mainly to former West Germany), mismatches between education level and job provision, and last but not least a still huge construction and renovation task despite all efforts in this respect since 1990. The current deep crisis of the German economy as a whole only worsens the future perspectives of the former GDR. It is no surprise, then, that questions concerning smart strategies for shrinking cities are currently high on the East German scientific and political agenda (Glock, 2002; Winkel, 2002; Lang and Tenz, 2003; Wiechmann, 2003).

In the following, the city of Leipzig (Figure 1) is discussed as an example of a city in the former GDR that was 'booming' in the late 19<sup>th</sup> and early 20<sup>th</sup> century, but became a victim of national and international political and economic developments during the national-socialist and socialist regimes. In the early post-socialist years, new problems such as a dramatic loss of manufacturing jobs and mass out-migration accelerated the process of decline. Since German reunification, Leipzig is trying to reclaim its former prominent position in German and European urban networks, but gradually the city has learnt to accept that the functions lost since the 1930s will not return and that new economic development is problematic. The urban development policy of Leipzig is striving for a middle ground between too optimistic growth scenarios and too pessimistic decline scenarios. Leipzig could be seen as one of the pioneering cities in Germany in its acceptance of a 'shrinking city' future and its attempts to make the best out of that situation. Some recent economic successes and the stabilisation of population size since 2000 prove that Leipzig, although not growing, still has a future perspective.

### How Leipzig became a shrinking city

Like in virtually all East German cities, the first few years after the 'peaceful revolution' and the German reunification were a time of unlimited ambitions in Leipzig. Disillusion followed soon, when problems like population loss, vacancies in the housing stock and commercial real estate, and lack of investments produced a problematic city image to the outside world. The heritage of forty years of socialist rule could not be traded for the rules of democratic-capitalist development as easily as expected. The loss of economic and socio-cultural importance within the German and Central-European urban system, already set in motion in GDR times,



Figure 1. The city of Leipzig, with the neighbourhoods and locations discussed in this article.

only accelerated after German reunification, where a spectacular recovery was expected or at least hoped for. After all, earlier in the 20<sup>th</sup> century, Leipzig seemed well on its way to become a metropolis of national or even European importance.

#### 1850–1933: Towards a metropolis of industry and trade

From the mid-19<sup>th</sup> century until the 1930s, Leipzig's growth was spectacular in all respects. Favourable circumstances included the German unification of 1871, the rapid industrialisation of this emerging economic power and the expansion of the national and international rail network (Table 1).

Leipzig managed to claim a prominent position as a centre of industry, trade and traffic. The built-up area of the city was vastly expanded with industrial complexes and the accompanying housing areas for factory workers and the business elite. The city district of Plagwitz became one of the largest industrial concentrations of mainland Europe within only a few decades. Its dominant specialisations were machine and textile industry. Parallel to the emergence of industry, the Leipzig trade fair became an international trendsetter by introducing the *Mustermesse* concept. Leipzig was the first place where the trade fair was used as a 'show-room' instead of a selling place. The Leipzig trade fair had already been one of the most important fairs in Central-

Table 1. Important events in the urban development of Leipzig.

Year	Event
1165	Leipzig founded
1409	Leipzig University founded
1507	Imperial fair privilege: monopoly position of Leipzig fair in Central Germany
1839	Rail connection to Dresden, first long-distance connection in Germany
1856	Karl Heine initiates rail and water connections enabling industrial development in Plagwitz, soon growing into one of the largest industrial complexes in Germany
1871	German unification. Leipzig becomes seat of the German Supreme Court and the National Library
1913	Opening of new fair grounds at south-eastern city edge
1915	Opening of central railway station, the largest terminus in Europe
1933	Largest population size: 713,000
1933–45	Nazi rule and World War II. About 25% of buildings destroyed, population dropped to about 590,000
1949	German Democratic Republic (GDR) and Federal Republic of Germany (FRG) founded
1989	Peaceful Revolution ends GDR regime
1990	German reunification; former GDR becomes part of FRG
1996	New fair grounds at northern city edge
2000	Large-scale annexation, increasing Leipzig's area by 66%
2001	BMW decides to build new plant at northern city edge
2003	Leipzig becomes the German candidate for the 2012 Olympic Games

Sources: Grimm (1995); Grundmann *et al.* (1996); Nuissl and Rink (2003).

Europe for some centuries (Grimm, 1995), but its boost in the late 19<sup>th</sup> and early 20<sup>th</sup> century was unprecedented. The trade fair became a dominant determinant of urban development. First, the construction of various merchant houses and complexes (*Messepaläste*) reshaped large parts of the city centre. Some decades later, a new trade fair complex (meanwhile known as the *Alte Messe*) was opened at the southeastern city edge. A third emerging specialisation was the media industry: Leipzig became a publishing and printing centre of national importance (Grundmann *et al.*, 1996; Usbeck, 1996). Not much later, the fast growth of the urban population and economy also produced a flourishing financial service sector. Furthermore, the improved position in the national urban hierarchy resulted in a growth of national and regional administrative functions, of which the national court of law and the national library were the best examples. Last but not least, Leipzig became a major infrastructure node for rail traffic in particular. The central station, opened in 1915, was the largest terminus in Europe, offering connections to all German and most European metropolises. Leipzig itself was also well on its way to become a city of metropolitan significance in Germany and Europe. In 1933, Leipzig counted 713,000 inhabitants, making it the fourth largest German city after Berlin, Hamburg and Munich (Table 2). The city government was expecting a further growth to more than a million inhabitants by the year 2000 (Grundmann *et al.*, 1996). Considering the fast-paced economic and population development in those days, this expectation was not far-fetched.

### 1933–1989: War damage, socialist rule and stagnating growth

However, the further development of Leipzig took a radically different course. In World War II, the city escaped the tragic fate of total destruction of cities like Dresden, Hanover or large parts of Berlin. 'Only' 25% of the built-up area was destroyed. Some forty years later, this would prove to have more disadvantages than advantages: even though Leipzig might consider itself lucky with the rich architectural heritage of many 19<sup>th</sup>- and early 20<sup>th</sup>-century buildings (especially from the *Gründerzeit* period, 1870–1914), this same heritage also produced an enormous renovation task and a concentration area of housing vacancies (Dezernat Planung und Bau, 2000).

A first result of the German partition of 1949, making Leipzig part of the German Democratic Republic (GDR), was the loss of several national functions of the former German unitary state. The national supreme court left the city to Karlsruhe (West-Germany, FRG) and Berlin (GDR), the national library largely moved to Frankfurt am Main. Many national or regional headquarters of banks and publishing media also left Leipzig to the capitalist-democratic Western part of Germany (Frankfurt, Munich, Hamburg etc.). Leipzig managed to maintain its leading position in the printing media of the GDR, but of course the GDR market was much smaller than the former unitary German one, and it was under strict state censorship. The city's flagship, the trade fair (*Messe*) lost many potential visitors from Western Europe and had to reorient towards the Eastern European market. The trade fair claimed a prominent position in the socialist part of Europe: two times a year, the Leipzig fair was one of the most frequently visited events of its kind in Central and Eastern Europe. However, by hanging on to tradition too long, the *Messe* was already sowing the seeds of its own downfall, as we will see later. A similar story could be told about the machine, metal and textile industry of Plagwitz (Leipziger Blätter, 2000). The GDR regime prioritised the continuation of pre-war traditions and hardly invested in innovations. The region of Leipzig, Halle and Bitterfeld was destined to become the major industrial concentration of the GDR. A complex of machine and chemical industry together with large-scale mining produced a highly unpleasant, heavily polluted living environment. The lignite mining in particular changed the natural and cultural landscape of the Leipzig region drastically. The GDR regime wanted its energy supply to become as self-sufficient as possible and saw large-scale lignite mining as the easiest and cheapest way towards that goal (Berkner, 2000). It was no exception that complete villages were torn down because they happened to be situated in the middle of a coalfield. In fact, the end of the GDR regime has probably saved the outer areas of Leipzig from the same fate (Grimm, 1995). Under these circumstances, the fact that Leipzig lost a lot of inhabitants to West Germany and to other parts of the GDR hardly comes as a surprise. At the end of the GDR era, in 1989, the population had already shrunk to about 530,000 inhabitants (Doehler and Usbeck, 1996; see also Table 2).

Table 2. Area, population and population density of the city of Leipzig, 1797–2001.

Jahr	Area (km <sup>2</sup> )	Population	Density (inhabitants/km <sup>2</sup> )
1797	17.7	31,847	1,799
1850	17.7	63,824	3,606
1871	17.7	106,935	6,041
1900	58.5	456,156	8,798
1933	128.6	713,470	5,548
1950	141.1	617,574	4,377
1989	146.5	530,010	3,618
1998	179.8	437,101	2,432
2001	297.6	493,052	1,657

Source: Nuisssl and Rink (2003).

In terms of housing and urban design, Leipzig had to settle for a second-rank role. Most government building investments were reserved for the transformation of East Berlin to a worthy, representative socialist capital. In housing policy, new construction according to socialist building principles was strongly preferred above renovation. Urban renewal was postponed or cancelled due to lack of money, but even more due to lack of priority of the GDR regime. As in most socialist countries, especially the working-class neighbourhoods of the *Gründerzeit* were neglected as a bad memory of capitalist times (Häussermann, 1996; Lang and Tenz, 2003). Instead of renovating the huge working class areas adjacent to the city centre, new large-scale prefabricated high-rise areas were built at considerable distances of the city centre. In the 1970s and 1980s, this urban development policy produced amongst others Grünau, the largest GDR high-rise estate outside of Berlin. In the inner city, some monumental buildings fell victim to the negative attitude of the socialist regime towards the city's historical heritage. The best-known example is the Paulinerkirche, built in the 16<sup>th</sup> century and functioning as the main meeting place for university ceremonies. The church did not fit in the vision of a new university complex and was blown up in 1968 to make room for the new university buildings. Meanwhile, also the former upper-class housing areas, including several fine examples of *Jugendstil* architecture, were largely left to decay.

#### 1989–2003: From euphoria to depression- and back?

Leipzig was the city where the 'peaceful revolution' of autumn 1989 grew into a mass protest movement. It was the first city where many thousands of people challenged the GDR regime in street protests. Moreover, the concentration of social and economic problems in Leipzig and its region was huge, even for East German standards. Looking back, one might therefore say that the 'peaceful revolution' came just in time. The end of the socialist regime (1989) and German reunification (1990) seemed to offer opportunities to finally modernise the city's industry, to start large-scale renovation projects of the decayed housing stock and to reclaim Leipzig's old position in the German and European urban system. The huge amount of large construction and

renovation projects both resulted from and strengthened this optimistic view on the future of East Germany, and Leipzig was no exception to this rule. In the first half of the 1990s, major investments included the new trade fair complex at the northern city edge, the expansion of Leipzig-Halle airport, several new shopping centres around the city and the transformation of the central railway station into a multifunctional complex including the inner city's largest shopping centre (Grundmann *et al.*, 1996). Another striking development feature was the large number of suburban housing areas constructed around the city within only a few years. The political philosophy (if any) behind this was that the huge population flux out of the city since 1990 should be offered suburban housing opportunities in the Leipzig region as much as possible, so that at least the regional population would not decline too dramatically (Herfert and Röhl, 2001). The city's marketing slogan of those days, '*Leipzig kommt!*', clearly expressed the optimism of the local government, and many academics from economic and spatial sciences joined their optimism (Usbeck, 1996; Grundmann *et al.*, 1996; Grimm, 1995).

Towards the end of the 1990s, the disappointing reality became increasingly apparent. The switch from a socialist to a democratic-capitalist economy and society was much more complicated than expected. The trade fair, once the city's pride, had changed into an outdated institution with a hopelessly old-fashioned concept: two fairs a year at which all possible types of products were presented. Meanwhile, the trade fairs in the west like Hanover and Munich had shifted their focus towards branch-specialised fairs. The necessity to introduce branch-specialised fairs in Leipzig reduced the Leipzig fair to a marginal event. Even though the fair has made a rather spectacular comeback since it moved to its new location in 1996, it still has to accept a modest position in the national fair hierarchy. Another traditional pillar of the urban economy, the industrial complex of Plagwitz, was hit hard by plant closures and mass unemployment. No less than 75% of the local industry was closed down within only a few years after German reunification (Doehler and Usbeck, 1996). A 'spin-off' effect of small companies taking over parts of the state enterprise activities was hardly noticeable. Even the opening of the large new factories of Porsche and BMW at the northern city edge in 2002 and 2004 could only compensate for a fragment of the manufacturing jobs lost earlier. Outside of the city, most of the lignite mining sites were also closed down. Because of the huge environmental damage (landscape devastation, air pollution) and social costs (village evacuations), but also because of the poor energy value of brown coal, a continuation of large-scale soil excavations was considered unacceptable (Berkner, 2000).

Of course, the shift from a socialist plan-led to a capitalist economy also brought new employment opportunities. Many new jobs were created in retail, commerce, transport and communication (Table 3). However, these new jobs could only compensate a small part of the enormous loss of jobs in industrial production. Unemployment in Leipzig has been rather stable around 20% since the mid-1990s. This is a relatively favourable figure compared to other parts of

Table 3. Occupational structure of Leipzig, 1989, 1993 and 2002.

Branch group	1989		1993		2002	
	Jobs (x 1,000)	%	Jobs (x 1,000)	%	Jobs (x 1,000)	%
Trade, industry, construction	130.4	45.5	74.1	34.0	37.3	19.0
Retail, commerce, transport, communication	63.4	22.1	46.3	21.3	90.5	46.1
Other (mainly public services)	92.4	32.3	97.4	44.7	68.4	34.9
Total employed	286.4	100.0	217.8	100.0	196.2	100.0

Sources: Grimm (1995); Stadt Leipzig, (2003).

the GDR, but still much higher than the figures common in West Germany or most other EU countries. Initially, the city and national governments and investors were hoping to reach new markets in Central and Eastern Europe. Leipzig was one of many cities in Central Europe that aimed for a strategic position as a meeting point of West and East. The city hoped to benefit from its traditionally strong ties with the major cities of most Central-European countries. With competitors like Berlin, Prague, Warsaw, Vienna and Budapest (all national capitals), this hope was largely in vain.

Meanwhile, large parts of the housing stock were in need of repair or renovation. In many cases, demolition was the only reasonable solution. While the population declined rapidly, about 100,000 inhabitants in only 10 years (Herfert and Röhl, 2001), the vacancy rate grew just as rapidly. Nevertheless, private owners invested huge amounts of money in renovation in the early post-reunification years. The generous fiscal benefits and subsidies of the national government were a strong impetus for urban regeneration. However, new construction outside the cities was stimulated with fiscal incentives and subsidies as well. Especially in the early 1990s, under conditions of insufficient or even absent planning regulations, the urban fringe was the place to be for investors. It was much more attractive as a building site than the inner city. The policy principle of 'restitution before financial compensation' (*Rückgabe vor Entschädigung*) had an adverse effect on inner city renovation projects. While the historic inner-city buildings were often expropriated several times by different regimes in the 20<sup>th</sup> century, which led to several parties claiming the same buildings or plots, the urban fringe sites often did not have any restitution claims (Häussermann, 1996; Nuissl and Rink, 2003). The end result was an acceleration of out-migration from the city to the suburban areas and the countryside, while many renovated houses in the city remained empty despite their perfect state of maintenance after renovation. Stimulating sub-urbanisation therefore proved to be a policy failure that only increased the already too large housing stock in the region and the inner-city vacancy problems (Herfert and Röhl, 2001).

Initially, especially the working-class neighbourhoods of the *Gründerzeit* fell victim to large-scale vacancy. In some housing blocks of these historic city extensions, the vacancy rate could even reach up to 50% (Wiest, 1998), while the

city's average has in recent years only declined marginally and is still close to 20% (Dezernat Planung und Bau, 2000). Meanwhile, all parts of the city have to deal with vacancy problems, though some areas have a brighter future perspective than others. The neighbourhoods south and north-west of the city centre have considerably lower vacancy rates than the labour class areas east and west of the centre. The abundance of green space in and near the southern and north-western neighbourhoods makes them much more attractive than the sober, high-density built environments in the east and west. Not coincidentally, these areas had been the upper- and middle-class neighbourhoods before World War II and they seem to develop in this direction again. The newer extension areas, such as the socialist high-rise city of Grünau, face increasing vacancy problems. In most recent years, housing vacancies have even become a regional problem, as also the new suburban estates are far from fully occupied. The first signs of a small-scale return migration of disappointed suburbanites to the city can already be witnessed (Herfert, 2002), but this return flow can only solve a small part of the vacancy crisis. It took a large-scale annexation of neighbouring municipalities in 2000 to let Leipzig reclaim most of the suburbanites within its own municipal borders. This annexation brought the number of inhabitants of Leipzig back up to about 490,000 people, but it did not change the physical pattern of urban sprawl produced in the 1990s. One of Leipzig's main problems today is that its physical infrastructure of buildings, roads, public transport and public facilities was once designed for a much larger population. Under the present conditions of a shrinking population and economy, the physical structures of the city have actually become too large for its present population (Nuissl and Rink, 2003). Even though Leipzig could now be seen as a relatively stable city within a regional context of decline (Herfert, 2002), the long-term perspective is not growth back to the old population size, but at best stagnation and probably eventually further decline. One only needs to refer to the 'birth gap' directly after German reunification in East Germany and the effects of a low birth rate in Germany and Europe as a whole (Lutz *et al.*, 2003) to realise that the long-term future of the East German, and therewith the Leipzig population is not growth, but decline.

Under these conditions, Leipzig is probably best off with a realistic development policy aiming at modest economic

growth, creating enough employment opportunities to stabilise the urban population and prevent a new exodus to the West. The city government has to find its way between unnecessary pessimism and unreasonable optimism. At the start of the 21<sup>st</sup> century, first signs of a return to euphoric development expectations in policy and local society could be noticed. First, Leipzig celebrated the choice of BMW to build a large new assemblage factory at the northern edge of the city. This factory, opening in 2004, will offer about 5,000 jobs, to which an additional 5,000 jobs might be added in supplier firms. Second, Leipzig was very active at the event front. In spring and summer, one cultural festival follows the other. In addition, Leipzig is playing the sports event card. It already organised the largest national sports event, the *Turnfest*, in 2002, with about 100,000 participants. Leipzig also managed to become one of the cities where the soccer world championships of 2006 will take place. In 2004, an attempt to conquer the ultimate sports event, the Olympic Games, failed. One year earlier, Leipzig managed to beat four West-German cities to become the official German candidate for the Olympics of 2012. In May 2004, however, Leipzig did not survive the selection of five final candidates made by the IOC. The city's economy, infrastructure and future perspectives were considered to vulnerable to guarantee the financing and organisation of such a big event. Maybe the IOC's estimate of Leipzig's future development was more realistic than that of the city government. At least this decision was a serious reason for the city government to rethink Leipzig's future development strategy. The following section will discuss the matter of 'how to fight the shrinking city' and how to find the balance between city boosterism and catering for decline in more detail.

### Urban development strategies in Leipzig

The current urban development policies of Leipzig seem to aim in rather different and contradictory directions at first sight. Housing policy and spatial planning policy, after many years of rather large-scale construction of new suburban and city-edge developments, more recently shifted their focus towards stabilising the current population and adjusting the housing stock to the population size. Despite the fact that Leipzig has experienced the same decline in average household size as any other European city, the resulting additional housing need was far from enough to fill the vacant dwellings. As it looks now, many dwellings will stay empty for a long time, whether they are renovated or not. This is why the city of Leipzig has developed a strategy to adapt housing stock and infrastructure according to a 'shrinking city' model. In the *Stadtentwicklungsplan Wohnungsbau und Stadterneuerung* (urban development plan for housing construction and renovation; Dezernat Planung und Bau, 2000), demolition and restructuring dominate the scene. Parts of the housing stock that either became unliveable due to serious damage or neglect or for which there is too little demand will be torn down. These houses will most often not be replaced by new houses, but parks or squares. The city planners hope to make a virtue of necessity and turn the once densely built

neighbourhoods (especially those of the late 19<sup>th</sup> and early 20<sup>th</sup> century) into more attractive, greener environments. Most efforts and investments are being made in the two most problematic parts of the city: Plagwitz/Lindenau (*Leipziger Westen*) and the eastern working class areas (*Leipziger Osten*). While the restructuring of the *Leipziger Westen* is part of the EU URBAN programme, the restructuring of the *Leipziger Osten* got an important financial impetus out of the national competition *Stadtumbau Ost* ('urban restructuring East'; BVBW/BBR, 2003). In addition to the adjustments of the housing stock, stimulating owner-occupancy is seen as an important strategy to strengthen the ties between the city and its inhabitants. In 2000, only 11% of the dwellings were owner-occupied.

The *Stadtentwicklungsplan Wohnungsbau und Stadterneuerung* is not an overall urban development strategy, but part of a series of plans that together (should) form a comprehensive whole. Nevertheless, it is remarkable that not a single word is said about the main cause of population decline and the resulting housing vacancies, namely the lack of sufficient employment and career opportunities. The measures announced are merely creating a more attractive public space and a more attractive housing stock. Without a link to job-generating strategies, these measures will eventually not be enough to keep the working population in the city, let alone that they would attract many new inhabitants. The only link between the population and the local economy presented in the plan is the lack of clients and purchasing power for retailers, a problem for the working class neighbourhoods in particular. A public hearing on the 'shrinking city' problem and the strategies to solve it in June 2002 also almost exclusively focused on physical solutions like improvements of housing stock and public space (Meyer and Klatt, 2002). It is even more remarkable that even in the *Stadtentwicklungsplan gewerbliche Bauflächen* (urban development plan business areas; Dezernat Planung und Bau, 1999), only scarce attention is paid to strategies to generate new employment. The measures announced in this plan for business areas, again, are mostly physical. It is most of all a policy creating or improving the conditions and facilities to make Leipzig a more attractive business site. The plan stresses the restructuring of vacant and derelict industrial areas within the existing city perimeters. As the planners admit themselves, this will not be an easy task: the inner city industrial areas often suffer from bad traffic access, serious soil pollution and a negative image. The (heavy) industry that was once present there will never return and how to transform these areas into interesting sites for the commercial service sector is a question still to be answered.

It would not be fair, however, to put the Leipzig urban development policy in such a negative light. There are many policy initiatives to breathe new life into the urban and regional economy. On the one hand, the city government tries to build upon traditional specialisations. The clearest example, of course, is the *Messe*. Even though the Leipzig trade fair was in fact marginalized overnight after German reunification, the city government believed firmly in its recovery. Instead of modernising the existing *Messe* area, a

new complex of exhibition halls combined with conference facilities was opened at the northern city edge in 1996. Among the reasons for preferring a new location were the nearly perfect road and rail access at the northern city edge, the nearness to the Leipzig-Halle airport, and the possibilities to meet the increased quality standards for visitors and exhibitors. A second more or less continued tradition is the media industry. Leipzig successfully claimed the headquarters of the large regional broadcasting corporation MDR. Around the MDR headquarters, a media cluster (MediaCity) has emerged in recent years including several companies in digital media, advertising, broadcasting facilities and the like. This emerging media cluster could be seen as a revival of Leipzig's media tradition, even though in the past the focus was on other (printed) media (Bathelt, 2002).

On the other hand, various attempts to create new economic clusters could be witnessed recently. The most remarkable branch in this respect is the car industry. As mentioned before, BMW has recently opened its new car assemblage factory at the northern edge of Leipzig. In 2002, Porsche already opened a new factory near the current BMW construction site with about 400 employees. It should be said that the generous federal and state subsidies played a considerable role in BMW's decision; the Porsche management, on the other hand, claims that it did not ask for any subsidies. A second clustering initiative is in biotechnology. In the BioCity complex, opened in 2003, research institutes and private companies are located under one roof, which is supposed to lead to synergy effects. It remains to be seen if biotechnology is a branch with future potentials for Leipzig; so far, the start is modest with four small companies and an academic institution. Added to these clustering strategies, Leipzig has clearly discovered the potentials of events and tourism as job and money generators. As mentioned before, Leipzig has recently been rather successful in claiming major sports events. The city also tries to put itself on the map with its cultural traditions, mainly in classical music: the rich heritage of Johann Sebastian Bach, the Thomaner choir, and the Gewandhaus Orchestra. Spring and summer are full of all kinds of cultural festivals. The historic inner city has gradually been transformed into a shopper's paradise, attracting many visitors from the city's outer areas and the region, especially in the weekends. However, the construction of several new inner city shopping centres, together with the large malls at the city edge, have also contributed to a decline of retail in the 19<sup>th</sup>- and early 20<sup>th</sup>-century neighbourhoods around the inner city.

### Future perspectives

Even though Leipzig deserves merit for the way it confronts the reality of the shrinking or stagnating city, a coherent urban development strategy is still hard to find. There are a lot of plans, each dealing with parts of the problem, but they do not meet under the umbrella of a strategy that puts the pieces together. One could neither blame the current city government for failing to find the right solutions, nor for the way too optimistic judgments of their predecessors in

the early 1990s. Just like many other East German cities, Leipzig still has a serious image problem in West Germany, where most of the potential investors still come from. The actual situation of the city, though still problematic, is much better than West Germans are willing to believe. This too pessimistic view of most West Germans is largely still based on the city's situation of about ten years ago, before all major investments and the start of the urban renewal. The best that Leipzig seems to be able to claim so far are branch offices or plants of West German companies (BMW, Porsche) or second-rank government institutions (the East German branch of the German national library). Unfortunately, this rather modest result of image and marketing campaigns does not result in enough jobs to push the unemployment rate, still close to 20%, back to an acceptable level. The 'human capital' of the many thousands of university and art school students graduating each year is largely lost due to a lack of career perspectives in the city and the region. As long as the economic development of Leipzig, its region and the former GDR will stagnate, the problems of the shrinking city cannot be solved. Until this recovery comes, urban development policies should concentrate on how to limit the further loss of population to a minimum. Moreover, the politicians should value shrinkage or stagnation less negative, because it also offers chances that other (more crowded) cities do not have: space for innovative, creative milieus and sub-cultures, cheap rents for company start-ups, and the increase of green space to make the high-density neighbourhoods east of the city more attractive. Fortunately, first signs of a 'rethinking' of urban development policy in such directions are already visible.

Compared with most other East German cities, and with East Germany in general, Leipzig is actually doing relatively well. However, this relative success could easily be overstated. In 2003, the optimistic expectations of Leipzig's future of the early 1990s returned. The attempt to get the Olympics 2012 to Leipzig brought back a lot of large building projects into political discussion, which had been cancelled or forgotten before because of the city's weak financial situation. Maybe the failure of the Olympic campaign will now turn out to be a 'blessing in disguise', preventing the city from huge debt creation based on hypothetical thinking. The long-term future perspective of Leipzig would be much better served with strategies that stabilise the current population size and gradually increase employment opportunities, than with a return of overly optimistic growth scenarios.

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