

**The Best Cities of the World – Learning from Experiences**  
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**Powerful or powerless cities – in the context of neoliberal globalization**

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**1. The present process of globalization and its driving forces, the EU and Federal Government as converters of this process**

Globalization is nothing new. It is a process with a long history. New is the form of the present globalization process, that is the attempt to successively submit the whole globe under the requirements of capital exploitation. Neoliberal globalization is considered as the decisive strategy of capital for resolving the so-called crisis of fordism which became increasingly apparent in the course of the 1970ies. In order to fight this crisis it was considered a matter of necessity to open new markets, regions and sources for profit as well as to pull down existing national and international barriers and borders. The strategies realized under this goal go from the liberalization of the exchange of goods, services and capital to the deregulation of public and private sectors and the privatization of public services. Necessary changes and developments were rendered possible and accelerated by far-reaching technological innovations in microelectronics and telecommunication.

With regard to the present process of globalization the EU and German government have taken a mediating and accelerating role. With the treaty of Maastricht in 1993 and the establishment of an European single market existing trade barriers and market restrictions were gradually reduced as well as economic and social politics of individual nation states were gradually deregulated. Main goal was and is the strengthening of the competitive position of the European Community in the so-called Triade-competition between the North American Free-Trade-Area (NAFTA), the EU and the South-Asian-pacific region. On the local level the EU at first became noticeable because of its law making (directives and regulations), which aimed in many cases at a market-oriented restructuring and privatization of local services – especially in the context of “services for the public” (Daseinsvorsorge), protected by the constitution (Grundgesetz).

Roughly at the same time as the establishment of the EU the German welfare state was gradually transformed into a national competitive state: with a reduction of welfare state services and an adaptation Germany’s social- and labor market politics to market requirements and economic interests. Main political goal became safeguarding the “location Germany”, that is stabilizing and strengthening the position of Germany within the competition of states and state blocs by means of the provision of optimal conditions for an international highly flexible capital.

**2. Some general consequences of neoliberal globalization**

The most spectacular feature was and is the explosion-like development of international financial markets which set off more and more against the so-called real economy in the course of the deregulation and liberalization of capital transactions beginning in the 1970ies.

In the meantime global financial transactions expand many times faster than world production and world trade. In 2012 a world market volume of 15 billion U.S.-dollars was confronted with financial derivatives with an amount of 720 billion (trillion) U.S.-dollars.

World trade was globalized too. Noticeable are less its quantitative growth (tripling between 1980 and 2000) than two structural peculiarities. One is the concentration on specific actors – three quarters of global trade are completed by transnational companies (their number amounted to 80 000 in 2008), and the other one is the concentration on only a few global regions. In 2013 85 percent of global exports were apportioned to quite a limited number of states in the Triade. These states are the locations of world financial markets and the biggest multinational corporations, in these states are the strongest economic agglomerations with the management and decision centers of the global economy in the form of global cities.

Role and competencies of state and below-state actors have changed too. Western industrial states have been transformed gradually into competitive nation states oriented to the interests of capital exploitation. At the same time the regulations of the EU have contributed to a privatization of public areas of responsibility. And on the level of local authorities – beginning with the early 1990ies – a modernization of local administrations was initiated oriented towards private market management principles. This modernization was based on the so-called New Public Management approach and affected not only Germany but many other OECD-states. The outcome was also an extensive reduction of public sector competences: According to estimates in 2007 already more than 50 percent of the activities of local authorities were carried out outside their core administration (I will come to that later more in detail).

### **3. Market dominated transformation of urban structures**

As to German cities and their structures the present process of globalization and its driving forces as well as the politics of the European Union and Federal Government (in Germany) have released far-reaching changes. This is true for all cities and towns: in positive and negative ways, directly and indirectly, and due to the specific conditions of individual cities differently as to intensity, degree and time. And this is true too – as I will show you in the following section - for the economy and labour markets, for demographic, social and spatial structures and last but not least for the political – administrative organisation of local authorities.

#### **Far-reaching restructuring of the economy and its business**

Already starting in the 1960ies a growing global division of labour markets, more cost-effective conditions for production and lower wage levels in other states and on other continents have initiated extensive sectoral changes like the cutback and reorganisation of the secondary (industrial) sector with a simultaneous increase of the tertiary (service) sector – changes with radical consequences for affected cities. In spite of an ongoing reduction of jobs in the secondary sector Germany is still an industrial location – with permanent high rates of export. In industries like mechanical engineering and vehicle construction, chemistry and electronics since 2004 Germany was and is again and again world champion with regard to exports.

The structures of production have changed too – with new transnationally organized value creation chains. The process of production is broken down in spatially separable segments, which are realized in lowest-cost locations. The relocation of companies or individual parts in low-cost countries – a development which encouraged and stimulated within the EU-area by corresponding programmes of the EU – can result in severe cuts for local budgets. The city of Bochum in the Ruhr area for example has lost one quarter of its yearly trade tax by the relocation of the Finnish company Nokia to Rumania.

Corporate structures are subject to incessant restructuring too. Underlying goals of mergers and the outsourcing of company units are greater effectiveness, rationalization and optimizing their returns on capital. Mega-mergers often lead to the creation of more and more strong and influential corporations with only little relations to individual states. In 2014 the market value of corporations like Apple or Exxon – with more than 400 billion U:S:-dollars – was much higher than the gross domestic product of a country like Finland (around 270 billion U.S.-dollars).

The increasing infiltration of the economy by the financial markets is marked by two developments. On the one side a growing number of even medium-sized companies are becoming public limited companies financed by financial markets and orientating their business policies to the yield-expectations of these markets, and on the other side predominantly Anglo-American financial market actors like hedge funds are showing growing interest in German firms and local infrastructure facilities, which are nothing more than mere capital assets for their shareholders.

For local authorities these changes in economic structures mean a decline in companies' local ties, a growing spatial distance between local government decision-makers and economic actors, and an increasing uncertainty with regard to future entrepreneurial site decisions.

### **Far-reaching changes of the labour market**

Changing business and production structures together with a pre-eminence of strategies for cost-reduction and optimization of capital returns have resulted in a far-reaching transformation of the labour market, too. This was encouraged and intensified by the deregulation-oriented labour market policies of Federal Government – with a reduction of collective wage settlements and of norms for safeguarding jobs. Lasting consequences are a growing flexibilization of employment relations and the erosion of employment conditions prevailing until the 1970ies: that was permanent fulltime employment covered by the social security system. In 2009 around 60 percent of the labour force were employed in this way, in 1998 this share amounted to 75 percent. On the other side the number of atypical, in many cases only temporary and poorly paid jobs – from part-time and subcontracted ones to so-called mini jobs and service contracts has increased above-average (between 1996 and 2008 for more than 50 percent) – faster than in every other EU-country.

The so-called 'job miracle' because of an increasing number of jobs (42.6 mill. In May 2015), often referred to by federal government and appreciated in many EU-countries is nothing more than a boom of temporary and in many cases precarious jobs, and the distribution of a nearly constant volume of working hours to a continuously increasing workforce. For

employers this policy of many persons with only a few hours each means a market-adequate hyperflexibility under unstable market conditions.

### **Demographic change**

The transformation of the economy and of labour markets does not only influence the so-called natural development of the population, it also releases incessant shifts on the side of the labour force – in wider and narrower spatial contexts. This development is overlapped and enforced by transnational migration. In the following only a few characteristics of the present demographic change.

In the first place are constantly decreasing birth rates. According to a study from OECD in 2011 Germany had the lowest birth rate in comparison with 13 other states from Western Europe (1.34 children per woman). This situation is less the result of hedonism and careerism than an expression of growing job insecurity and economic upheavals.

Especially in the bigger cities we find a growing pluralisation in the way of living. The most significant increase scores the number of singles. In Frankfurt for instance in 2010 the share of single-households amounted to more than 53 percent. Main reasons for this development are too changing job conditions, going along with a transition to flexible working hours and an increasing mobility, concerning places of work.

Geopolitical changes and far-reaching processes of social transformation in many states of the South and East have resulted in significantly growing numbers of migrants and Aussiedler from Eastern Europe – especially in the 1990ies. Here too, there are considerable differences with regard to spatial distribution. In cities like Frankfurt (43 %), Stuttgart or Munich the share of persons with a migrant's background is around one third, in East German cities like Dresden or Leipzig this share is not higher than 5 %. In recent years cities experience once again strong migration because of increasing numbers of refugees.

Besides these quantitative and structural changes clear qualitative changes of the society can be recognized increasingly. Among these are a growing economization of the members of the society, turning them more and more into mere economic factors, and a likewise economically determined confrontation of different segments of the population: young versus old persons, Germans versus foreigners, families with children versus childless ones, employed versus unemployed persons, and last but not least people from Western Germany versus those from the East.

These development trends result in an highly fragile urban society. The engagement for the local whole is significantly decreasing, territorial ties as a common basis for urban politics are declining too. This becomes visible inter alia in very low rates of participation in local elections (this is true especially for low-income sections of urban residents).

### **Increase in Poverty and social inequality**

The social and economic polarization of the society has increased significantly too. There is hardly another OECD-country in which inequality has risen as fast as in Germany during the last 15 years. A constantly growing part of the total assets – in 2010 two thirds – concentrates in the hands of one tenth of the population. In 1990 the share of persons

affected by income-poverty amounted to 12 percent, 2012 this share already came close to 16 percent (12.8 mill. persons). Especially affected are single persons younger than 65 (36.1 percent) and single parents with children (37 percent). Under the conditions of the present labour market even an employment is no protection from poverty. Because of the expansion of precarious jobs the share of “working poor” is constantly increasing (to 8.6 percent in 2013).

The spatial distribution of poverty is quite different in Germany: on a large scale as well as on a small scale. On the one hand there are clear differences as to the poverty rates of the old and new German Länder. In 2011, the poverty rate in Western Germany amounted to 14 percent, in Eastern Germany to 19 percent. And on the other hand there is a significant concentration of poverty and social inequality in the three German city states (Berlin, Hamburg and Bremen) as well as in bigger cities and city regions. In 2011 the poverty rate in 11 of the 15 biggest German cities was clearly above the federal average. Even in economically strong cities like Frankfurt or Stuttgart 15 to 16 percent of the urban residents are living below the poverty line.

Different to former years poverty and unemployment are increasingly accompanied by the danger of social isolation and exclusion. The social stratification in “top” and “bottom” (above and below) is superposed by a new separation between “in” and “out”.

### **Growing spatial disparities**

The distribution of poverty has shown that spatial development, too is marked by an increasing inequality and a simultaneity of growth- and shrinking processes. On the one side there are regions, which – because of structural changes in Western Germany and structural ruptures in Eastern Germany – show significant losses of jobs, distinct signs of de-economisation and demographic shrinkage. On the other hand a limited number of growth centres stands for contrasting developments. These go from economic growth with the establishment of new firms and business expansion to an increasing population because of gains from interregional population shifts. The majority of these prospering agglomerations and cities is located in the old German states. In 2012 475 of the 500 biggest German corporations had their head offices in Western Germany.

In accordance with large scale disparities on regional levels there is a growing heterogeneity of urban structures – especially in the bigger cities. Economic and social segregation of the urban population to a growing degree are finding increasingly spatial expression. Cities fall apart in rich and poor areas and so become a reflection of globalization.

### **Profit-oriented use of urban land**

On the basis of private ownership of properties and under the economic conditions of capitalism in cities, especially in their centres, processes of displacement and selection are taking place, in which those uses are successful which promise the highest profits on properties in certain areas. This process is always experiencing an above-average acceleration in the context of far-reaching changes of economic and spatial structures. First this was the case because of the restructuring of the economy and the rapid growth of the tertiary sector, which allowed for a considerably more intensive and more profitable use of

urban land, and which initiated a comprehensive spatial reconstruction especially in the bigger cities of Western Germany: with a continuous compression and functional separation.

Another push for investments and displacement started in the first part of the last decade. Once more a maximal utilization of urban land is at stake: no longer only in the city centres and their bordering quarters but increasingly in growing number of urban areas, which had been subject to local improvement activities. Priority is given to up-to-date floor space for tertiary sector uses, but priority is given too, and this is the specific feature of the present situation, to expensive and luxury apartments: in renewed or newly constructed buildings in attractive inner city areas. The international crisis of financial markets, the instability of financial assets as well as the low profitability of many investment areas have raised the interest in marketable housing-properties. This is true for an increasing number of cities in all states of the Triade. These properties have become an investment field much sought-after by domestic and foreign investors – among them international financial capital. This development resulted and still results in exorbitant increases of rents and land prices and the eviction of tenants who are dependent on payable housing.

#### **4.0 Local Reactions: Strategies and Measures**

Local authorities respond to current challenges and changes, which they are subject to in the course of neoliberal globalization, with a wide range of activities. The steps taken depend on the given structures, the scope for action, and the specific actor constellations. A panacea or one single binding urban policy is not available. Despite all differences, however, a number of common strategic orientations and approaches has developed that differ markedly from those pursued in the past. They range from the progressive internationalisation of local government action, new economic structural priorities, and a broad spectrum of competition-oriented location policies to greater emphasis on the private sector and its actors.

##### **Growing internationalisation of local government contacts and activities**

Growing international orientation concerns inter-local competition which becomes increasingly more transnational as well as the contacts and cooperative approaches of cities. A piece of evidence are the increase in city networks – largely at the European level – and a growing number of partnerships, concerned primarily with economic development, with cities in the new member states of the global market, China and India, and with local authorities in the so-called transformation countries. These partnerships and a multitude of local authority missions in foreign cities are quite often basis and trigger for another form of internalization: the establishment of foreign companies in Germany. Another relevant factor for the initiation and intensification of international contacts are major international events and trade fairs like the MIPIM in Cannes.

##### **Adaptation to economic structural change**

Though cities – according to the head of urban development in Hamburg – are dependent on economic developments which they have no influence on, they try within the scope of their limited possibilities, to influence the structure and the spatial distribution of the local economy: with purposeful supply- and structural policies as well as the organization of development funds. As a reaction to the structural crises beginning already in the 1960ies and affecting mono-structured cities in a particular way economic development strategies aimed at the establishment of diversified economic structures favouring business of the tertiary sector as well as of the secondary one. The degree of diversification differs from city

to city, and there are significant differences with regard to prevailing branches of the economy, too.

### **Favourization of branches with high relevance within the present globalization process**

With regard to their future economic development cities – besides the extension and strengthening of their present structures – are backing the broad field of high technologies, with its various accents and competence clusters and two branches – logistics and tourism, which are profiting from the present globalization process and the increase of global streams of goods and tourists to a high degree. High technologies as the centrepiece of knowledge-based economies are closely interlocked with the key German export industries and often are an integral part of them.

Owing to the rise in world trade, the establishment of the Single European Market, the opening of markets in Middle and Eastern Europe, the central position of Germany in the European economic area, and, not least, the development of new transport technologies the logistics sector quite recently has experienced a sustainable surge. The logistic branch is the biggest economic branch in Germany behind the car industry and trade.

Since the beginning of the 1990ies also tourism has experienced a worldwide increase. In the German economy the tourism industry is among the sectors with the highest turnover rates. Twelve percent of all jobs are directly or indirectly dependent on tourism. Driving force is the urban tourism. Especially big cities like Hamburg, Munich, Berlin or Cologne are boasting with constantly increasing numbers of tourists, whose composition becomes more and more international. Growing Europeanization and globalization are reflected here too. The city with the highest number of tourists is Berlin. In a ranking of the most attractive European capitals for tourists in 2013 Berlin was on a third place behind London and Paris with 11 million visitors and about 25 million overnight stays.

### **Outward oriented competition-related policies – new urban policy**

The policies adopted by local authorities in response to the challenges of the current globalisation process can increasingly be assigned two categories: competition-oriented locational policies, which mostly are given priority and resident-oriented internal policies.

Policies aimed at locational improvement endeavour to enhance local attractiveness and competitiveness and to ensure the relevant prerequisites for attracting external actors like investors, forward-looking businesses, highly skilled labour, and tourists.

Good national and international traffic and communication connections are a must. The renovation and new building of traffic-infrastructure facilities has become one of the main action areas of many cities. The projects realized in this context go from railway stations and airports to the redevelopment and expansion of river and sea ports.

In order to raise their attractiveness and to improve their position in inter-local competition since the late 1970ies many cities have realized a large number of image-effective projects. These are mostly isolated projects which are not integrated in comprehensive urban plans and which stand for a neoliberal new urban policy and seem to stem from an internationally binding catalogue with instruments for a competition-oriented improvement of urban attractiveness. Among the projects with special signal effects the area of high-culture and its

centrally located facilities like theatres, opera houses and museums are playing a decisive role. In the competition of cities these buildings have become an indispensable infrastructural prerequisite. The number of museums in German cities already amounts to nearly 6 300.

Just as big cultural projects many new local facilities for sports and entertainment, which function quite often as globally visible publicity supporters for economic sponsors, are aiming at increasing numbers of visitors and tourists. The same is true for growing numbers of impressive events like Christopher Street Day and city-specific festivals. And those cities which want to be part of the “Champions-League” of cities apply for becoming a venue for big events like Olympic Games or World-Championship in Football. According to a former mayor of Munich these events become increasingly economic ones, which employ sports only as an instrument.

Looking for city-specific unique marketing strategies cities increasingly go back to their history and the reconstruction of urban and architectural relicts with great symbolic value. The examples go from the Frauenkirche (women’s church) in Dresden and the new construction of the Berlin Stadtschloss (city-castle) to the old city in Frankfurt with buildings made of concrete, but dressed up with half-timbering.

In the meantime riverbanks and watersides have become a special feature for local identity and a relevant factor for urban development, too. Former central or inner city harbour areas were rebuilt and converted into impressive new urban quarters: from the so-called ‘Harbour City’ in Hamburg to the ‘Media Harbour’ in Düsseldorf.

In the competition for a qualified labour force and high-income residents more and more local action areas are employed with regard to raising locational attractiveness. Since the 1990ies this also applies for the provision of attractive inner city housing. According to the head of the planning department of a city in Northern Germany the focus of housing policies shifts from housing provision to housing as a strategic area of urban development. Gentrification, going along with the improvement of inner city housing areas seems to become an element of local politics. Relevant location-factors increasingly are too facilities for education and further education (with growing numbers of International and Private Schools) and a family-friendly environment.

#### **4.5 Internal supply policies**

Local image and location enhancement policies with a competitive orientation contrast with a range of service and integration policies that are less on view and which address the concrete needs of the urban population as a whole or growing sections of the population, mostly negatively affected by the present process of globalization: from unemployed and low-income persons to a large share of migrants.

The same as the competitive ones needs-related strategies and activities cover a wide spectrum of local government policy areas, from social- and integration policies to the provision of educational facilities and employment and housing. Many of these activities show quite similar restrictions and weaknesses: insufficient finances (such as social policies), inadequate facilities – in quantitative and qualitative terms (in pre-school education), limited competences (with regard to employment and education policies), fragmentation (for instance with regard to local integration policies), as well as late and insufficient perception and treatment of problems (payable housing for middle- and low-income residents).

#### **5.0 Balance**

## 5.1 Growing mismatch between local policies and local problems

The results of the many activities with which local authorities have reacted to the challenges and consequences of the current globalisation process are ambivalent. With a wide range of spectacular and unusual urban development projects, with new housing, education, cultural, and leisure amenities many cities have enhanced their image and attractiveness for highly qualified members of the labour force as well as for tourists and visitors. And the more attractive these cities and their centres became the more attractive they are going to be for the real-estate market and financial capital looking for profitable investment opportunities.

Cities can be proud with regard to their appearance, but quite often this is deceptive. The number of residents who are able to afford these cities and their offers is getting smaller all the time. Existing social problems and disadvantages did not decrease behind brightened up facades. The statement meant for Berlin “the centre has been decked up magnificently, but social reality looks completely different” is true for many other cities. In many big cities unemployment figures are still distinctly above the federal average. The overall poverty rate has risen from 12.7 percent in 2004 to more than 15 percent in 2011; in big cities it amounted to nearly 20 percent. And though an increasing number of cities is advertising with the slogan ‘child-friendliness’ children are among those hardest hit by poverty.

The concentration of local activities on image- and competition oriented big projects inevitably is resulting in shortages and cuttings in other area of activity – especially in times of scarce resources. Especially affected are those areas which do not aim at the improvement of external attractiveness. These go from social and technical infrastructure facilities to payable housing stocks. As to social infrastructure especially schools are suffering from long lasting maintenance neglect. Components of the technical infrastructure are showing serious defects, too. According to current studies more than 50 percent of urban roads are damaged because of a decrease in maintenance investments. And from the 66 000 bridges which local authorities are responsible for every second is faulty.

Cities and agglomerations which are strong in economic terms moreover show a growing scarcity on the market of payable housing. Because of the continuous displacement of low-income housing and a strengthening of spatial segregation a development trend known from other countries – that is the development of divided cities in which highly attractive and problem-affected districts are constantly drifting apart – becomes visible in German cities too.

## 5.2 Restrictive underlying conditions for the loss of competences on the side of local authorities

This ambivalent development is caused by several reasons. First of all the competences of local authorities with regard to shaping the challenges of neoliberal globalization and their consequences are limited; their instruments and responsibilities for fighting social inequality and disadvantages are often insufficient. With regard to two crucial policy areas in the context of poverty reduction – creation of jobs and removal of educational deficits – the responsibility of cities is only a restricted one. Labour market and employment policies are the matter of Federal Government, educational policies are the task of the German states (Länder).

The ambivalent development is caused too by external pressures and internal modernization activities with a neoliberal orientation which – since the 1990ies – have contributed to a continuous reduction of local competences. The powerful actors and drivers of local

development in the 1960ies and 1970ies turn out to become increasingly powerless players with regard to urban concerns. Cities are - with a growing tendency – subject to the regulations and decisions of powerful public and private actors. These are the EU with its policies oriented to market integration, the policies of Federal Government and the German states going in the same direction and aiming at a restructuring of the welfare state and a slimming down of the public sector and its services, the consequences of the crisis of financial markets , and last but not least the demands and requirements of globally oriented investors and transnational corporations with no or only limited local ties.

### **Growing influence of big and internationally oriented actors of the private sector**

Enterprises and their interests to a growing degree become a decisive power with regard to urban development: on the one hand as courted ones, on the other hand as influential actors playing an increasing role with regard to the profit-oriented use of urban land. In order to attract relevant enterprises or to keep them from leaving cities – competing with other local authorities - are forced to apply new measures for site improvement again and again. As in sports in this competition different leagues may be discerned. The financial capital of Frankfurt for instance sees its competitors in Paris and London, Munich compares itself with Milan, and smaller German cities compete with their equivalents on a German level. The assessment of states by rating-agencies is confronted with growing numbers of local rankings. In these location factors and economic dynamics of selected cities are compared, and impulses are provided for the improvement of local site conditions.

As a consequence of the radical change of the economy and its enterprises and because of an increasing independency with regard to specific locations it becomes successively difficult to regulate big especially internationally acting enterprises. Local commitment and local sponsoring for these actors, quite often based in other states are only of little significance. Cities are reduced to mere sites, which can be left when required. Therewith the disappearance of long-term planning becomes an essential feature of urban development planning.

### **Reduction of the local scope of action because of the policies of supra-local actors**

The growing pressure for change which cities are exposed to since the early 1990ies from the side of supra-local institutions, does not concern only single areas of responsibility, it affects local activities as a whole. Their competences and resources become increasingly limited, the way of perceiving themselves has turned into the direction of the private sector.

### **Liberalization and privatization pressure from the side of the EU**

With the EU for German cities and local authorities a further higher policy- and administrative level was established. With its directives and regulations, which have to be observed and realized on regional and local levels at 75 percent, the EU is taking a growing direct and indirect Influence on increasing number of local areas of responsibility. Here the area of services for the public (Daseinsvorsorge) guaranteed by the constitution plays a significant role. In the context of the integration of the single market this area is exposed to a growing pressure for privatization – mostly connected with a decline in service and wage levels.

## **Income reduction because of the politics of Federal Government and individual states (Länder)**

The transformation of the welfare-state into a competitive nation-state concerned about safeguarding Germany's future as an industrial/economic location and the policies going along with these activities have caused high losses in local revenues and rigid austerity policies for the local level especially in the first years of the last decade. This situation was aggravated by the behaviour of many individual states to solve their budgetary problems by means of cuts in local allocations and to transfer responsibilities to the local level without sufficient financial compensation.

At the same time costs on the expenditure side have increased: especially because of a growth in local social services and social costs in the context of the transformation of the social welfare state and the reforms of the labour market by Federal Government.

Local consequences are increasing borrowing activities and/or a reduction or privatization of public services. A piece of evidence for increasing deficits on the side of local authorities is that many cities – especially in areas which are weak in economic terms – can meet their running activities only by means of constantly rising so-called cash advances,

### **5.3 Reorganization of local authorities' administrations according to business management and loss of political powers**

The changes taking place in cities since the early 1990ies and affecting their structure and their competences are not only the result of external pressure and external restrictions. They are caused too by a change in the orientation of many cities as to their policies, their activities and their role.

#### **Modernization of the administration – principles of the private economy are to the fore**

The modernization of local authorities oriented to the example of private economy and its enterprises is no German peculiarity. It can be rather called a standardized global trend of the 1990ies within the public sector, whose initiators – OECD, World Bank and International Monetary Fund – already since the 1980ies had demanded an extensive introduction of private management principles into the public sector. Guide line in global terms was the neoliberal concept of New Public Management, which was realized in German cities in the form of the New Management Model: with the introduction of organizational structures oriented to the private sector and a slimming down of local administrations by outsourcing a growing number services and activities.

#### **Privatization of local facilities and services**

In order to improve their precarious financial situation cities and local authorities quite often decided in favour of a transference of local services and facilities to actors of the private economy. Degree and form of this privatization, going along with a permanent reduction of local competences and scopes of action, can turn out differently: from a partial privatization of local tasks in the form of Public Private Partnerships to specific leasing approaches or the sale local facilities of social and technical infrastructure as well as of local hospitals and local housing stocks to private customers.

The sale of local facilities and business predominantly does not result – as often claimed – in more competition, municipal monopolies are just substituted by private oligopolies. These are

big corporations acting on a Europe-wide level, and dictating prices to the cities to the disadvantage of their residents and business. For cities and local authorities the modernization and privatization of segments of their administration does not only result in a change with regard to their function and in a far-reaching reduction of their scope of action, it also affects their political substance. The gradual distancing from the comprehensive and multifunctional model of local self-government, being in force for the whole city goes with a creeping deprivation of local policies and the powers of local representative bodies. Because of the outsourcing of a multitude of tasks and services to independent associations belonging to local authorities or to private actors the functions of decision-making and control are continuously reduced, and by selling infrastructural facilities local representative bodies lose their competences with regard to exerting influence and to steering development. According to the words of a former mayor of Munich “the one who is selling his public utilities no longer has any influence on local energy-policies..... and the one who sells local housing stocks cannot provide low-income households with payable apartments”.

### **6.0 How can local authorities change from driven subjects to drivers and designers of their development**

Between local government strategies and measures and the social and economic problems and challenges facing local authorities there is a considerable gap. However, merely doctoring the symptoms and modifying programmes will not suffice to bridge this gap, this would not be more than a drop in the ocean. In order to become good cities for all citizens a far-reaching shift in policies and paradigm is needed: away from the predominating neoliberal supply and competition orientation towards greater consideration of the concrete needs and social interests of all urban residents. This paradigmatic change cannot be executed by local authorities alone, it has to take place too on the side of decisive supra-local institutions in whose political-ideological course-setting cities and their scope of actions are embedded.

As long as the EU and Federal Government keep to function as implementation authorities for the goals and principles of the neoliberal globalization process, as long as liberalization, deregulation and privatization are going to stay dominant principles of the politics of these two institutions, as long as political and economic conduct is determined to a growing degree by the logics and interests of deregulated financial markets, as long as the transformation of the welfare state oriented to the primacy of location improvement and of profit optimizing is going to last, as long as the redistribution of income and wealth from below to the top is prosecuted and as long as labour market policies because of competitive reasons keep to hold to an increase of a low-wage sector with growing numbers of precarious jobs, well as long as these general conditions do not experience a fundamental change in direction an essential change of the social and economic polarization on the local level cannot be expected.

In order to render cities from members of the cast to steering subjects of local development moreover a strengthening of the local level in the European multi-level system is needed as well as an extension of their competences. As long as EU competition and allocation laws are limiting local scopes of action lastingly, as long as structural financial deficits of local authorities are in existence, and as long a growing number of cities can meet their running activities only by means of constantly rising cash-advances, so long cities' competences and scopes of action will stay insufficient with regard to performing their rights guaranteed by the constitution to settle the matters of the local society in their own responsibility.

The expectation of the necessary change of paradigms on the side of the EU and Federal Government at present is an illusion. And an extension of local rights to participate and of local scopes of action has only little chance of succeeding, too. But despite all external restrictions cities could take their own steps in the direction of a change of policies and paradigms by using their still existing powers for intervention. Therefore first and foremost they should change their self-assessment/ function from mere market-participants to steering actors of local development, they should abandon their prevailing problem-fragmentation of local politics in favour of a more intensive analysis of the social background of local problems, they should set different political priorities: from particularistic interests strong in financial terms to the common weal of all urban residents, they should stop the sale of local self-government with the privatization of public services and facilities, they should withdraw the supply with payable rented flats from the logics of the market and should see this as a permanent duty of public infrastructure, they should transfer local development planning from the side of the real-estate sector and financial-market investors into local responsibility, and last but not least they should try to influence the market-oriented politics and decisions of supra-local levels with the help of their local authority associations and local networks.

The majority of these demands is not new. And the reasons why they could not be kept are likewise known. The realization of these demands failed always again because of existing power structures, because of relevant public and private actors and their interests. This brings me to a concluding demand: these all have to be changed in order to render cities to really good cities for all their residents.