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### Berlin: From divided into fragmented city

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## BERLIN: FROM DIVIDED INTO FRAGMENTED CITY

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### THE UNIQUENESS OF BERLIN

Berlin holds a unique position because its situation is quite unlike that of any other city within the Federal Republic of Germany. Until 1990, the city was divided into two: the West, which belonged to the political system of the Federal Republic of Germany; and the East which served as the capital of the German Democratic Republic (GDR). In 1990, Berlin became the capital of a reunited Germany. Since then, a tremendous change in the economic and political sphere, as well as in housing and the social structures of the districts can be observed. Furthermore, the social composition of the neighbourhoods has undergone a transformation as a result of recent migratory movements in and out of the city.

In the year 2000, the City of Berlin has 3.31 million inhabitants, living in an area of 889 square-kilometres, with 63 per cent of them in the West of the city. Berlin is one of 16 Bundeslander in Germany with twelve districts in the West and eleven in the East. Following the radical political collapse of the GDR in 1989 and the reunification of both cities in 1990, there has been continuous economic, social and spatial transformation affecting both parts of the city. The eastern half is, however, harder hit, in that virtually all conditions for urban development have changed: redistribution of property, new planning laws, new players, new investors (private investors, the federal government, the federal state, the borough administrations and citizen interest groups), and new planning concepts: the old quarters which were largely neglected or cleared near the Wall during GDR times, now lie at the heart of the city's

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reconstruction and modernisation. Furthermore, the city centre in the former East is partly under redevelopment.

The present transformation in East Berlin can be described by the label “marketisation” which is the opposite of its development for 40 years between 1949 and 1989, “demarketising” or “decommodification”, are the terms which come closest to describing the basic transformation undergone during the transition from capitalism to socialism. East Berlin’s development can only be described to a certain extent as that of a “socialist city”, since the “Capital of the GDR” was erected on the soil and structures of the old city, and so those structures were made up of both old capitalist and new socialist structures. The demarketising process was guided by centralist planning, which on the one hand aimed at a representative city form and yet for the prerequisites of a “socialist way of life” on the other. Then private ownership and a market economy were reintroduced, leading to radically different control over the city. Areas are now being re-evaluated. The labour market was also deeply affected by the political change of 1989: the East is now witnessing extreme job losses (in industry and public administration) and increasing numbers of industrial areas are becoming derelict.

For the time being, the changes in West Berlin also mean a re-evaluation of land, which will produce new use patterns in the medium term. Land prices bounded upwards immediately after the unification, along with rents in the new rent agreements. Following the decision to make Berlin the seat of the federal government again, a boom exploded in the West in real estate investment, mainly speculating on the city’s new functions. At the same time, structural economic change took place, and soon compensated for changes in the city economy that the West Berlin had experienced in the last 20 years. The West is also suffering from the new financial basis of urban policies, since all the subsidies that were supporting its role as the “Outpost of the Free World” during the Cold War period rapidly disappeared. The loss of subsidies for industry and public administration resulted in the loss of many jobs and led to even higher unemployment rates in the West of the city.

The following discussion of transformation and globalisation processes in Berlin, outlines, first, the starting point of both halves of the city, and, second, an analysis of the city’s position in the global and regional system. A third section deals with the economic transformation and changes in the built environment, especially in property distribution, restitution of private property and the ways in which new players became active in urban development. The fourth section focuses on the spatial structure and transformation, and, presents research results on aspects of social and ethnic segregation, new mobility

structures and the social transformation of the districts. The last section, deals with the question of how best to manage the transformation and what the international position of Berlin in the cities network will be in the future.

## HERITAGES

During 40 years of division, both halves of the city had to fulfil all the functions of a capital city: West Berlin had almost 2 million inhabitants, East Berlin some 1.5 million. The city centre belonged to the East after the division, which for the West meant re-locating the central establishments of a city government and creating a new Central Business District (see Heineberg, 1979).

### **East Berlin**

The old centre of the capital of the German Reich formed the territory on which buildings for the new socialist capital could be erected. The fundamental design of the new city centre was a demonstration of political power over the market values for urban land. Land was no longer a commodity. Thus, new plans for the city were realised, and new streets and buildings constructed, whose dominance was designed to mark the victory of socialism.

The centre resumed its function with state political and economical administration, as well as high-grade commercial establishments. The more centralised an establishment was, the more important and symbolic its location in the city. Unlike the tendency in capitalist cities to displace residential use from the centre and adjacent quarters by expanding tertiary uses, flats in the socialist city were indeed built on purpose in the centre and surrounding districts. Of course, the new, centrally located flats were reserved for top officials only.

While construction investment was channelled into major, representative political and economic buildings and as flats were being built in residential quarters in certain inner-city areas (and especially on the periphery of the city) the old quarters were left to decay. Building grand new areas while neglecting old quarters is a characteristic of socialist urban policy. Suburbanisation by means of single-family housing - as was and still is typical in Western cities - did not occur in the socialist city, since modern, compact, high-rise estates were built on the periphery. As a result of this type of urban expansion, the previous high density in inner city districts fell from 179 inhabitants per hectare in 1950 to 111 by 1988. On the other hand, population density in outer

boroughs rose from 17 to 20 per hectare, reaching 43 per hectare in the newly constructed estates.

### **West Berlin**

West Berlin lost all its political functions after World War II and could not gain major importance in the Federal Republic of Germany since it was only an associate member. Furthermore, a new city had to be developed in the West after the division, yet the West Berlin structure was deliberately made or kept decentralised. New city functions sprung up around the Zoo station area and Kurfuerstendamm. But the city structure still lacked a distinct centre. Reconstruction of the city's master plan after the severe damage in World War II adhered quite closely to the original. There were actually some changes made to street networks and building structures in the redevelopments of the 1960s, but the switch to careful renewal through the redevelopment and modernisation of old buildings was not made until the 1980s.

As expected, suburbanisation did not occur in West Berlin as it did in other cities of the West, since by 1961 it was encircled by the Wall. Furthermore, there were very few private investments and nearly all investments in housing were subsidised by the state. The construction of flats in the West also took the form of compact, new housing estates built on open space in the periphery. Housing estates in the dispersed city form - which is so typical of modern urban development - was not the typical form of suburbanisation in Berlin. Today therefore, the extensive city of Berlin is confined by a relatively clear city boundary surrounded by sparsely populated land. Since the reunification, however, suburbanisation in the form of single-family housing has begun.

## THE BERLIN-BRANDENBURG REGION

Berlin is a city-state and thus it is a municipality and one of the 16 Bundeslander of the Federal Republic of Germany. This is important for policy-making because policy strategies can be formulated on the State level much better than in a municipality. Berlin formulates its own programs for labour market, housing, education and so on. The 23 districts of the city are only local administrative units without municipal rights.

With its 3.36 million inhabitants, Berlin is the largest city in Germany and exceeds the population of the two next largest cities, Munich and Hamburg, put together. As a state its turnover is small in size compared to other Bundeslander. After unification, efforts were made to merge with the surrounding state of

Brandenburg. The state of Brandenburg is not very densely populated and with its 2.54 million inhabitants (1995), is smaller than Berlin. The merging of the two states was expected to reduce administrative costs and to reduce local competition to help to formulate common planning strategies. Especially because of suburbanisation of people and industries Berlin wanted to get back the taxes from those who left the city.

**FIGURE 1**

*Berlin and surrounding municipalities in the State of Brandenburg*



At the beginning of the 1990s experts expected immense growth of the Berlin-Brandenburg region. The city was forecast to expand population from 3.4 to 3.8 million while the surrounding municipalities of Berlin in the Brandenburg state were expected to increase from 0.9 to 1.9 million inhabitants by 2010 (von Einem, 1991, p. 60). All in all this would mean a total population of the Berlin agglomeration of 5.7 million inhabitants by 2010. Another prediction expected only 4.9 million inhabitants, though this still represented an increase in population.

Population began to increase again after 1985 (Table 1) in West Berlin long after a steady decline from 1961 when the Wall was built. In East Berlin, by contrast, population was constantly rising after 1961. However, the population began to decline after 1993 in both parts of the city as a result of suburbanisation in the neighbouring areas of Brandenburg (see Table 1).

**TABLE 1**  
*Population in the Berlin-Brandenburg Region*

	Berlin	West Berlin	East Berlin	Surrounding municipalities in Brandenburg	Berlin-Brandenburg Region
1980	3.211.991	2.059.462	1.152.529	798.108 <sup>1</sup>	4.010.099
1985	3.243.469	2.027.883	1.215.586	805.489	4.048.958
1991	3.443.575	2.164.131	1.279.444	779.925	4.223.500
1993	3.461.421	2.170.411	1.291.010	780.525	4.241.946
1995	3.446.039	2.156.943	1.289.096	806.386	4.252.425
1998	3.358.235	2.103.190	1.255.045	887.433	4.245.668
2000	3.331.232	2.083.533	1.247.699	934.010	4.269.242

1. Figure of 1981.

Source: Statistisches Landesamt Berlin. Landesamt fuer Datenverarbeitung und Statistik Brandenburg.

Other migration flows are of minor importance for Berlin. Like most other European cities Berlin loses inhabitants by natural decrease. There are more deaths than births amongst urban populations and stable numbers of inhabitants are only possible through migration (see Table 2). In the beginning of the 1990s immense movements from other areas of Germany to Berlin were expected because of the relocation of government functions there. But this did not actually happen. In fact, 188,000 persons came from outside the Berlin region to Berlin, but only 35,000 of them from other parts of Germany. The figures show that since 1998 there was an enormous increase of migrants from other parts of Germany to Berlin, but this is partly a statistical artefact. Due to a new tax on residents who have to pay their income tax in another city, most of these “second-residents” decided to change their official residence to Berlin.

Migration into Berlin mostly comprises foreigners who came from Eastern European countries during the 1990s, including Russia, Kazakhstan, Poland, and countries of the former Yugoslavia. The number of migrant population in Berlin is increasing, as a result of migration and higher natural increase. The

**TABLE 2**  
*Migration to and from Berlin 1991-2000*

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	1991- 2000
Migration balance with surrounding municipalities	158	-787	-3.938	-9.752	-14.522	-18.884	-28.471	-29.874	-25.246	-18.857	-150.173
Migration balance with rest of Germany	823	-1.436	-3.031	1.356	2.304	103	1.305	8.953	12.021	13.037	35.435
Migration balance with foreign countries	24.447	34.277	29.162	17.248	22.224	14.265	-962	-404	6.210	4.962	151.429
Sum of net migration	25.428	32.054	22.193	8.852	10.006	-4.516	-28.128	-21.325	-7.015	-858	36.691
Net migration per 1000 persons	7.4	9.3	6.4	2.6	2.9	-1.3	-8.3	-6.4	-2.1	-0.3	-11.0
Population	3.443.575	3.456.891	3.461.421	3.452.284	3.446.039	3.428.644	3.387.901	3.358.235	3.340.889	3.331.232	-112.343

Source: Statistisches Landesamt Berlin.



number of non-Germans – according to citizenship – is stable, because naturalisation among non-Germans became more and more accepted between both the migrant and the German population. Their number is 435,000 in 2000 or 13.1 per cent of the population, being 17.4 per cent in West Berlin and 5.7 per cent in East Berlin. While the old migrant groups settled in the West before 1990 and have stayed there since, new migrants settle in both halves of the city so that the share of migrants is increasing now also in the East. However, numbers of migrants continue to be relatively small in the East, and ethnic communities like the Turkish in Kreuzberg (in the West) have yet to develop.

### THE ECONOMIC TRANSFORMATION

1990 was the year of big expectations for the growth and development of Berlin. The decision to proclaim it the new capital of the united Germany was expected to produce an enormous increase in population and employment. But things turned out to be very different and in the 1990s Berlin experienced a decrease in population, labour force and employment followed by a rise in unemployment and poverty.

The labour force decreased from 1.88 million in 1991 to 1.77 million in 2000. Employment declined from 1.69 million in 1991 to 1.47 million in 2000 (see Table 3). This trend already indicates the growing economic crisis in Berlin after unification. In East Berlin, the decrease in employment was 9 per cent between 1991 and 2000, the collapse occurring especially between 1990 and 1992 and stabilising in the following years. It would have been even more extreme if there had not been a possibility for East Berliners to commute to work in West Berlin. In 1998 one third of the employed persons of the East commuted to West Berlin. Correspondingly, the decrease in employment in West Berlin may be described as a process that occurred especially after 1995 with a loss of 15 per cent of jobs between 1995 and 1998. These trends were present in all the individual districts, but job decline was considerably higher in the inner-city districts of West-Berlin, e.g. in Neukoelln the number of jobs declined by 22 per cent from 1991 to 1998.

One may definitely speak of a general decrease in employment, but a closer look shows divergent patterns of development in different economic sectors. In fact, the loss of jobs is concentrated in several sectors and branches. Data on employment by economic sector are available concerning those who are registered as “liable for social security”. Their number declined from 1.38 million in 1992 to 1.16 million in 1997 (see Table 4). In contrast to the figures mentioned above (Table 3) this data does not include most of the part-time

**TABLE 3**  
*Labour force and employment in Berlin*

	Berlin		West-Berlin		East-Berlin	
Employed persons						
	in 000s	as % of labour force	in 000s	as % of labour force	in 000s	as % of labour force
1991	1.690	89,6	1.028	90,3	662	88,5
1994	1.610	85,7	994	86,3	617	84,9
1997	1.531	83,6	926	83,6	605	83,6
2000	1.472	83,1	871	82,4	601	84,2
1991=100	87,1		84,7		90,8	

Source: Micro-Census Berlin 1991–2000.

jobs, self-employment and civil service. Due to suburbanisation, a slight decrease in the economically active population accompanies the reduction of employment. The decrease between 1992 and 1997 is particularly noticeable in the manufacturing industries, where more than one third of the 270,000 jobs have disappeared. However, in East Berlin about 80 per cent of the jobs were eliminated already before 1992 with steep declines both in manufacturing and public administration (with the loss of the GDR capital city function).

A similar decline in employment can be observed in nearly all other economic sectors. Only the services with a diverse range of blue and white-collar jobs have gained employment between 1992 and 1997, both in East and West Berlin. Figures 2 and 3 illustrate the extreme loss of jobs in the production industries in both parts of the city and the growing importance of the service industries where the main expanding branches are consultancy, cleaning and security services (Kraetke, 1999).

To explain the phenomenon of the sharp decrease in manufacturing in both parts of the city, one has to consider the different political and social preconditions in East- and West Berlin. In West Berlin, before the unification manufacturing used to rely heavily upon public subsidies. After 1990, however, when the public subsidies were stopped, the sector lost its competitiveness. The situation of East Berlin's manufacturing, on the other hand, was determined by a radical structural change caused by the transformation from a centrally managed socialist to a capitalist free-market economy.

As a consequence of the ongoing reduction in jobs, unemployment increased continuously during the 1990s (see Figures 2 and 3). In West Berlin,

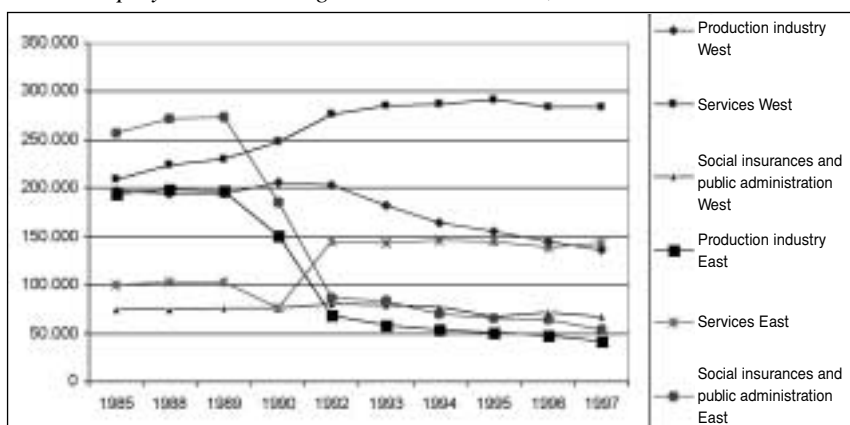
**TABLE 4***Employed persons liable to social security by economic sector (Berlin)*

		Employed persons liable to social security (in 000s)						
Year	Total	Production, industry <sup>1</sup>	Building industry	Trade	Transport and communication	Credit institutes and insurance companies	Services	Public administration <sup>2</sup>
1992	1.378	301	113	170	112	43	421	218
1994	1.294	248	118	153	100	43	434	198
1997	1.162	205	103	137	79	42	427	169

1. Including agriculture, forestry energy industry and mining industry.

2. Including social insurances and non-profit organizations.

Source: Statistisches Landesamt Berlin.

**FIGURE 2***Employment according to economic sectors, East and West Berlin*

Source: Landesarbeitsamt Berlin-Brandenburg 1991-1998.

however a rise of unemployment already occurred between 1980 and 1983, from 4.3 per cent to 10.4 per cent, and then stabilised until 1990. Economic activities and investments in the unification period somewhat reduced the unemployment-rate to 9.4 per cent in 1990/91. However, this short-term decline has been followed by a continuous rise in unemployment in West Berlin in the 1990s, the latest available figure being a rate of 17.9 per cent in

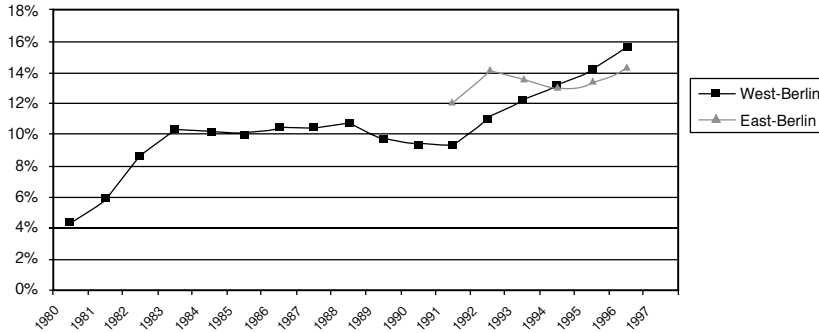
June 1997. In East Berlin, unemployment rose from 12.2 per cent in 1991 to 14.3 per cent in 1992, hovered between 13.0 per cent and 14.4 per cent until 1996, and then increased to 16.5 per cent in June 1997. Between 1994 and 1997, a higher unemployment-rate was observable in the West than in the East, but since 1997 no separate figures for East and West Berlin are available. The 1999-unemployment-rate for Berlin as a whole is 17.6 per cent. This is considerably higher than the average-rate for Germany and the rates for the West Bundeslander.

As a consequence of the decreasing number of jobs, access to the labour market gets more difficult for the unemployed and the new migrant groups from abroad. Thus the number and proportion of long-term-unemployed (more than one year) grows constantly: in 1991 it was 27.9 per cent of the unemployed, in 1999 34.1 per cent. Long-term unemployment is more serious in the West districts, where it grew from 34.6 per cent in 1995 to 38.5 per cent of the unemployed in 1998. In the Eastern districts it was 19.6 per cent in 1995 and increased to 26.2 per cent in 1998. The structure of unemployed according to gender is also different in the two parts of the city. Since 1994 the redundancies in the manufacturing industry have been increasing, so the majority of unemployed in Berlin are male (56 per cent in 1998), especially in the inner-city districts of West Berlin. However in the new districts of East Berlin (e.g. Marzahn), more women are unemployed than men. This can be explained by the higher labour-market participation of women in the former GDR, which now results in higher unemployment in East Berlin. The major groups affected by unemployment are unskilled workers, young people, people over 50 years old and migrants. Those who combine two or three of these characteristics are unemployed to a much higher extent, e.g. young unskilled migrants.

#### WILL BERLIN BECOME A METROPOLIS AGAIN?

The term metropolis must be understood as the heart of a network of cities, the dominant centre of a region. For a city to be a true metropolis, the centres of different functional areas must overlap: it must be not only the political centre but also the economic and cultural centre of the country. Then and only then does it make sense to call a city a metropolis. Prior to World War II, Berlin was doubtless such a metropolis, although this did not mean that other German cities such as Hamburg, Leipzig, Frankfurt and Munich were on the level of provincial cities in the way that was true for every large city in France or England outside Paris or London.

**FIGURE 3**  
*Unemployment rate in East and West Berlin, 1980-1997*



Source: Landesarbeitsamt Berlin-Brandenburg 1991-1998.

To answer this question, it is necessary to provide a historical overview, followed by an assessment of the developments in the service sector during the last 10 years, to assess where Berlin stands today compared with other service industry centres, and to analyse potential fields of growth that may occur in the city. Despite powerful tendencies in the direction of spatial decentralisation and suburbanisation of economic activities, high-level service functions in the world's large cities are still concentrated in central locations. Ideas about the future function of the city within the German and European city system are thus closely linked to the perspectives for the old and new centre of Berlin. In the 1920s and 1930s, the district Mitte was the expression of Berlin's economic vitality, and even today, economic rebuilding is concentrated around symbolic sites such as Friedrichstrasse and Potsdamer Platz. Because of this, the question of where in Berlin the spatial crystallisation points for the service sector were, are and could be will also be discussed here<sup>1</sup>.

### Historical overview

An indicator for the great economic importance of Berlin in the pre-war period is the city's share of total employment in Germany. In 1939, more than 10 per cent of all employed persons in Germany worked in Berlin (see Table 5). The

1. This chapter is drawn from Martin Gornig and Hartmut Haeussermann, "Berlin: Economic and Spatial Change", *European and Regional Studies*, 9 (4), pp. 331-341.

**TABLE 5**  
*Berlin's share of total employment in Germany<sup>1</sup> 1939 to 1989*

	1939	1961	1989
	Share in percent		
Industry	8.7	4.7	3.8
Trade and transport	10.6	5.5	5.3
Service enterprises	15.9	8.3	5.0
Government and organisations	16.5	7.7	7.1
Total	10.3	5.6	5.0

1. Current city area.

Sources: Workplace censuses, employee surveys, national accounts of the Federal States, authors' calculations and estimates.

city even accounted for 9 per cent of all German manufacturing jobs, with large electrical and machinery companies such as Siemens, AEG, Osram and Borsig contributing significantly to the city's economic clout. An 11 per cent share in the fields of trade and transport was largely a result of the big department stores and the headquarters of federal infrastructure companies such as the national railway company (Reichsbahn), the postal service (Reichspost) and the airline (Lufthansa).

Berlin's role as a metropolis in that period is most clearly visible in the sphere of private service enterprises. The city was the German centre for banks, insurance companies, publishers and cultural institutions. Looking at the development of the culture industry, which at that time was in its germinal stage, Berlin was in fact a European metropolis. It was the centre of the glittering, glamorous world of film, radio and television – more than any other city in the world at that time. This high concentration of services is reflected in the employment rate as well: 16 per cent of all persons in Germany employed in the service sector were employed in Berlin. This was nearly as high as the share of government and public organisations, where 16.5 per cent of all jobs were in the capital city.

When examining the spatial distribution of private and public services in the city at that time, it is particularly striking that they were highly concentrated in a relatively small area. The business life of the city was in the immediate vicinity of the government offices, which were located on Wilhelmstrasse – the German Downing Street – in the baroque quarter known as Friedrichstadt between Friedrichstrasse station and Leipziger Strasse.

Because of this proximity of business and government, the area became known as “the city” during this period. There were different quarters within Friedrichstadt: the hotel quarter was north of the street Unter den Linden; the banking quarter was on Franzoesische Strasse and the streets Unter den Linden/Behrenstrasse; the insurance companies were clustered around Mohrenstrasse south of the banking quarter; the fashion/designer clothing quarter had established itself around the plaza Hausvogteiplatz; and south of Leipziger Strasse, a new quarter was emerging with offshoots reaching into the newspaper quarters and the new film quarter. This “mixed use” in Friedrichstadt was complemented by the University, elegant shops and department stores, bars, cafés, operas, revue theatres, cabarets and so on. Thus, at any given time of day, different functions dominated within the same space.

It is well known that the Nazis wanted to make Berlin the centre from which they would dominate the world, and that because of this, Berlin soon lost most of what it had possessed before. After the end of World War II, the city was divided into four zones among the four allied powers occupying it, and was placed under international law. The banks moved to Frankfurt on Main, most insurance companies relocated to Munich, and both Hamburg and Munich became the media centres of West Germany. The large industrial companies left Berlin as well and greatly contributed to the development of Munich and Stuttgart as modern industrial centres. Not least in importance, the political leadership of West Germany was taken over by the region Bonn/Cologne. East Berlin, on the other hand, was the capital of the GDR, but suffered severe population losses. In 1961, the year in which the Berlin Wall was built, the city’s share of total employment in Germany was only 5.6 per cent, about half of the 1939 level.

The decline in the economic importance of Berlin continued until the phase immediately preceding German reunification. In 1989 Berlin’s share of total employment was only around 5 per cent. This decline is particularly conspicuous when looking at the development of West Berlin, which lost almost all of its supra-regional economic importance. The only exceptions were the cultural sector, which received large federal subsidies, and also the heavily subsidised industrial sector, which elsewhere had long since moved outside other large cities. The share of unqualified employees in West Berlin was three times higher than in comparable regions. In West Berlin, the main employer was the city administration, which received 50 per cent of its funding from West German taxpayers.

East Berlin, by contrast, had been transformed into the absolutely dominant metropolis of the GDR at the expense of the Saxon cities of Dresden and

Leipzig. In 1989, one-third of the employed persons in the GDR who could be identified as working in the service sector were concentrated in East Berlin. However, because the process of tertiarisation – that is, the increase in the importance of services vis-à-vis the production of goods – turned out to be much higher in West Germany than in the GDR but for the most part left West Berlin behind, the city completely lost its special function in the area of service enterprises. This area's share of total employment in 1989 was, at 5 per cent, close to the average of all sectors, but two-thirds lower than in 1939. Only in the fields of government and public organisations, with an employment share of 7 per cent for both East and West Germany, could one speak of a functional surplus – and this was reached thanks to Berlin's role as outpost of the West and as capital of the GDR.

The loss of economic importance was also conspicuous when looking at the cityscape (see also Heineberg 1979). The vital space of downtown in the pre-war metropolis became, through its division, a border zone. In the East, large parts of Friedrichstadt were abandoned following the 17 June 1953 demonstrations due to its "dangerous" proximity to West Berlin. Shortly thereafter, both the Potsdamer and Leipziger Platz became border zones and the quarter around Leipziger Strasse was torn down. The GDR built a new centre further to the east. Marx-Engels Platz was designed to be the centre of political power, while Alexanderplatz, with a large department store, a high-rise hotel, representative offices of the nationalised industrial complexes and pedestrian zones, was to be a consumer and communications centre. Between these two prominent points, a large open space was created, and the television tower (Fernsehturm) was placed in its centre. During the GDR period, the historical remains of medieval Berlin were almost completely wiped out and Friedrichstadt was largely emptied. In the western part of the city, on the other hand, the area around the tree-lined avenue Kurfuerstendamm was developed into the centre because it had historically been a central entertainment and shopping quarter. The new downtown grew up around the Gedächtniskirche (Memorial Church) and the intersection of Joachimstaler Strasse and Kurfuerstendamm, although this area never had the multifunctional network that is typical of city centres. It could not have such a network: aside from small regional branches of banks, insurance companies and publishing houses, there were no more supra-regional services left in West Berlin.

#### DEVELOPMENT AFTER REUNIFICATION

Immediately after the reunification of Germany and of Berlin, experts all over the world assessed the economic perspectives for development of the city to be



extremely positive. Whether in politics, science or real estate, there were almost euphoric expectations of growth based above all on a foreseen expansion of services in Berlin. Thus, forecasts from the early 1990s predicted growth in employment of the order of more than 200,000 new jobs by the year 2000. These high expectations of growth are manifested particularly in the numerous new building projects – especially in offices, not only downtown, where a “new age of expansion” on Friedrichstrasse was being spoken of, but also on the outskirts and in former industrial areas. Examples of the latter are the AEG (Nixdorf) factory grounds in Wedding, the old Borsig grounds in Tegel, or the redefined use of the industrial grounds in Oberschoeneweide and near the Oberbaum Bridge – once extensive production areas for electronic devices, light bulbs, machines and other such products which have now become spaces for services and contain offices, loft apartments and small businesses or cultural establishments. The grounds of the AEW (ElektroApparateWerke) in Treptower Park are a prototype of this development. For numerous decades, switches, manometers, and instruments were produced in an attractive turn-of-the-century brick building. Today, this is the site of Berlin’s largest office building, Allianz Insurance, which was designed to partially integrate the original building. Two further office buildings – the Twin Towers – are located near there on the extensive industrial grounds.

Actual economic development after 1989 looks quite different, however, and initially contradicts the forecasts on all fronts: total employment did not increase, but rather, the number of jobs sank yearly. The economic development in Berlin – like that in Germany as a whole – can be divided into two different phases. The first phase was defined by a severe disparity between development in East and West Germany; the changes in employment associated with this lasted from 1989 to 1992. With the political and economic collapse of the GDR, East Berlin lost its leadership role in politics, the party and the economy. By 1992, nearly 40 per cent of jobs had been lost. This is much more than in other areas of the former GDR, even though employment fell by almost 30 per cent in some of the new federal states (NFS). In the former West Berlin, 1989 brought a phase of economic boom to the city. Because of the high demand from the “accession area” GDR, employment figures especially in trade and services skyrocketed. Berlin had retrieved its function as the centre in relation to the outlying suburban areas through the fall of the Berlin Wall. In only three years, from 1989 to 1992, employment grew by nearly 15 per cent. In the old federal states (OFS) this growth rate was, with less than 7 per cent, not even half as high during the so-called “boom years”.

**TABLE 6**  
*Berlin's share of employment in Germany 1989 to 1997*

	1989	1992	1997
	Share in percent		
Industry	3.8	3.2	2.8
Trade and transport	5.3	4.8	4.0
Service enterprises	5.0	5.6	5.5
Government and organisations	7.1	5.9	5.7
Total	5.0	4.6	4.3

Sources: National accounts of the Federal States, authors' calculations and estimates.

Since 1993, employment developments in West and East Berlin were increasingly aligned with one another. In both halves of the city, a single negative development can be observed up to 1997, which at the end of the period was again marked by higher losses in employment. Once again, from 1993 to 1997, nearly 15 per cent of jobs were lost. In West Berlin, the decline amounts to a total of little more than 8 per cent – which corresponds to about half of the gain in jobs between 1989 and 1992. The reduction of employment in East Berlin is still high compared to that in the new federal states, and West Berlin also remains well behind the progress being made in the other old federal states. The years 1996 and 1997 show that West Berlin's economic ties with the economic development in the West were severed because of the loss of large segments of industry.

In sum, Berlin's economic weight within Germany has further declined in relation to the situation prevailing prior to reunification (see Table 6). Berlin's share of total employment shrank from 5.0 per cent (1989) to 4.6 per cent (1992) and further to 4.3 per cent (1997). The decline is particularly severe in the manufacturing, crafts and construction. Here, the positive effects of the construction boom in Berlin were more than overcompensated by the negative effects of the slump in industry. Large parts of West Berlin's industry cut back production in the wake of the new federal policy of subsidy reduction. Others used the opportunity presented by the opening of the borders to move production into the outlying areas. In East Berlin, only a few businesses or parts of businesses managed to make the leap out of technologically obsolete GDR industry and into the market economy. New industry rarely came to the city – especially because a severe recession had begun in West Germany.

In the area of government and organisations, Berlin's share is also on the decline. This is above all an expression of the "liquidation" of the party and state apparatus of the GDR, which was particularly labour-intensive, but it is also a result of the increasing financial problems of the city-state Berlin, which today has to fund its own budget largely single-handedly. The western part of the city is no longer the showplace and eastern outpost of the Federal Republic of Germany. Accordingly, less tax funds flow from the national government to the Berlin senate now than before 1990. This, too, has led to reductions in public spending.

The boosted development in the area of supra-regionally orientated services described here has perceptibly improved the potential for future development. Even the simple increase in number of supra-regionally orientated service enterprises provided more opportunities for internal networking and training of specialists: Berlin gained agglomeration power. However, one must also recognise that with the end of the boom resulting from reunification, Berlin is now entering more and more into "normal" competition with other service industry centres. In a national framework, cities in the West of the Republic particularly appear as competitors. These are the cities, which had taken over the central functions from Berlin after 1945 and expanded them successfully. In the area of administrative functions, the decision to move parliament and the government prepared the way for Berlin; today, the city is once again the centre for high-level national functions of the government and the parties. The economic organisations, too, are now returning to Berlin. The Association of German Chambers of Industry and Commerce (DIHT) and the Confederation of German Employers' Federations (BDA), for example, have moved into elegant quarters with a close spatial relationship with the government.

There is no question that in the German parliamentary democracy, economic associations play an important role. The real decision-making power, however, rests with businesses, especially in the current age of globalisation. Thus, in Berlin's economy, the economic associations have only minor significance. With regard to the economic functions that were at least as important as government functions in defining Berlin's position in pre-war times, the perspectives for the future are still largely open – if not vague.

In a system of increasing international networking and decentralised organisation, Berlin cannot and will not be the pre-eminent centre of supra-regional services that it was before World War II. Thus, Berlin will not become again the metropolis of Germany. Nevertheless, Berlin is the largest German city and has a higher population density in its inner-city districts than any other city in Germany. The added value of such a large city lies in its unique quality

of encouraging and cultivating diversity and eccentricity – a process that is almost “natural” in such a large group of people, with their various lifestyles and cultures. The great theoretician of cities and cultural philosopher Georg Simmel recognised this at the beginning of this century. The heterogeneity and diversity of a large city is fertile ground for economic and cultural innovations. Berlin must, however, be prepared to allow variety and to make spaces available within the city where the synergy of economic, cultural and social tensions – in a positive sense – can be lived out and utilised. And where would that be more possible than in the city centre?

Despite – or perhaps because of – the emptying of the city centre carried out by socialist city planners, the opportunity now exists to allow not merely a mono-functional office district to develop, but rather a heterogeneous space containing residential functions, culture, shopping, entertainment and tertiary services in a lively mixture that does not bear the stamp of state planning. Newly-erected building complexes such as those at Potsdamer Platz or around Hackescher Markt give a glimpse of how the downtown of the 1990s could differ from that of the 1960s and 1970s: its texture is defined not simply by office buildings, but by residential areas, entertainment establishments and shopping areas, along with services with a supra-regional orientation.

The projects that have been carried out or finalised thus far are only a beginning. The decisive factor will be whether other key locations – such as Alexanderplatz or Leipziger Strasse – will create potential for an even greater mixture of uses. Planning along these lines has already taken place. Especially the Berlin Senate’s “Project Downtown” (“Planwerk Innenstadt”) will create new possibilities through changes to the public space and elimination of urban wasteland areas. The “Project” is intended to undo or repair deadly modern interventions for the sake of urban vitality, but without tearing down buildings. The destruction of street space through widening of city streets to near freeway dimensions is to be stopped, and instead, streets will be reconstructed. On the property reclaimed by this project, new buildings will be built containing both residential and tertiary uses.

In the Mitte district, a truly “postmodern mix” of functions could develop, based on the advantages of spatial proximity that no other city has to offer. This “creative mixture” could become a crystallisation point for Berlin’s future development as a competitive service metropolis within a network of national and international centres.

## BUILT ENVIRONMENT

### Housing

Berlin has 1.8 million dwellings, 62.4 per cent of them are in the West, 37.6 per cent in the East. The inner-city area consists of old houses - most of them with 4 or 5 floors - that were built between 1860 and 1914. Indeed 28.5 per cent of all dwellings had been built before 1918, and another 16 per cent in the interwar period. Half of the dwellings were built in the period of division, in East most of them in prefabricated manner, another 6.5 per cent in the 1990s.

Traditionally, Berlin is a city with a proportionately very large rental sector, mainly flats; by contrast the number of owner-occupied flats is reduced. Very little individual housing existed in East Berlin, before 1990. In West Berlin, according to the Census, 11 per cent of the flats were owner-occupied in 1987; by 1993, the rate had risen to 12.5 per cent, whereas in East Berlin, it is still only 5.5 per cent (BMRBS 1995). Thus, the Berlin housing market may be described as a tenant's market with a strong tendency towards privatisation. This trend can be seen in all segments of the housing stock: old (pre war) houses as well as prefabricated houses constructed under the socialist regime, communal housing stock as well as the newly developed private-housing areas. It should also be noted that, during the 1990s, the pre-war-housing stock in East Berlin was restituted to the former owners, which usually resulted in re-selling to private profit-orientated housing companies and developers.

Despite this the share of public housing stock in Berlin is still very high compared to other German cities, but has declined through privatisation. In 1997, 30 per cent of West Berlin housing stock was built with public subsidies and was therefore subject to rent control. In East Berlin, the only type of housing built during the GDR period was public and is equal to half the East-Berlin housing stock. Another 17 per cent was built between 1919 and 1948 and is also predominantly communal, owned by public housing companies or "Genossenschaften" (private non-profit housing co-operatives). However, in the 1990s, due to the financial problems of the City of Berlin, public companies were forced to privatise by selling 15 per cent of their housing stock (prior to the "Altschuldenhilfegesetz").

Of the 1.8 million households in Berlin in 2000, 47.5 per cent are single and only 9.5 per cent consist of four persons or more. The number of single households was already high in West Berlin in the 1980s and remains stable at about 49 per cent. In East-Berlin, data show an increase in single households in the 1990s, but their share still lies below the average of Berlin as a whole: in 1991 it was 36 per cent, growing to 45 per cent by 2000. Most of single

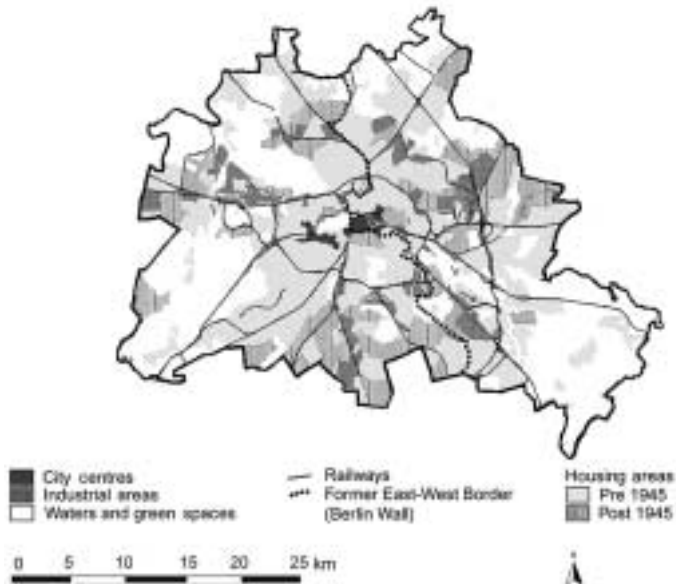
households are in the inner-city districts. By contrast, only a small (but rising) number of single households and a much higher proportion of large households live in the outlying districts, especially Zehlendorf (in the Southwest of Berlin), as well as in Marzahn, Hellersdorf, and Hohen-schoen-hausen, where the big housing estates with prefabricated housing blocks of the GDR period are located. The spatial distribution of households in Berlin is directly related to the size of the apartments (number of rooms) in the different districts. The inner-city areas host dominantly pre-war houses with few rooms but large floor space. The supply of apartments with more than two rooms is reduced, except in the old West: Charlottenburg and Wilmersdorf. In the outlying districts the apartments have more rooms, but smaller. The highest rate of single households are found in Tiergarten, Charlottenburg and Schoeneberg, inner-city districts in West Berlin.

Differences in the distribution of large households (four persons or more) between East and West are remarkable. In West Berlin, the rate was 10 per cent in the 1990s, while in East Berlin it was 9 per cent in 2000, having declined from 15 per cent since 1991. This trend results from the out-migration of large households, a high level of divorce and split-up families in East Berlin. Thus, the average household size in East Berlin is slightly higher but decreasing. The rise in single person households and the decreasing size of households affects housing demand, but the decline in population has resulted in the stability of the number of households in Berlin during the 1990s. As we will see, the structure of the housing market is changing mainly due to privatisation and the new housing being built.

During the 1990s about 120,000 new dwellings were built in Berlin and approximately another 90,000 in the suburbs. Most of them came on the market after 1993 when the population peaked in Berlin. Since then the total population was decreasing up to 2000, and the supply of dwellings was rising continuously. As a consequence, prices for middle class housing were much lower at the end of the 1990s than at the beginning when there was a shortage of dwellings. Vacancy rates have become a serious problem in several neighbourhoods where more than 10 per cent of the dwellings are unoccupied. Increasing supply, however, has offered new opportunities for mobility in Berlin: the mobility rate increased from 10.7 per cent of the population in 1991 to 17.3 per cent in 1998. Thus one in six persons moved in 1998.

On the other hand, the sector of low standard housing and cheap rent is declining. Urban renewal and modernisation is taking place especially in the inner-city districts. In East Berlin a high share of the old pre-war houses are low standard, i.e. without a toilet and bathroom inside the dwelling, and with

**FIGURE 4**  
*Spatial structure of Berlin*



carbon stoves. Several neighbourhoods are using special regulations for urban renewal and public subsidies are spent in these areas. In West Berlin, where urban renewal already started in the 1960s, modernisation of the housing stock is carried out nowadays mostly by private capital. But the larger part of urban renewal actually takes place in the East and goes hand in hand with the restitution and privatisation of the old pre-war houses.

#### RESTITUTION OF PRIVATE PROPERTY

Land was nationalised in the GDR. Although property mostly belonged to private owners, it was placed under state administration. When both states were united, in 1990 it was agreed that former owners should be given back their rights. The intention of rehabilitating the victims of Fascism and Stalinism was part and parcel of the political aim to undo revolutionary socialist changes and to restore the former distribution of property. It was also hoped that the Jewish culture, whose disappearance was caused by mass extermination and emigration, could be brought back to life in Berlin. Prior to Fascism, the large

Jewish community in Berlin had been particularly important to cultural life in the city. The Jewish community was mainly located in the bourgeois borough of Wilmersdorf in the West, and in the old inner-city districts of the East. It now turns out that up to 90 per cent of private landowners were Jewish. Their heirs are now entitled to claim back land or housing.

Instead of restoring the Jewish culture though, restitution of private property has led to a massive transfer of property. The now very old survivors of the Holocaust or their heirs usually put the property they have reclaimed straight on to the market either because they have no roots any more in Berlin, or because they want to have nothing more to do with Germany. If no living heirs can be found, the Jewish Claims Conference can place an application. If successful, they have to sell the land or housing immediately in favour of a fund for the victims of the Holocaust. Above all, restitution regulations result in mobilising private land, which induces two decisive changes for urban development:

First, the social structure of the landowners changes. Before Fascism, individual ownership of land was widespread and formed a material basis for the so-called middle classes. Shopkeepers and landlords were often one and the same, which contributed to the wide variety of uses and allowed non-profit motifs to have an active influence on the urban structure. Marketing this property brings about a new ownership structure as the new owners include investors, international companies and other such buyers, all of whom are interested in tax savings and capital spending. Large investments cause rents to rise and lead to an extensive exchange of inhabitants because local authorities have extremely limited power to protect low-income tenants.

Second, restitution claims cannot be granted if high capital investors wanting to buy land in the city centre propose an investment and usage plan which is favoured by the city administration. The *Investitionsvorranggesetz* ("priority of investment law") enables the political authorities to grant the land to these investors, and merely remunerate the former owners. Critics are now talking of a "second expropriation". This process, gives the land new dimensions - partly because high capital investors buy up land that has been put on the market, and partly also because new investors can prevent the enforcement of the old ownership rights by means of this priority of investment law. By putting forward a plan that encompasses several properties, and being granted rights of purchase, they can buy up large investment space in the centres of large cities in the eastern regions (Berlin, Leipzig, Dresden). This space can then be used by national or multinational joint-stock companies. Usually they tend to build offices (often with retail trade on the ground floor).



In this way, a uniform structure of huge dimensions is developing in the new centre of Berlin.

Housing and land were divided into separate categories of ownership in the GDR. There was state property for public buildings and for new flats; economic establishments and enterprises were owned by the state-run combines; and some flats belonged to workers' co-operatives (AWG). This property was then handed over to new owners: the municipalities received the flats; state property was shared between the local and state levels; enterprise property was marketed by the Treuhandgesellschaft (trust company), generally at top prices.

During this process of property transfer and restructuring land ownership, new players entered the field of urban planning. For the first time since the "Gruenderzeit" (the last third of 19th century) in Germany, real estate capital was a deciding factor in urban development in Berlin. Major investments enabled multinational joint-stock companies to secure the most important sites, thanks to the priority of investment law. Anonymous real estate funds are important investors in office and flat construction. West German and West European investment companies are in general occupying the central and high-grade areas in eastern cities. And the inner-city areas in East German cities are being sold to western joint-stock companies. A similar result can be seen when flats have to be privatised by local housing co-operatives in accordance with the "Altschuldenhilfegesetz".

The new inner-city structure thus differs significantly from that of the "old European city": investor and user is no longer the same person and a neutral and flexible property structure is now dominant. As opposed to earlier periods, real estate investments are now pure capital spending, which is manifest in a regular exchange of ownership during planning and construction. Investment is encouraged by high depreciation gains, meaning that what is built becomes irrelevant; the main thing is that losses are made.

Sometimes chaotic processes occur in the old quarters, in which non-investment and investment in modernisation measures are closely linked. Restitution and reinvestment create a sense of great insecurity with the residents. Stocks are still dilapidated and flats remain empty because co-operatives manage adequately only parts of the housing stock (old buildings) once a restitution claim has been filed. Although investments have been put into modernisation and restoration projects, these are still isolated cases. This inequality stems mainly from the varying speeds at which decisions on restitution claims are made. Moreover, the lack of public funding for co-operative housing means that investments in privately owned flats are now ten times as high as in publicly owned flats.

NEW PLANNING IN THE OLD CENTRE:  
GOVERNMENT LOCATIONS AND THE “PLANWERK INNENSTADT”

After the reunification in October 1990, the historical centre of Berlin, which had been the capital of the GDR over the past 45 years, became the capital of a united Germany once again and in 1991 Berlin was designated as the seat of the federal government.

Some highly symbolic features can be related to the government buildings referring to the different political systems Berlin has experienced: The Chancellery, the biggest new central building constructed today by the State, avoids the historic government districts: it is supposed to form a symbolic clamp between East and West, as it is being built over the river Spree (according to the jury decision of the design competition). The new federal government is using two remaining Nazi-buildings in the centre: The Reichsbank, where the central committee of the party (ZK der SED) used to reside, and the House of the Ministries (the former Nazi ministry of aviation = Reichsluftfahrtministerium). Obviously they have been “decontaminated” by the interim use by government of the socialist GDR.

An important part of the change of public space in the inner city after the end of socialism was the renaming of streets and the removal of monuments. More than 60 streets and squares, most of them named after socialist politicians, communist philosophers and antifascists, were renamed. A lot of plaques on houses where important socialists once lived or worked disappeared, but neighbours and activists have replaced many of them. One significant monument, which was removed, was the 25m high statue of Lenin, formerly standing in the middle of the Lenin Square (today the square of the United Nations).

The reconstruction, which was carried out by state socialism, has mainly, been left untouched, apart from the Wall. Only the GDR Ministry of Foreign Affairs has been torn down, and grass grows there now. The destruction of the city by modernist urban design and state centralism from 1950 to the eighties can be cured only gradually and carefully. So, the “Planwerk Innenstadt” has a special significance for the transformation of public space in the centre of Berlin. This master plan is aimed at repairing the destruction from GDR times, but without pulling down a single house or building. The destruction of the street space can be seen both in the Eastern inner-city areas of new buildings and at the traffic infrastructure of the West centre. Their harmful effects are to be restricted by reducing their width. The monumentality of the streets in the East is to be reduced by reconstruction. Areas reserved for cars, are planned to

become smaller, while pedestrians and cyclists will regain the inner city by pedestrianisation and provision of cycle paths.

The “Planwerk Innenstadt” is, however, also a socio-political project, which could deeply affect public spaces by the re-establishing the urban citizen and by privatising and dividing the land into small plots. Moreover, small investors (aiming if possible only at self-use), should regenerate a section of the urban public, which was lost through the nationalisation and expropriation of land during the GDR-regime. A counter-revolution is intended, through which the citizen should become the subject of the city again. This is very clear in the new images of public space, which the Planwerk Innenstadt has created. of this The Spittelmarkt is an example. It used to be a typical example of *early bourgeois* public with its varied mix of uses. In the Planwerk Innenstadt, the restoration of this square, which had completely disappeared under GDR urban planning, is expected to be reconstructed in its basic structure.

The “Planwerk” is an aesthetic project, which goes against the destruction of streets and monumentalism of GDR town planning. Pedestrians are re-invited into urban space, but this means that space must be re-created at their scale. The Planwerk Innenstadt does not contain any new public building, so private actors are to be mobilised. In so far as the new urban planning project is being mapped onto the structure of the socialist capital city, the Planwerk Innenstadt can be called “winners” planning” – especially where empty spaces, which manifest the historically unique intervention into a capitalist inner city, are supposed to be destroyed and rebuilt.

All new buildings, which had been completed by 1998, were projects driven by private investors. They are also classic examples of private urban development with great importance for urban space that could become even greater. The projects at Hackesche Hoefe, Friedrichstrasse and Potsdamer Platz are examples of such development. Big Investors have created spaces, which are filled by a responding public. In economic terms, they already work very well. It is about privatised and commercialised spaces, which are strictly supervised and guarantee safety for the provided experience. The carefully calculated uses and the allocation of floor space to chains of stores show the reduction of urban citizens to clients. The public spaces of the street are put into the hands of the private sector or are – if not owned by private companies - privately controlled, and take the form of shopping malls and underground walkways, which connect places for consumption supervised by security guards and close circuit cameras. They are clean and warm and “consumer friendly”. These are clear signs of an increasing domination of the consumer public over the civil-social public.

## SOCIO-SPATIAL CHANGES AND SOCIAL COHESION IN BERLIN SINCE 1990

### **The historic patterns of social spaces in Berlin**

The inner-city area of Berlin is characterised by densely built houses of the late 19th and early 20th century. These dwellings had been built for working-class families who came to Berlin during the period of industrialisation. The former suburbs where the bourgeois classes lived are now located inside the city borders. The historic pattern of social segregation shows two poles. The West and Southwest was bourgeois, the East and North predominantly proletarian and lower middle-class. This structure was dependent on exchange and segregation taking place across the whole city, and had to change, therefore, when both halves of the city reorganised themselves as separate entities. For a while, both East and West contained the whole social spectrum characteristic of any big city. One of the most interesting questions surrounding restructuring after the reunification is how the social segregation in the East will change, and whether the old socio-spatial pre-war pattern will re-emerge after 40 years of division.

The most significant change for the West after 1945 was the arrival of foreigners filtering into the old districts near the centre. Immigrants congregated in the northern and southern peripheral areas of the inner city, which had been established as working-class areas in the 19th century. The German population gradually moved to the periphery when these areas were pronounced redevelopment zones, and as the new estates were completed. The working-class districts in the north and the lower middle-class areas in the south (Kreuzberg), which were also the quarters with the poorest living conditions, attracted the lower classes made up of foreign guest workers and unskilled labourers. The newly constructed estates on the periphery predominantly fostered the social mix that was typical of the social structure in post-war society: lower and upper middle-classes with a large share of public employees and skilled workers. But the Southwest kept its bourgeois structure throughout the period the city was divided.

The process of segregation worked differently in the East. The exclusive bourgeois residential areas of former times, which were also to be found in the East, were occupied by the nomenclature of the state leadership and the Party (SED). Housing in the new estates was allocated according to a state-governed distribution system and favoured young families. Income played no role in the allocation of the new flats, which explains the unusual social mixture formed in these areas and which still exists today. Newly constructed estates are segregated primarily by the age of the residents: younger families moved in as

the new flats were completed and grew up along with the estates. Those remaining in the old districts had either been at a disadvantage when the flats were allocated, or they wanted to avoid the way of life and the living conditions, which the newly constructed estates symbolised. Hence, marginal groups and political opponents or cultural dissidents were typical residents in the old districts. Socio-spatial segregation was much less marked in the East than the West, partly because the flats and the features of the districts varied much less between residential areas, but also because socialist society was less differentiated.

How is the socio-spatial structure developing now, and how will it develop in the future? Socio-spatial differentiation depends on various developments: on income trends and rent prices, on the opportunity to choose where to live, and thus on the availability of additional flats. In the medium term, however, the differentiation of income is advancing greatly in the East, with large numbers of unemployed being a decisive factor. Lifestyle and the features of residential areas are relegated to second place. Socio-spatial differentiation thus becomes a function of trends in residential mobility, pressure from new real estate investment, and the socially differentiated ability of residents to choose to live in the various milieus.

- a) The pattern of social segregation in the West did not change during the 1990s but the social differences between neighbourhoods are deepening. The most common form of inner-city mobility between East and West was, and still is, commuting. Some 150,000 citizens commute daily from East to West, one third of employed East Berliners. The Wall prevented Easterners commuting across the border before 1990. Another 50,000 persons commute from West to East and another 160,000 come from outside the city, most of them from neighbouring municipalities. Mobility between East and West has emerged and is becoming more normal. Since suburbanisation was not developed neither in the East nor the West of the city for reasons already discussed, a "jam" has built up, which will be overcome by people moving into the surrounding region. Suburbanisation is in fact now underway in both the east and the west of the city.
- b) The old districts in the East which, as already mentioned, were severely neglected by socialist urban policy, and consequently were in terrible condition by 1990, are now undergoing lasting changes: the process of restitution accelerates and at the same time slows down the modernisation of old houses. There are, in addition, redevelopment programmes which involve the majority of local co-operative housing. Real estate owners are speculating on the gentrification process, which nevertheless is weak since demand is still very low, and restricted by redevelopment regulations.

Gentrification is encouraged by speculative expectations, which latch on to the city's prospective growth and its new significance; but the process stopped when district councils in the East attempted to keep control over living space.

- c) Social transformation is also to be expected in the prefabricated housing estates on the periphery. During GDR times, they were highly attractive and there were long waiting lists for living space, which was allocated according to the urgency of housing need. The new flats were characterised by high construction standards as well as modern comforts (hot water supply, bath and WC, central heating). Since income played no role in the allocation of these flats, the social structure in these areas was very heterogeneous. Transformation here is, above all, a matter of available alternatives and of income trends. The income level and structure will, undoubtedly, change mainly in accordance with trends in the job market. What is to become of these large housing estates from the GDR era will not be determined in the estates themselves, but rather in the new districts in the surrounding region and in the old city quarters. The highest wage earners will almost certainly move out of the prefabricated housing estates if single-family housing becomes available in the new districts in the region. If, at the same time, gentrification and modernisation (thus a rise in prices) develops in the old quarters, the affordable housing segment will become smaller, the number of households depending on being allocated a flat by the local housing agent will grow, and they will be forced to turn to the prefabricated housing estates. Then any remaining pockets of poverty may develop in the neglected old housing areas, while low-income households may cluster in the estates on the periphery. Rights of occupation, which are still possessed by the local housing office, guaranteeing accommodation to low-income groups and homeless households, will determine the structure.

### **The spatial segregation of migrants**

The recruitment of labour force from southern Europe since the 1950s to overcome labour shortages in the period of the "economic miracle" brought thousands of citizens from other countries to Germany. At first these groups were regarded as guest workers and were called "Gastarbeiter". They were expected to stay only for a short time and then return to their home countries. This was not what ultimately happened. When recruitment stopped in November 1973 because of economic recession, "guest workers" began to settle in Berlin, and brought their families too. In the 1980s there was refugee migration from Lebanon, Iran, Vietnam, as well as from Poland.

The city of West-Berlin has about two million inhabitants. The non-German population was only 22,000 in 1960 but rose to 190,000 in 1975 after the recruitment period, i.e. to about nine per cent of the population. The so-called guest workers arrived in increased numbers after 1968, mainly from Turkey and Yugoslavia. In this period German inhabitants moved out from the inner-city areas and rented apartments in the big estates at the fringe of the city that had just been built. Migrant workers from Turkey and Yugoslavia concentrated in the urban renewal zones in the inner-city districts. They had been regarded as temporary settlers due to the rotation principle that had been established as part of the guest worker recruitment policy.

Areas where immigrant households settled in the 1980s still reflected their concentration patterns of the late 1960s and the early 1970s. The number of immigrants nearly doubled between 1975 and 1990, especially the number of Turkish, but also Arabian, Iranian and Polish citizens. Before 1990 the concentration of immigrants only occurred in the West of the city, while the rate of immigrants in East Berlin was below two per cent in 1990. In 1998 the share of non-Germans in Berlin as a whole was 13.1 per cent, but three times higher in West Berlin (17.4 per cent) than in East Berlin (5.7 per cent).

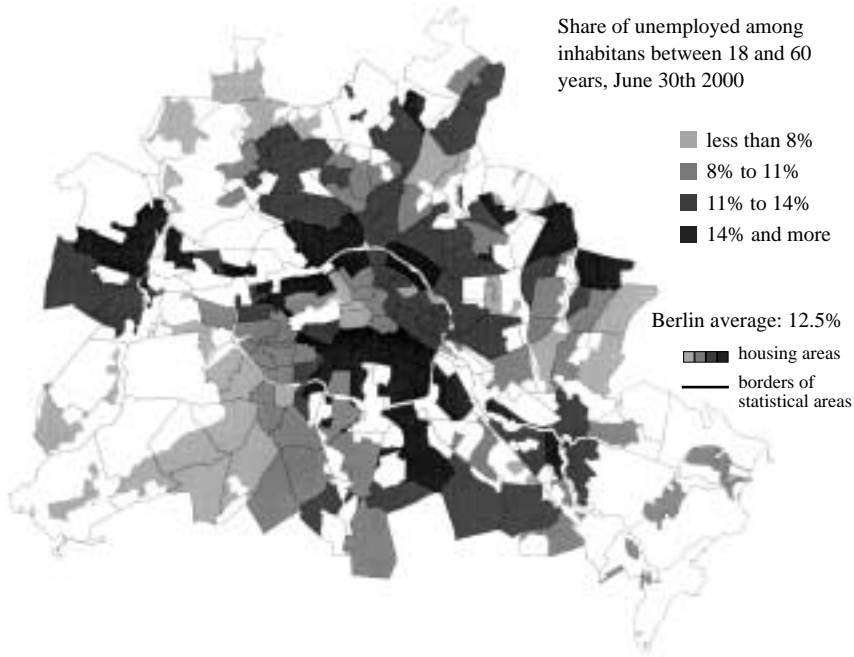
During the 1990s new immigrant groups have come from Eastern Europe, especially from Poland, the former Soviet Union and Yugoslavia and settled in East Berlin, mostly in empty, old rundown housing and the urban renewal zones that concentrate in the East. The number of immigrants increased in the beginning of the nineties, and because of out-migration of households from the inner-city areas and the social housing stock, an enormous mobility has affected segregation patterns. Immigrant families are now filling vacant housing, and German households do not want to live in social housing anymore. Social housing estates have thus undergone deep social change in the 1990s.

### SOCIAL SEGREGATION

The situation of immigrants in the labour market is very bad in Berlin. Unemployment is increasing because of the declining job-opportunities. The immigrant guest workers who had found work mainly in manufacturing industries were often laid off in the 1990s, and for new immigrants it is difficult to find any kind of job. The economic crisis in Berlin leads to bad job opportunities for immigrants and young people who try to enter the labour market. The same applies to low and unskilled workers. Since the immigrant

**FIGURE 5**

*Unemployment in the statistical areas of Berlin 2000:  
unemployment as per cent of labour force*



Source: Statistisches Landesamt Berlin.

Conception: A. Kapphan, S. Stolper.

population is highly segregated in the same areas where the German low skilled workers live, unemployment is spatially very highly concentrated in the inner-city areas of West Berlin.

Figure 5 shows the spatial dimension of unemployment in Berlin. The percentage of unemployed in the inner city districts is much higher than in the outlying districts. In West Berlin, the Northern part of Neukoelln, the districts of Kreuzberg and of Wedding have the highest unemployment rates, whereas in South-West-Berlin, high-status neighbourhoods show a considerably lower unemployment rate. East Berlin, does not exhibit a similar spatial division: unemployment is high both in the inner-city districts with old housing stock as well as in the outlying districts with big housing estates built in the 1980s (Marzahn, Hohenschonhausen and Hellersdorf).



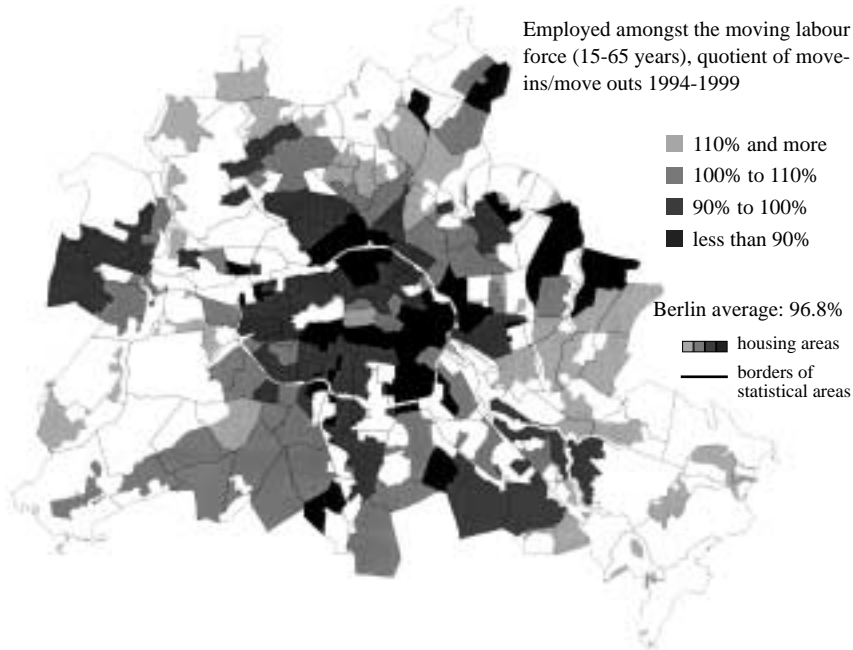
Youth unemployment follows more or less the same pattern, with spatial differences being eventually more important. The inner-city districts of Neukoelln and Kreuzberg are as highly affected by youth unemployment as the neighbourhoods with big housing estates in East Berlin, while youth unemployment is less in the inner-city districts of East Berlin and the Southwest districts. The trend of increasing unemployment in the inner-city districts and in the social-housing estates is exacerbated by selective mobility between neighbourhoods. The areas of the well off will attract high-income groups while those neighbourhoods that have already suffered from unemployment will attract only low-income groups and the unemployed.

#### NEW MOBILITY TRENDS IN BERLIN: CHANGES IN THE SOCIAL COMPOSITION OF DISTRICTS

Mobility increased enormously in the 1990s. As we mentioned earlier the increasing supply of housing has offered new opportunities for people to move in Berlin. The mobility rate rose from 10.7 per cent of the population in 1991 to 17.3 per cent in 1998. Between 1991 and 1998, everybody has moved to a new dwelling in Berlin, as a statistical average. In the same sense, a third of the Berlin's population moved in only two years at the end of this period (1997-1998). It is not surprising that within this process, patterns of segregation change.

The highest rates of mobility appear in the inner-city districts, where more than 20 per cent of the inhabitants move to a new flat every year. About one third of those who move remain in the same district, but because fewer people move in, population decreases in these areas. In the East suburbanisation plays a central role; families are drawn towards the edge of the city and the neighbouring municipalities. The highest rates of out movement to the suburbs can be found in the inner-city districts of East Berlin as well as in the prefabricated high-rise estates on the fringe.

Suburbanisation is the option for those who wish to increase their living space, and that is only possible where land is still cheap and available. While domestic families leave the unattractive dense inner city and the high-rise areas, the immigrants, the unemployed and the poor remain there in strong concentration. Apart from the marginalised, groups of urban professionals wish to stay in the centre and fuel the demand for luxurious flats. Their households usually have no children and possess a lot of disposable income. But this process of gentrification only exists in some small pockets of the inner city. Gentrification occurs under the influence of a growing service sector of well-

**FIGURE 6***Social selectivity index of moves 1994-1999*

Source: Statistisches Landesamt Berlin.

Conception: A. Kapphan, S. Stolper.

paid jobs, but actually this sector is not increasing as much as it had been expected. The demand of the service elite is therefore too small to cause wide spread gentrification in the inner-city districts.

The process of selective mobility can be illustrated using the percentage of employed persons in the residentially mobile population as the best available indicator of social status. In all residential mobility processes in and out of a neighbourhood only part of the involved population is employed. There are neighbourhoods where the share of the employed in the moving population of economically active age (15 to 65 years) is quite high, while in others it is very low. Those who move out of the neighbourhood have a higher percentage of employed people than those who move in.

Mobility deepens social segregation in Berlin by its selectivity. This can be shown especially for the social housing stock in the West that was built mostly in the post-war period. In the 1970s, housing market discrimination led to a

concentration of immigrants in the old housing stock in the West. In the 1980s access to social housing became possible for immigrants in the West, but discrimination often stopped this access. In the 1990s both social housing in the West and the prefabricated housing units in the East were subject to change. The proportion of immigrants and unemployed increased, and in some neighbourhoods immigrant households were the only ones to apply for dwellings. Since vacancy is a serious problem, immigrants and the unemployed moved in massively, and such areas have often become disadvantaged.

The situation became worse in the inner-city areas of West Berlin as well. The spatial concentration of the unskilled, the immigrants, and the poor leaves little hope for the future. As long as unemployment is increasing and money for social infrastructure is reduced, strategies for “social development” cannot achieve significant results. Hope is vanishing, apathy and discouragement takes its place, especially amongst the young. The decay of the inner city in the West is not just limited to sub-standard and non-modernised housing units but also affects social housing and urban renewal zones. Wherever poverty increases and the well-off are moving out, the supply of services and the diversity of the shops –as well as the general opportunities of an area–decrease. Local shopkeepers have to close down and the decline in purchasing power offers few possibilities for new entrepreneurship.

### CONCLUDING REMARKS

With the collapse of the communist regimes and the fall of the Wall, Berlin has lost its twofold character: West Berlin as the “frontier of the free world” and East Berlin as the capital city of the German Democratic Republic. During the Cold War Berlin was separated from the dynamic growth economies of the western world, and because of its extraordinary geo-political isolation the economy of West Berlin was nearly fully dependent on payments and subsidies from West Germany. The relocation of the government and parliament from Bonn to Berlin has been accompanied by the move of federal institutions from Berlin to Bonn, so that the balance was zero. Berlin did not gain jobs for public servants; it only gained importance, since it became the political and cultural centre of the united Germany.

Since unification, Berlin has regained the potential of a European political centre, and also of a place of exchange of ideas, people, money and commodities between Eastern and Western Europe. The economic change in Berlin is dramatic, and this change has powerful effects on the socio-spatial structure of the city. At the same time unemployment and new employment in

modern services are growing. The inequality of income distribution is increasing as a consequence of deindustrialisation and of growth of service jobs. Income inequality is increasing, and the rising proportion of long-term-unemployed might lead to a new urban underclass. Berlin is quickly adopting a post-modern class structure and also post-modern urban policies.

Because the city aspires to the status of a global city, a lot of public investment is aimed at the creation of a new economy, based on new technologies, communication services and international exchange functions. But this growth does not trickle down to the less educated unemployed manual workers. Due to the deficit in the public budget, the Berlin government (the Senate) is selling public property: after the water and energy supply agencies, the public housing companies are for sale. This will lead to the reduction of public influence on housing provision, and the two markets –the labour market and the housing markets– are becoming more closely linked because the stock of social housing is declining from year to year (through privatisation), and almost no new social housing is added to this stock; the private sector is the main provider of new housing.

The growing inequality of incomes, the declining state intervention into housing supply, the growing mobility of private households, enhanced by the temporary oversupply of housing, altogether lead to a polarised socio-spatial pattern, as in other big cities of Europe. Until now there are only few initiatives or approaches to tackle these new social problems. It will be necessary to develop both a globally oriented policy for connecting the local economy to the wider world as well as a strictly local-oriented policy for the protection of those who lose from current changes.

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