

# LEIPZIG CITY REPORT

By Jörg Plöger



CENTRE FOR ANALYSIS OF SOCIAL EXCLUSION  
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## Preface

Europe is a continent of cities with a remarkable history of cultural inspiration, wealth creation, social and political dynamism. But in the late-20<sup>th</sup> century, many former industrial cities entered a period of steep decline, losing most of their manufacturing jobs and many of their economic functions. Populations declined and wealthier suburbs outstripped the declining inner cities that had housed the 'engines of the world' and now housed some of the greatest concentrations of poverty. The US experienced even more extreme decline.

The idea of Weak Market Cities was born at the second UK Government conference on an Urban Renaissance, hosted by Manchester in 2002. European and American city leaders debated the changing fortunes and prospects of former industrial cities. The pressures of growth and sprawl were counterbalanced with inner urban depopulation and decay; the new skills needed for the new 'knowledge' and 'service' economy were contrasted with high levels of worklessness and poor schools. Cities now house the majority and fastest growing share of the world's expanding population, and they are on a treadmill of physical pressure, social disorder, and economic insecurity.

The London School of Economics' Centre for Analysis of Social Exclusion (CASE) with the Brookings Metropolitan Institute developed a programme to uncover the problems besetting such cities, the recovery measures under way and their impact. Generously funded by the Joseph Rowntree Foundation, CASE researchers identified seven cities across Europe, embarking on impressive recovery actions to reverse decline. We wanted to establish the common ground and differences between a group of comparable cities, exploring their progress and ongoing challenges. Seven cities in five countries became partners in our work: Bremen, Saint-Étienne, Leipzig, Torino, Bilbao, Sheffield and Belfast. The five countries – Germany, Italy, France, Spain and the UK – represent nearly two thirds of the EU's population.

All the cities had four common characteristics: a major industrial and manufacturing history; severe loss of these industries and related jobs; population outflow; a crisis of leadership, economic viability and inward investment. We rooted our study in the actual experience of cities, based on visits, interviews, historical and current local reports. In documenting what we found, we looked for patterns of change and common lessons that might be more widely applicable.

We recognised that the wealth of detailed experience, lived out by local residents, actors and organisations in each particular place, should be captured in some way. Therefore we are pleased to present reports from each of the cities as working papers, documenting what we have found so far and inviting further evidence, comment and debate. The story is both dramatic and encouraging everywhere. But it is also full of uncertainty and only tenuous conclusions are possible. It would be premature to forecast the future trajectory of any of the seven cities.

The seven city reports in this series are seen by us and our city reformer colleagues as work in progress. We hope that students, practitioners, urban researchers and policy makers will find them useful as case studies

and will feed in ideas, reactions and any corrections to the research team. We plan to present a clear overview of how cities facing such acute problems are faring in 2008.

I warmly thank our researchers, Jörg Plöger and Astrid Winkler, for the sheer scale of the undertaking and the immensely detailed work involved in collecting ground-level evidence in the languages of the country and writing up the reports. Sharing their learning through the reports will help many to appreciate the spirited comeback of cities. For as the Mayor of Saint-Étienne argues: 'Very often the soul of the city is stronger than the industrial disasters, which drag it down, make it wobble and threaten to wipe it out.' (Michel Thiollière, 2007)

Anne Power

CASE

26<sup>th</sup> October, 2007

## Acknowledgements

This report on the city of Leipzig is based on local field visits, official and local reports, European Union evidence and discussions with many local actors. We would like to thank all the people who have helped us in preparing this report, particularly colleagues in Leipzig, the EU, CASE and JRF. Anna Tamas, Nicola Serle, Laura Lane and the LSE Design Unit prepared the report for publication and we gratefully acknowledge their help. We accept full responsibility for any mistakes, inaccuracies or misunderstandings of complex and fast-changing local events. The report reflects work in progress and we would be glad to receive additional information and alternative views on our work. For more information about the programme, please contact Nicola Serle at [n.serle@lse.ac.uk](mailto:n.serle@lse.ac.uk).

## 1. CITY CONTEXT

Leipzig is located in the federal state of Saxony (in German: Sachsen) in East Germany. The city is located some 150 kilometres south-west of Germany's capital, Berlin, and some 300 kilometres north-east of Frankfurt (Figs. 1 and 2). The region shares direct borders with the Czech Republic and Poland. With its 4.3 million inhabitants, Saxony is the most populous of the new *Länder* formed after the German reunification. Although slightly more prosperous than the other East German regions, it still lags behind the West German average on most indicators.

Fig. 1: Germany



Source: Spiegel (online)

Fig. 2: Federal German state of Saxony



Source: European Commission (online)

Saxony's urban hierarchy is dominated by three cities of similar size: Dresden; Leipzig; and Chemnitz. These cities have traditionally been characterised by their different functions. While Dresden with its historic grandeur is the regional administrative capital, busy Leipzig is the commercial and trade centre and Chemnitz (named Karl-Marx-Stadt during the GDR period) is the major industrial city. A popular saying has summarised this division as 'produced in Chemnitz, sold in Leipzig, spent in Dresden'. Leipzig has around 500,000 inhabitants. Although it has dropped to thirteenth place among Germany's larger cities, it is still the second largest city in East Germany after Berlin.

Leipzig originates from a Slavic village founded around 900AD. Town status was accorded in 1165. Benefiting from a favourable location at the crossroads of central and Eastern European trading routes, it developed into a

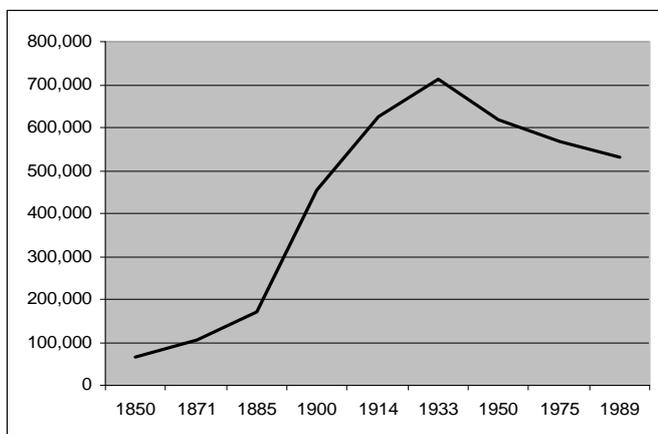
major market centre in the late middle ages. The trade fair which earned Leipzig the title *Messestadt* (Trade Fair City) is the oldest in Europe. Leipzig also developed a significant cultural role and is home to Germany's second oldest university (1409). Box 1 shows the historic evolution of the city.

### Box 1: Leipzig: Timetable of important events until 1990

|           |  |
|-----------|--|
| ~ 900     | Emergence of a Slavic village  |
| 1165      | Town status conferred  |
| 1409      | University founded   |
| 1497      | Leipzig receives privilege for trade fair  |
| 1813      | Battle of the Nations near Leipzig led to decisive defeat for Napoleonic troops                    |
| 1838      | First German long-distance train connection between Leipzig and Dresden                            |
| 1871-1914 | <i>Gründerzeit</i> era: industrialisation, rapid urban growth and increasing functional importance |
| 1913      | Completion of Europe's largest terminal train station  |
| 1933      | Population peak  |
| 1949-1989 | Existence of two post-war German states, in opposing power blocs during the Cold War               |
| 1989      | 'Monday demonstrations' triggering 'peaceful revolution' that led to collapse of socialist regime  |
| 1990      | German reunification; Currency Union   |

In Germany, most cities experienced their most dramatic process of urban transformation as a consequence of rapid industrialisation during the so-called *Gründerzeit* (foundation period). This period begins with the victory against France in 1871 and the subsequent creation and consolidation of the German nation-state and ends with the outbreak of World War I in 1914. Most of the older housing stock in German cities was constructed during this period, in typically dense four-to-five storey apartment buildings. Leipzig underwent a process of rapid industrialisation during the second half of the 19<sup>th</sup> century. It was mainly driven by the publishing, textile and metalworking industries. Its emergence as a major urban centre is also mirrored in the unprecedented population growth (Fig. 3). In the last three decades of the 19<sup>th</sup> century, the city's population more than quadrupled – from 107,000 (1871) to 456,000 (1900).

**Fig. 3: Leipzig: Population development (1850-1989)**



Sources: Statistisches Landesamt Sachsen; Stadt Leipzig (2006); Nuissl and Rink (2003).

Note: time axis not calibrated

After Germany's unification in 1871, the former kingdom of Saxony became an independent region. Leipzig emerged as a leading German city. This was reflected in a number of civic buildings and functions: the Supreme Court of the newly founded German Empire (1879); the Gewandhaus concert hall (1898), the New Town Hall (1905, Fig. 4); the National Library (1912); and one of Europe's largest train stations (1913, Fig. 25).

**Fig. 4: Symbolising the growing city: New Town Hall, on the edge of the historic city centre**



All pictures by the author unless stated otherwise

During the inter-war period (1918-1939), Leipzig continued to grow, reaching its population peak in the 1930s with almost 750,000 inhabitants. At this point, Leipzig was the fourth largest German city. Population growth during this period was fuelled mainly by further industrialisation with the electrical, chemical, mining and energy sectors being added to the existing industrial base.

Leipzig was less damaged during World War II than other major German cities, such as its Saxon counterpart, Dresden, and its urban structure remained virtually intact. The division of Germany into two states in 1949 meant however a significant political, social and economic rupture. For the urban development of East German cities this resulted in a dramatic change of path. During the regime of the socialist German Democratic Republic (GDR), most power functions were concentrated in East Berlin and regional governments were dissolved. From this point on, Leipzig experienced a gradual decline in significance.

The GDR's orientation towards the Eastern Bloc disrupted Leipzig's traditional commercial ties. Many of the surviving industrial plants were dismantled by Soviet troops as war compensation. But industrial activity was soon revived by the creation of large industrial conglomerates (*Kombinate*) based on the previous industrial sectors (Fig. 5). By continuing to host the annual international trade fair, which functioned as the showpiece of the Eastern Bloc's industrial production, Leipzig managed to retain one of the few remaining links with the West

(Fig. 6). Thus the city continued to benefit from its traditional role as a hub for commerce and trade. Leipzig also remained an important centre of cultural life in the GDR. Population figures however reflect its relative loss of importance. Leipzig was the only major East German city to experience considerable population losses before 1990. As Figure 3 shows, the population declined from 713,000 in 1933 to 530,000 in 1989.

**Fig. 5: Heavy machinery for open-cast mining produced by *Kombinat Takraf*, Leipzig**



Source: [http://lexikon.freenet.de/images/de/0/01/Bucket\\_wheel\\_excavator\\_in\\_Ferropolis.jpg](http://lexikon.freenet.de/images/de/0/01/Bucket_wheel_excavator_in_Ferropolis.jpg)

**Fig. 6: Impressions from Leipzig's trade fair during the GDR period**



Source: <http://shop.alte-ansichtskarten.com>

Political change accelerated when Glasnost politics were implemented under Michail Gorbatschow in the former Soviet Union. Towards the end of the 1980s, the former Eastern Bloc quickly disintegrated following the collapse of one socialist regime after the other. The citizens of Leipzig played an important part in East Germany's political transformation. In the autumn of 1989 the weekly 'Monday demonstrations' started on the square in front of the Nikolai church (Fig. 7). This 'peaceful revolution' brought about the fall of the Berlin Wall and the end of the GDR regime in November that same year. East Germany was run by a transitional government until 3<sup>rd</sup> October 1990, when the two German states were reunified. In practice, reunification meant that East Germany was absorbed into the existing West German political and economic framework. The federal structure was extended to East Germany where five new *Länder* were created in 1991.

**Fig. 7: 'Monday demonstrations' in Leipzig**



Source: [http://einestages.spiegel.de/static/topicalbumgallery/372/\\_wir\\_sind\\_das\\_volk.html](http://einestages.spiegel.de/static/topicalbumgallery/372/_wir_sind_das_volk.html)

## 2. CRISIS

It immediately became obvious that East Germany had fallen behind West Germany whilst the country was split in two. For Leipzig this meant being relegated from the first to the second or even third tier of German cities in terms of its significance as a demographic, economic and cultural centre. The city had experienced slow but continuous decline throughout the socialist era, although this was partially hidden by a lack of transparency. The opening up of the transformation period caused a much more visible and rapid decline in the years immediately following reunification in 1990. Integration into West Germany – adoption of its constitution, political and legal systems and the difficult process of adapting to a new economic model – was a shock. Leipzig and other cities in the new *Länder* and other transitional economies, soon displayed particular patterns of urban decline which came to be labelled ‘shrinking cities’ (Oswalt, 2005). The most obvious signs of crisis were:

- Industrial collapse
- Environmental damage
- Increasing social problems, especially unemployment
- Population decline
- Uncontrolled suburbanisation and sprawl on the urban periphery
- Housing crisis, signified by decay and high vacancy rates
- Overburdened public administration

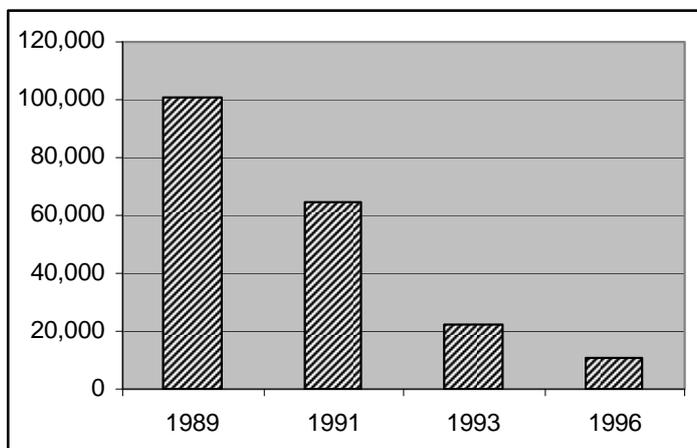
Each of these problems is described briefly below.

### **Industrial Collapse**

The industrial collapse of East Germany was profound and quick. Only in the three years from 1990 to 1993 more than half of the 4 million industrial jobs were lost (Heinker, 2004:151). There were several reasons for this accelerated process of deindustrialisation. First, East German industry had been protected from free-market international competition and so in most cases was not fit to deal with the new conditions. Second, most companies were not prepared for the new economic conditions attached to the early currency reform in 1990, which replaced the East German Mark with the West German *Deutsche Mark*. Most companies had inadequate access to the new money and were unable to pay their employees, meet production costs or invest in much-needed modern technology. In addition, the *Treuhandanstalt*, the agency set up to handle the privatisation of the state-owned East German industrial conglomerates, was in many cases unable to ensure their survival (F. Hahn, interview). The *Treuhandanstalt* was widely criticised for selling-off supposedly non-competitive East German companies and their assets too quickly to West German and international investors without overseeing any adaptation process (M. Schimansky, interview). In Leipzig, out of the 800 privatised companies, almost 300 were closed (Heinker, 2004:161). A typical example is the case of the largest industrial conglomerate *Takraf*, producing heavy machinery (Fig. 5), which was divided into different segments, which were then either closed or sold to investors. Its workforce original workforce of 5,000 was quickly reduced to just 250.

Leipzig's industrial sector was held to be somewhat less innovative than elsewhere. Even among East German cities, which suffered greatly, the process of deindustrialisation in Leipzig was particularly severe. Figure 8 shows the loss of industrial employment in the city. In only seven years – from 1989 to 1996 – 90,000 manufacturing jobs were lost, a decline of 90 per cent (O. Weigel, presentation at CRG meeting, March 2006). None of our other case study cities experienced a similar scale of industrial decline. In 1991, 27 per cent of the workforce was still employed in manufacturing, but the proportion fell to 11 per cent by 2004 (IHK Leipzig, 2006). Although the service sector expanded it could not compensate for these dramatic losses. Leipzig's difficulties were compounded by the fact that, unlike Chemnitz, it was not regarded as a typical industrial city and therefore saving manufacturing jobs was not high on the agenda (M. Schimansky, interview).

**Fig. 8: Leipzig: Number of employees in manufacturing (1989-1996)**



Source: Stadt Leipzig (2006)

### **Environmental damage**

Leipzig is located close to the industrial heart of the former GDR. The concentration of heavy industries within the region, in cities such as Bitterfeld and Leuna, has caused serious pollution of air, water and soil. In Leipzig itself and in its surroundings, industrial elements such as the carbo-chemical industry, coal-fired power plants and open-cast lignite mining generated a massive environmental burden by the end of the 1980s (Fig. 9). Mining was responsible for damage to large areas to the south of the city. No significant environmental or green movement existed in East Germany during the GDR regime. Although the sudden collapse of the industrial sector following the economic restructuring described above had serious social consequences (see below), it had a direct positive impact on environmental conditions and aspects of quality of life

Fig. 9: Heavy industry, early 1990s

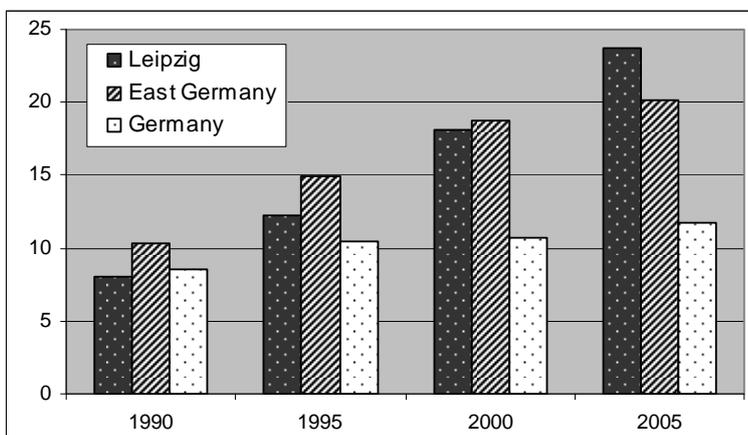


Source: UFZ Leipzig

### Increasing social problems

The rapid economic and political restructuring resulted in substantial social problems across East Germany. The loss of industrial employment was by far not compensated for by new jobs created in the expanding service sector. In Leipzig, as elsewhere, unemployment became the most serious social problem. Although officially non-existent, some hidden unemployment had already occurred under the socialist system. Due to rapid job losses in the years after reunification, the unemployment increased steadily, reaching almost 20 per cent by the late 1990s. It must be noted however that many workers affected by the early closures were often given generous social packages and early-retirement schemes. Leipzig's unemployment rate was substantially higher than the figures for Germany as a whole and, in 2005, even surpassed the high levels for East Germany (Fig. 10).

Fig. 10: Unemployment rates for Leipzig and Germany, in % (1990-2005)



Sources: Stat. Bundesamt; Stat. Landesamt Sachsen; Bertelsmann Stiftung. (all online)

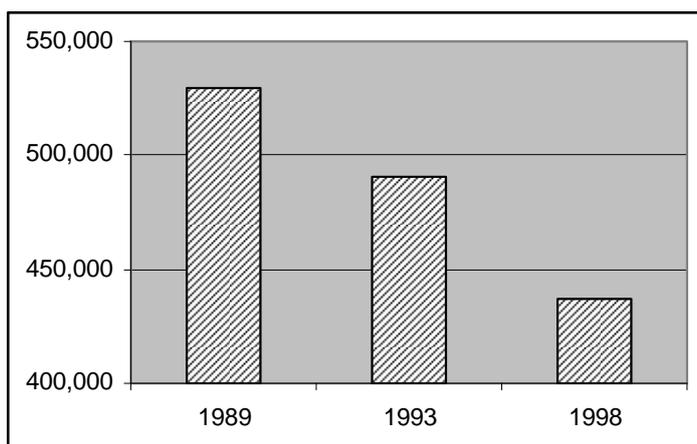
Rising unemployment led to a number of further problems. The labour market became increasingly difficult to access both for older workers who had lost their jobs as well as the younger generation that was about to enter it. The proportion of long-term unemployed increased steadily. The malfunction of the labour market had a detrimental effect on the public budget, forcing the government to spend an increasing amount on social welfare. Meanwhile, the creation of some high-skilled service sector jobs caused greater socio-economic inequalities, a social condition practically non-existent in the previous socialist context. The introduction of new social values and consumption-oriented lifestyles on the one hand and high levels of social welfare dependency on the other often caused psychological stress and frustration.

### Population decline

Population decline accelerated after the profound transformation process initiated by German reunification. In the decade following reunification, Leipzig lost almost 100,000 inhabitants or 20 per cent of its population, reaching an historic low of 437,000 in 1998 (Fig. 11). Three parallel demographic processes caused the decline (S. Heinig, interview):

- **Suburbanisation** was the most important factor, responsible for approximately half of the losses, and will be discussed in more detail below.
- **Migration** towards more prosperous and dynamic West German regions was responsible for about a quarter of the decline. This process meant also a brain drain, as it was predominantly skilled, economically active people aged between 20 and 40 who left. Only in the first two years after the collapse of the GDR, 32,000 people left Leipzig for West Germany.
- **Lower birth rates** reduced the population by approximately another quarter as the birth rate in East Germany dropped below the already low West German levels following reunification.

**Fig. 11: Leipzig: Population development (1989-1998)**



Sources: Statistisches Landesamt Sachsen; Stadt Leipzig. (both online)

## Suburbanisation and sprawl

Due to strict regulations on settlement pattern, East German cities had practically no suburban hinterland until 1990. Since reunification, the mostly rural municipalities surrounding Leipzig were heavily transformed by residential and commercial suburbanisation. In the early period this process has been called 'Wild East suburbanisation' (Nuisl and Rink, 2003). The developments were driven by market forces and often characterised by their lack of planning and sustainability. Figure 12 illustrates a typical housing development of this period. Suburbanisation already reached its peak between 1995 and 1998 (ibid.).

**Fig. 12: Suburban developments of the mid-1990s**



The emerging urban sprawl was the result of a number of push- and pull-factors (Nuisl and Rink, 2005):

- **Catching-up:** Due to restrictions on owner-occupied housing under the GDR, East German cities had almost no low-density suburban single-family housing at the time of reunification. Although socialist housing policy triggered a displacement of the population into larger estates on the urban fringe, this did not spill over into adjacent jurisdictions. Suburbanisation can be regarded as a process of catching-up with Western patterns. The expectation of rapid adjustment to Western standards and easy access to federal subsidies also fostered speculative suburban developments.
- **Lack of land-use regulation:** Immediately after reunification, Eastern local authorities were not ready to regulate land-use according to the newly-introduced Western planning system. With instruments and laws not yet fully applied, investors from the West took advantage by building suburban developments which would not have met planning standards under the federal system. Although general planning guidelines are proposed at the federal and regional level, the power over planning lies with municipal governments in Germany.
- **Inappropriate federal policy:** Like post-war policies in the US, several federal policies and fiscal instruments actually intensified the suburbanisation trend. These include: private ownership housing allowances (*Eigenheimzulage*), introduced to increase home ownership and to overcome perceived housing shortages; transport subsidies in the form of a mileage allowance for car commuters

(*Pendlerpauschale*); tax write-off models for run-down older housing stock (*Sonderabschreibungen*); and massive investments in East German road development, along with other infrastructure.

- **Legal obstacles to inner city renewal:** In order to re-establish the pre-war ownership of properties expropriated during the socialist regime, the guiding principle was to favour restitution of properties to their previous owners rather than compensation payments (*Rückgabe vor Entschädigung*). In Leipzig, some 30,000 restitution claims had to be decided upon. As a result, there was initially little incentive to invest in the decaying and disputed inner-city housing stock. This significantly delayed urban renewal and exacerbated decay and abandonment of the existing stock.

The resulting sprawl caused new problems such as unnecessarily extending the city onto land that had not previously been urbanised, increasing the environmental burden on the city and its surroundings. In Leipzig, the new suburban developments were not accompanied by investments in the public transport infrastructure, making the new housing dependent on the use of private cars. Suburbanisation also had a negative financial effect on the core city. The demographic shift towards the suburbs involved mostly middle-class households and therefore caused a reduction in the tax base. Another problem for the core city is the undermining of its central city functions through retail competition from new shopping malls on the periphery.

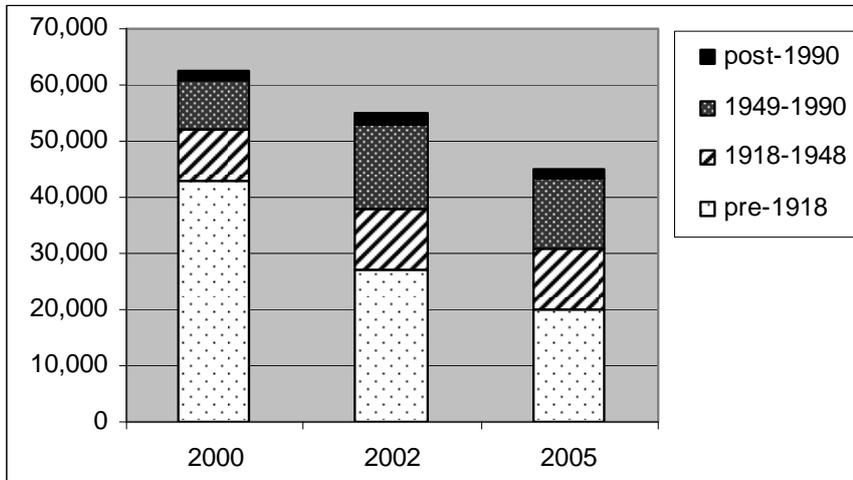
### Housing crisis

A specific feature of the urban crisis in East German cities is the housing crisis characterised by a housing stock in urgent need of renovation and high vacancy rates. Due to this situation, almost 30,000 housing units were already vacant in 1989 (Stadt Leipzig, 2006). The vacancy rate rose sharply during the 1990s. The peak was reached in 2000, with approximately 62,500 vacant housing units, or 20 per cent of the existing stock (Fig. 13). In Leipzig, housing problems were usually concentrated in the pre-1918 segment of the housing stock and from the mid-1990s also in the large socialist estates of the post-war period. Due to its large share of the overall housing stock however, almost 60 per cent of the population were still occupying pre-1918 housing units in the 1990s (Stadt Leipzig, 2006). Slightly over 30 per cent of inhabitants lived in the socialist housing estates, half of whom or 75,000 in Grünau, East Germany's second largest *Plattenbau* estate (Fig. 15).

As Leipzig was bombed less than other cities during World War II, it still has a relatively large pre-1918 housing stock from the *Gründerzeit* period. During the socialist era the main emphasis of the GDR housing policy was on the construction of mass-built estates<sup>1</sup>, often located on the periphery of the cities. These estates were built on a huge scale from the early 1970s. The population usually favoured them over the derelict older stock because of higher housing standards. The older inner-city housing stock, on the other hand, was largely neglected. Only limited efforts were put into its renovation. Therefore most of it was in a very bad physical condition by 1990 (Fig. 14). According to estimates, three quarters of the 258,000 housing units required renovation in 1990 (Stadt Leipzig, 2005). While 13 per cent of the housing stock was in a very bad condition, 9 per cent were labelled as uninhabitable. 58 per cent of the housing still used coal stoves for heating and 19 per cent did not have a proper bath.

<sup>1</sup> In East Germany these estates are usually called *Plattenbau* because of their characteristic construction technique using prefabricated units (concrete slabs).

**Fig. 13: Share of vacant housing stock in Leipzig (2000-2005)**



Source: Stadt Leipzig (2006).

**Fig. 14: Housing problem I:  
Decaying pre-1918 housing stock (East Leipzig)**



**Fig. 15: Housing problem II:  
mass-built estates on the periphery (Grünau)**



### Overburdened public administration

Along with these problems, as elsewhere in Germany, the public administration of the City of Leipzig had more and more difficulty maintaining a balanced budget. While the local tax base fell due to the reduced population and closure of companies, the city struggled to meet the demand for public services. A characteristic problem of 'shrinking cities' is that they are equipped with an obsolete and oversized public infrastructure (technical and transport), which requires maintenance while being used by fewer people. The increasing numbers of households dependent on social welfare put pressure on strained urban budgets. The problematic situation in the housing sector described above also demanded urgent action. Yet, because of fiscal pressures, the Leipzig administration had only limited flexibility to confront its problems and design long-term regeneration policies.

### 3. RECOVERY: ACTIONS TAKEN

#### 3.1 Strategy change: from pro-growth to adjustment

At the beginning of the transformation period resulting from German reunification<sup>2</sup>, the German economy was expanding. Alongside the positive political mood in Germany, there was strong belief that East Germany would quickly catch up with West German standards. For this reason, pro-growth strategies were adopted throughout East Germany in the 1990s. East Germans had great expectations that living conditions would rapidly improve. This was particularly true in Leipzig where the population had played such a decisive role in the transformation and where surveys gave evidence of the widespread feeling of elation and confidence. Leipzig became known as a 'boom town', mainly due to the manifold construction activities (Heinker, 2004).

But it was soon realised that the 'blossoming landscapes' which Chancellor Kohl had promised for East Germany in 1990 would not materialise quickly. It became increasingly obvious that the pro-growth strategies adopted by the German government were far too optimistic and generally failed all over East Germany. The weak economic base, population losses, rising unemployment and collapsing public services became too serious to ignore. It was also more and more recognised that almost all cities were actually shrinking rather than growing.

In the second half of the 1990s, driven by strong city leadership, Leipzig was the first major East German city to recognise the need to adopt more realistic approaches to urban development and to develop a strategy that would target its specific problems and challenges. The actions advocated in this new approach can be summarised under two broader headings:

- **'Fix the problems'**: There was a need to identify the problems and develop a strategy to fix them. This strand was mostly aimed at strengthening the inner-city to increase its attractiveness and enable it to compete with the suburbs, both in residential and commercial uses. The actions under this strand had a strong urban renewal focus.
- **'Think big'**: In contrast to the more responsive first strand of fixing problems, this second strand of the recovery strategy aimed to position Leipzig firmly as a recognised and established economic and cultural centre in the emerging European city network. This included major efforts to attract large companies to the city on the one hand and the promotion of large-scale events and developments on the other hand.

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<sup>2</sup> In Germany, this period is usually called *Wende*, which refers to the abrupt change of path for East Germany.

## 3.2 Urban Renewal

The particular problems of becoming a 'shrinking city' put housing high on the political agenda. With rising vacancy rates in inner-city neighbourhoods, the housing market had become increasingly dysfunctional. Urban renewal was seen as essential in the fight against population loss. Competing with the attractive job markets in West German cities was difficult. Nonetheless, it was argued that the city could compete with its own suburbia by fostering a supply of attractive inner-city housing and other urban amenities. Here, the structure of the existing housing stock proved favourable as Leipzig has a relatively large stock of decayed but potentially attractive pre-1918 buildings. In order to recreate a functioning housing market with incentives for owners to invest in their properties, it was thought necessary to target urban renewal carefully by demolishing the most extreme areas of abandonment. By concentrating limited resources strategically, the city gradually re-marketed the inner-city as an attractive place to live.

### Debates about the urban future (since 1998)

From 1998, the City Council convened several *Stadtwerkstatt*, an occasional urban roundtable, to bring together important urban thinkers and actors to discuss specific problems. Some of these roundtables have been relevant for the formulation of urban strategies in Leipzig (M. Döhler-Behzadi, interview). One landmark was the 1998 workshop where urban experts discussed the future of the 'last third' of the housing stock, which had not yet been renovated (Fig. 16). This meeting was informed by dominant themes such as demographic decline and the lack of public resources. The resulting position paper enunciated three major principles on how to deal with the situation (S. Gabi, interview):

- to enhance the attractions of the inner-city, in order to compete with suburban developments;
- to accept that insufficient public funds made investment in all areas impossible; and
- to enhance the necessity for some demolition. Limited demolition of the least attractive segments of the existing housing stock would have a positive effect on the urban environment, such as lower densities, more individual housing options, more green areas and more public spaces).

**Fig. 16: Characteristic patchwork of renovated and derelict buildings in Leipzig's inner neighbourhoods:**



## **Strategic Urban Development Plan (2000)**

In 2000, the city published an Urban Development Plan that specifically targeted housing and urban renewal. It defined a joint strategy for the older housing stock, the large estates and new construction. The main aims were to increase the competitiveness of well-equipped inner-city neighbourhoods and to consolidate the housing market. In order to achieve these aims, the city decided to support the renewal of selected areas as well as aiming to demolish between 15,000 and 20,000 properties by 2010 (Stadt Leipzig, 2002).

This process was accompanied by the planning department's development of a micro-level urban monitoring system. This was used to understand and evaluate urban development trends and to help decision-making and in designing future policies. Leipzig was one of the first East German cities to use such a tool. It was based on a similar tool used in the state of North Rhine-Westphalia and was supported by federal research funds (S. Heinig, interview).

Given the restricted resources, it was decided to allocate the available funds in three large areas of the city that were identified as particularly needy (O. Weigel, interview): The two areas of East and West Leipzig are dominated by pre-1918 housing and Grünau is dominated by large-scale socialist housing. While the older neighbourhoods were already characterised by several problems such as physical decay, lack of renovation and high vacancy rates, the large estate increasingly began to show signs of decline from the second half of the 1990s.

In addition to its own activities, the City was able to draw on several external funding streams. Several interviewees mentioned the particular success of the Department of Urban Renewal and Housing in accessing these external funds. From 1997 to 2003 on average 30 to 40 million Euros from local, regional, federal and EU governments were available (Stadt Leipzig, 2006).<sup>3</sup> Following the principles set out in the strategic Urban Development Plan, these funds were then allocated to the identified areas. East Leipzig, which showed the highest levels of deprivation, was assisted through funds from the *Soziale Stadt* neighbourhood renewal programme, funded equally by the federal and regional governments.<sup>4</sup> EU Regional funding (Objective 1) was also used. In West Leipzig a considerable part of the funding for urban renewal came from the EU URBAN II programme. This area, counting a population of 31,000, received 20 million Euros between 2000 and 2006 (URBAN documentation). Figure 17 shows the current

## **Housing Vacancy Commission and demolition programme *Stadtumbau Ost***

As a result of the increasing problems with housing vacancies in East Germany, an interdisciplinary expert commission bringing together leading urban experts and thinkers was formed in 2000. The fact that Leipzig's former mayor Lehmann-Grube chaired the commission can be taken as a sign that early recognition of the problems of 'shrinking' gave Leipzig a head-start over other cities, and a leading role in expressing the specific needs of East Germany. Officially called the 'Expert Commission on the Restructuring of the Housing Market in East Germany', it also became known as the 'Vacancy Commission'. The commission was asked to delineate

<sup>3</sup> Until 2006, East Germany as a whole (excluding Berlin) had EU Objective 1 status.

<sup>4</sup> Full translation of the official title: 'Neighbourhoods with specific needs - the socially integrative city'. See also our *Bremen City Report*.

viable solutions to the problem. According to their report, almost one million housing units were vacant in East Germany by the late 1990s (Expertenkommission, 2000). Given the demographic trends and the economic situation this number was expected to rise. The recommendation was to demolish between 300,000 and 400,000 units over the next ten years. The report initiated a significant shift in thinking on urban development in East Germany.

As a result of the Commission's findings, the Federal Government launched a major programme, *Stadtumbau Ost*, in 2002. The aim was to help East German cities overcome their housing market crisis. While the term *Stadtumbau* translates literally into 'urban conversion', in practice it is associated with demolition. Thus, alongside new construction and renovation, demolition became the third pillar of federal urban policy in Germany. The programme has 2.7 billion Euros of funding shared equally between regional and federal supports. The funding is covering the period from 2002 to 2009, but will probably continue afterwards, albeit with lower funding.<sup>5</sup> It has taken on board the commission's recommendation to demolish approximately one third of the vacant housing in East Germany.

Since 2001, 9,200 units have been demolished in Leipzig. Two thirds of the demolition was carried out in large housing estates, mostly in Grünau. The remainder was predominantly demolition of pre-1918 units in inner-city neighbourhoods. The cost of demolition over this period totalled 15.1 million Euros and was mostly funded through the *Stadtumbau Ost* programme.<sup>6</sup> The municipal housing company Leipziger Wohn- und Baugesellschaft (LWB) alone demolished 5,700 units until 2005 (LWB, online). In 2005, the LWB owned almost 44,000 housing units, of which about 17,000 were not yet refurbished and almost 4,000 earmarked for further demolition (ibid.).

### Urban renewal instruments

While demolition was one major intervention, other parts of the urban renewal strategy were based on improving the quality of life and housing choices in inner-city neighbourhoods in order to attract people back into the city. We can distinguish two main elements of this strategy:

- to bring middle-class households back into the city; and
- to develop an integrated approach for the most deprived areas.

There was little information about how other cities sought to tackle similar problems. Leipzig therefore became a pioneer in designing policies relevant to the specific situation of East Germany. In order to achieve the aims mentioned above, the City came up with a number of innovative ideas. The following box contains an overview of the main tools and programmes it developed.

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<sup>5</sup> Although with reduced funding, the programme was also extended to selected West German cities (see our *Bremen City Report*).

<sup>6</sup> Before the *Stadtumbau Ost* funds became available in 2002, demolition was financed through a special programme by the state of Saxony.

**Box 2: Instruments and programmes for urban renewal implemented in Leipzig**

| Instrument / Programme  | Description   | Aims   | Impact  |
|---|---|--|---|
| Town-houses<br>( <i>Stadthäuser</i> )<br><br>(Fig. 17)  | Construction of owner-occupied semi-detached townhouses in the inner-city   | Create attractive housing choices in order to compete with suburbs   | By 2007: 100 houses; but: developers often prefer suburban locations with less regulation and possibility to develop larger areas |
| Tenant Refurbishment Incentive  | Tenants receive financial assistance to refurbish their blocks  | Provide necessary refurbishment to semi-derelict buildings   | Limited success: housing market offers large choice of inexpensive housing anyway   |
| Self-user programme<br>( <i>Selbsnutzer</i> )<br><br>(Fig. 18)  | City helps organising and advising 'owner groups' for buildings   | I. Provide housing for middle-classes; stop suburbanisation<br>II. Consolidation of older housing stock  | 2001-2007: ~ 300 families (½ in older housing units, ½ in new town-houses, see above)   |
| 'Guardian houses'<br>( <i>Wächterhäuser</i> )<br><br>(Fig. 19)  | Temporary rental-free lease of decaying buildings in strategic locations, occupiers required to make necessary repairs; coordinated by not-for-profit group   | Save endangered buildings from further dereliction; positive signal for area; side-effect: housing option for creative groups (e.g. students, artists) | Small symbolic impact; Total: 8 buildings   |
| Temporary use of private property as public spaces<br>( <i>Gestattungs-vertrag</i> )<br><br>(Fig. 20) | Contract between city and land owner; city allowed to temporarily use privately owned land as public space, e.g. local park; duration of lease usually 10 years. Owner responsible for demolition and clearing of site, but freed from property taxes and site security | Increase quality of life and attractiveness of area; creating beneficial intermediate solutions for owner and city                                     | Successful: 106 contracts (1999-2005); funding: 6 million Euros (until 2006)  |

Sources: interviews with representatives of departments of Urban Renewal & Housing and Urban Planning, City of Leipzig.

Fig. 17: Advertisement for new 'town-houses'



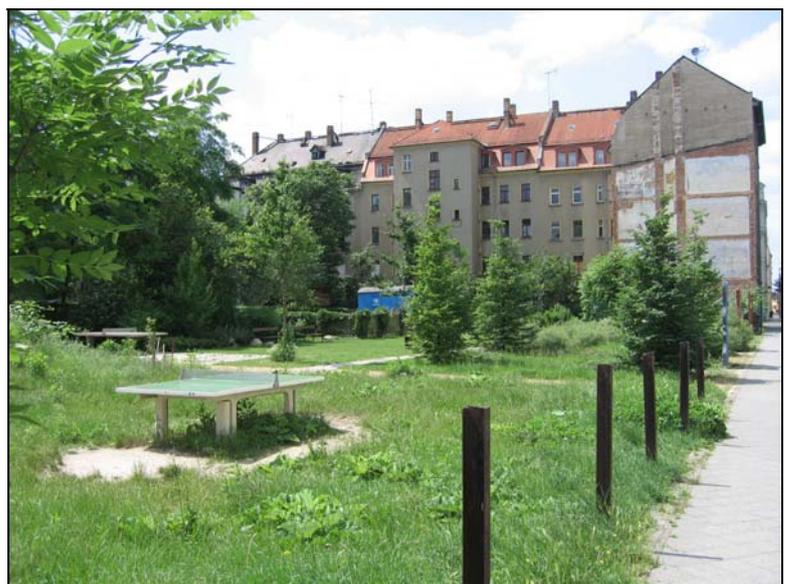
Fig. 18: Advertisement for 'self-user programme'



Fig. 19: 'Guardian house'

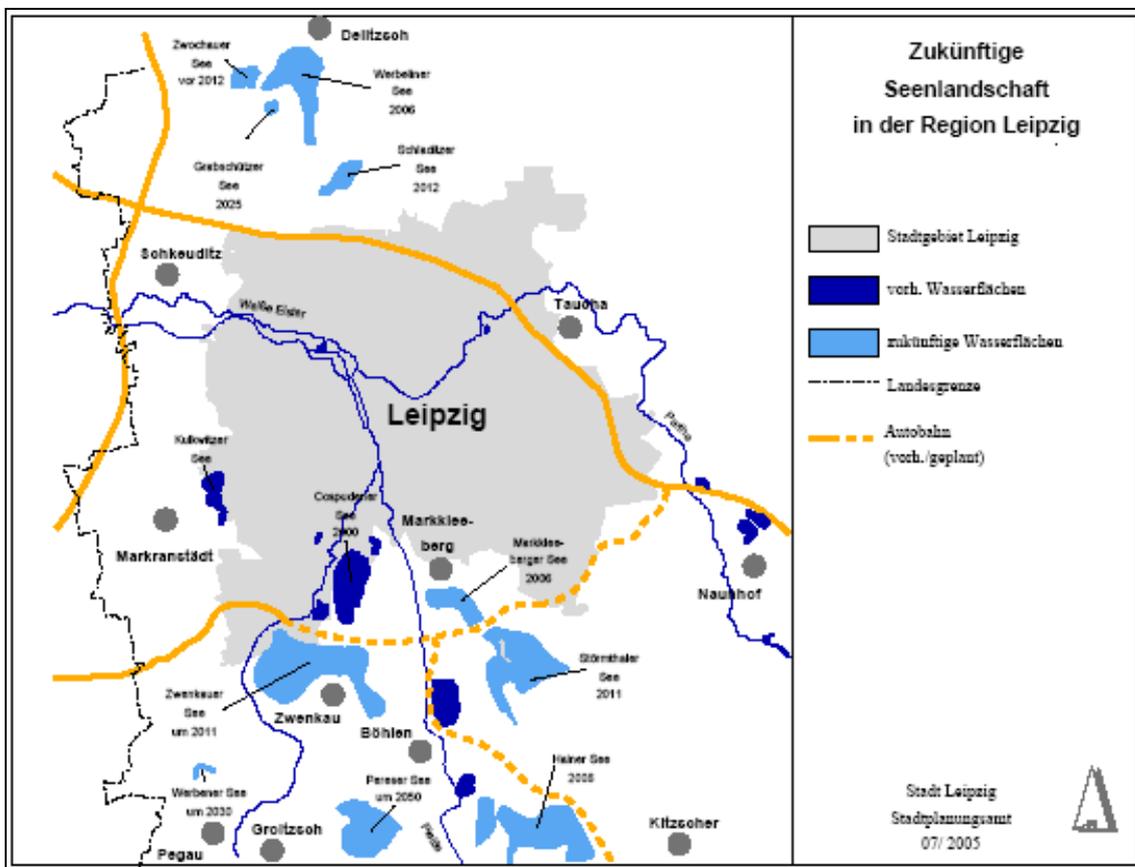


Fig. 20: Interim use as neighbourhood park



A good example of how quality of life can be improved through environmental regeneration is the reclamation of former mines just outside of the city. The landscape to the south of Leipzig is scarred with the legacy of open-cast lignite mines, the last of which closed in the late 1990s. This area is currently undergoing an impressive process of ‘landscape transformation’ (S. Kabisch, presentation at CRG meeting, Sept. 2006). The former mines are being flooded and the plan is to create a large lake district for leisure uses ([www.leipzigerneuseenland.de](http://www.leipzigerneuseenland.de)). The dark areas in Figure 21 show lakes that have already been created and are used by the population for activities such as swimming or sailing. The lighter areas are currently being flooded and will be available in the near future. The large central area shows the city of Leipzig. This example shows the potential and importance of quality of life factors, based on a clean environment and leisure amenities, in post-industrial cities such as Leipzig.

**Fig. 21: The emerging ‘Lake District’ around Leipzig**



Source: Stadt Leipzig (2005)

### 3.3 Major investments in urban regeneration

The first phase of urban regeneration after reunification was characterised by the implementation of pro-growth strategies. In order to match the development levels of Western Germany and to create confidence for investors, massive transfer payments were made to East Germany. In 2003, subsidies still accounted for one third of the gross economic product of the new *Länder*. Convinced by the arguments in favour of rapid equalisation of standards, both regional and city governments became heavily involved in large-scale projects.

During most of the 1990s, the City of Leipzig, driven by this euphoria, embraced ongoing economic restructuring. A construction boom followed. The city engaged actively in overcoming its industrial past and re-emerging as a service and trade centre. The investment in the construction of the new trade fair complex on the outskirts of the city reflects the strategy of re-establishing the city as an important hub for trade and commerce (Fig. 24). Another plan was to establish Leipzig as a leading regional centre for banking and finance (Heinker, 2004).

Over this period, large-scale investments were also made in the revitalisation of the city centre, which was characterised by decay and a lack of centre-city functions, and was therefore quickly losing ground to new suburban retail developments. One major project was the modernisation of the main train station, including the addition of a shopping mall, the first such project in Germany (Fig. 25). By the late 1990s, the city centre had regained mass and confidence, as reflected in a series of retail and, to a lesser degree, office developments. Revitalisation efforts were directed at inhabitants and tourists alike, with many historic buildings being refurbished, including the new and old town halls, churches, merchant houses and Leipzig's typical historic shopping arcades (Fig. 22).

**Fig. 22: City centre: historic merchant houses and new Museum of Fine Arts**



Since the early 1990s, many other massive investments have been made to modernise the transport and utilities infrastructure and networks (Fig. 23). Leipzig is now well-linked by newly-built or modernised highways. A new fast-train link has reduced travel time to Berlin to one hour. Another major investment in transport infrastructure is the 'city tunnel' currently under construction that aims at improving suburban and regional train connections. In addition to investments in road and rail-based infrastructure, the Leipzig-Halle airport on the northern development axis just outside the city was modernised and extended. With its 24-hour flight access it is developing into a major hub for air cargo and logistics.

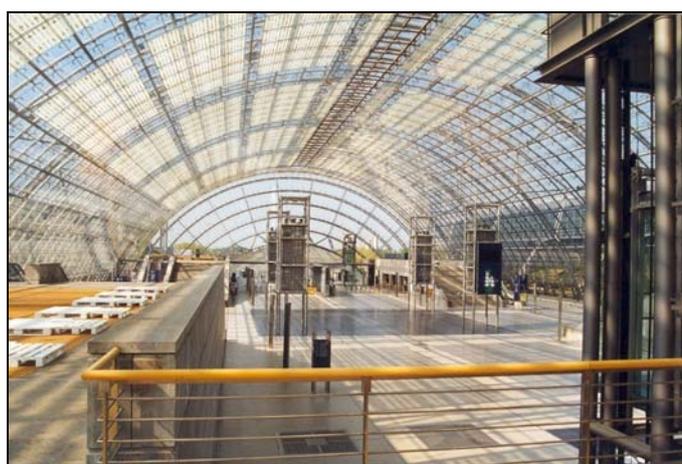
**Fig. 23: Major public sector investments in Leipzig and surroundings**

| Location            | Project  | Sector                              | Period    | Investment (million €) |
|---------------------|--|-------------------------------------|-----------|------------------------|
| <b>City</b>         | Technical Infrastructure (gas, electricity, water)                       | Technical infrastructure            | 1993-1994 | 1,000                  |
|                     | Main Train Station (modernisation, shopping mall)                        | Transport infrastructure, retail    | 1996-1998 | 260                    |
|                     | Fine Arts Museum   | Museum, arts                        | 2000-2004 | 73                     |
|                     | City Tunnel  | Transport infrastructure            | 2003-2010 | 572                    |
|                     | University Campus (modernisation)  | Higher education                    | 2004-2009 | 150                    |
| <b>Urban fringe</b> | New Leipzig Fair   | Trade fairs, Commerce               | 1993-1995 | 2,060                  |
|                     | Leipzig Airport (modernisation, expansion)                               | Transport infrastructure            | 1993-2000 | 660                    |
|                     | Leipzig-Halle Cargo Handling Centre (GVZ)                                | Transport infrastructure, logistics | 1993-1994 | 50                     |
|                     | Medical Scientific Centre  | Health services                     | 1992-1996 | 1,500                  |
|                     | (Re)development of enterprise areas                                      | Business / industrial park          | 1993-1996 | 1,200                  |
|                     | Various media-related projects (e.g. Media City, printing quarter, etc.) | Media, publishing                   | 1993-2003 | 1,150                  |

Sources: Stadt Leipzig (2005); Nuissl and Rink (2003)

Note: Although mainly financed with public funding, many of these projects also received funding from the private sector.

**Fig. 24: New Trade Fair: reviving traditional function**



**Fig. 25: Main train station: refurbished and now equipped with a shopping mall**



## Attracting new companies

It soon became clear that the initial focus of economic development on a service-led recovery had not brought strong enough results. Recognising that subsidies and other public funding would not be available forever, the City shifted its economic development strategy in the late 1990s. The high unemployment levels related mostly to loss of industrial employment, so the almost complete absence of large private sector companies drove the City to a stronger emphasis on attracting major new companies and adapting to the new employment situation. This reorientation has been successful. Several new companies located new production or service sites in Leipzig. The most significant were from two specific economic sectors, car manufacturing and logistics (Figs. 26 and 27):

- **Car manufacturing:** Both BMW and Porsche decided to build new plants to produce new car models in Leipzig. Including suppliers, this sector has created some 6,000 new jobs in the region so far (M. Schimansky, interview). BMW's plant was designed by the renowned international architect Zaha Hadid.
- **Logistics:** The first major company that invested in Leipzig was the mail-order company Quelle. More recently, DHL and Amazon followed. Both decided to locate their European distribution centres in or – as in the case of DHL - nearby Leipzig. So far, about 5,000 predominantly low-skilled jobs have been created in this sector. An estimated 4,000 more will be added when the DHL centre fully starts operating in 2010 (interview notes, A. Kreideweiss). The expansion of the logistics sector may be related to Leipzig's history as a trade hub. With the expansion of the EU, Leipzig is now centrally located in Europe's transport networks. Still, the success is even more closely related to the heavy subsidies into transport infrastructure, especially the airport, which operates without flight restrictions during the night for freight traffic. The development of cargo handling centre near the airport with public-sector funding in the mid-1990s is another strategic investment in this direction.

**Fig. 26: North Leipzig development corridor: Highway exit for BMW plant, Quelle warehouse and new Trade Fair complex**



**Fig. 27: Major private sector investments in Leipzig**

| Location            | Company                       | Economic sector (and project)                         | Construction period | Investment (million Euros) | New jobs                         |
|---------------------|-------------------------------|---|---------------------|----------------------------|----------------------------------|
| <b>Urban fringe</b> | Quelle                        | Logistics, mail-order, storage                        | 1992-1995           | 500                        | 2,500 (peak)                     |
|                     | Porsche                       | Car manufacturing                                     | 2000-2002/09        | 130 (+120)                 | 400                              |
|                     | BMW                           | Car manufacturing                                     | 2002-2005           | 1,400                      | Currently: 3,500; planned: 5,500 |
|                     | DHL                           | Logistics, mail services, transport                   | 2005-2008           | 300                        | Currently: 3,500; planned: 7,000 |
|                     | Amazon                        | Logistics, mail-order, storage                        | 2006-2008           | 90                         | 300                              |
|                     | Belantis                      | Leisure and entertainment (theme park)                | 2001-2008           | 580                        | 40                               |
| <b>City Centre</b>  | Deutsche Telekom              | Communications (office building, technical equipment) | 1992-1995           | 580                        |                                  |
|                     | Karstadt                      | Retail (department store)                             |                     | ~ 100                      |                                  |
|                     | Different property developers | Offices, retail (refurbishment of Messe tower)        | 2003-2005           | ~ 60                       |                                  |

Sources: Stadt Leipzig (2005); Nuissl and Rink (2003)

Note: Although mainly financed by the private sector, many of these projects also received public-sector subsidies.

There were several decisive factors in this success, such as the availability of brownfield land and a ready workforce, as well as increasingly deregulated labour laws. Almost all of these companies also benefited from generous public subsidies, especially for site preparations. The city's land-supply strategy aims to ensure that appropriate land is available for potential investors. In a few cases, to facilitate investment, Leipzig has exchanged parcels of land with surrounding municipalities. The city also realised that, in order to improve its position in the context of increased competition for investment on a regional, national and international level, it needed to put extra effort into attracting companies and designing special business services. One such example is the job agency PUUL (Box 3).

### Box 3: Municipal job agency PUUL

The job agency PUUL was created in 2001 by the City of Leipzig. PUUL is the German abbreviation for 'human resource support for companies in Leipzig'. The city financed the first three years of its operation. The motivation for its creation was to provide an incentive to BMW to choose the city for its new plant. It offered human resource services such as pre-selecting the workforce. It also offered a relocation service for top managers. Being a municipal company with a social component, it was required to ensure that one third of the jobs were given to formerly unemployed persons, especially the long-term unemployed. Another aim was to avoid enticing employees from other companies. Although the primary task is to create benefits for Leipzig, PUUL also operates in the region. The task was enormous. Although only online applications were accepted, PUUL received 120,000 applications for approximately 3,000 jobs at BMW. Although the city stopped financing its operations in 2004, it remains the main shareholder. PUUL has secured private-sector funding from a number of companies, mainly suppliers of the car manufacturers and logistics companies. These new clients were interested in using the expertise that PUUL had gained in finding the appropriate workforce. DHL is the largest current client. PUUL found the first 1,500 employees who are currently being trained, 90 per cent of whom were formerly unemployed. It also provided amazon with its workforce, 100 per cent of whom had been unemployed. Call centres operating in the region have recently become new clients.

Based on interview with T. Oertel, PUUL.

### The cluster approach of economic development

The economic development policy is based on a cluster approach, which was developed by university academics and then taken on board by both the city's economic development department and a lobby group of large regional companies called 'Economic Initiative Central Germany' (*Wirtschaftsinitiative Mitteldeutschland*). Five strategic clusters were identified: car manufacturing and suppliers; media, IT and communication technology; health, biotechnology and medical technology; energy and environmental technology; and a cross-cluster group including the trade fair, financial services and logistics. Several projects were financed to help develop the selected clusters. The limitations of this cluster approach are discussed below (Ch. 4.2).

### Urban marketing and event-based regeneration

The City of Leipzig made considerable efforts to promote itself and secure a higher position in the European urban hierarchy by supporting a series of activities and major events, mainly connected with international high culture and sport:

- Leipzig tried to catapult itself onto the global map with its application to host the Olympic Games in 2012. Although it won the German selection in 2004, it did not manage to be one of the last five international applicants. Nonetheless, the activities and local media coverage for this bid was a major boost to the city and its inhabitants. Leipzig also hosted several games for the 2005 Football Confederation Cup and the 2006 Football World Cup.
- As a result of its historic role, Leipzig has a significant cultural heritage on which to draw. It is organising events around famous former citizens such as composer Johann Sebastian Bach and poet and playwright, Johann Wolfgang von Goethe. The church where Bach played and composed still houses the Bach choir (Fig. 28).

- The Leipzig art scene, displayed most prominently in the ‘New Leipzig School of Painting’, has recently attracted significant national and international attention. The success can be attributed in part to the Leipzig Arts College and to the city’s low rents for large studio spaces. An old textile works complex, the ‘Spinnerei’, for example, was gradually taken over by artists while the city council quietly tolerated, even encouraged, its organic development on a fairly informal basis (Fig. 29).

**Fig. 28: Marketing the cultural past: statue of composer Johann Sebastian Bach**



**Fig. 29: ‘Spinnerei’: re-use of former spinning works by artists**



### 3.4 Social programmes

In Leipzig, interventions with a social focus have had only limited funding by comparison with the large-scale projects relating to economic development and physical regeneration. Many funds that have been available were tied to a specific geographic area. Following the strategic plan for urban renewal and housing, which we outlined above, the three areas of East Leipzig, West Leipzig and Grünau were identified as particularly needy. A range of social projects has been implemented in these areas. East Leipzig shows the highest concentration of disadvantaged social groups and welfare-dependent households. Some of the initiatives to tackle specific problems in this area are presented in the following outline as an illustration:

- **Integration of immigrants:** Although high by comparison with other East German cities, the share of foreigners of the whole population is significantly lower in Leipzig than in most West German cities (6.6 per cent).<sup>7</sup> In East Leipzig however, 15 per cent of the residents are foreigners, mostly from Iraq, Ukraine, Vietnam, Turkey, and re-settlers from countries of the former Soviet Union. The area surrounding the main local shopping street Eisenbahnstraße is the closest Leipzig gets to an ‘ethnic neighbourhood’ (Fig. 30). The local neighbourhood management office runs an integration project (DIALOG) in this area, which receives EFRE (EU) funding. It organises get-togethers between the local

<sup>7</sup> For more information about the classification of the migrant-ethnic background population see *Bremen City Report*. For Leipzig data was only available for the category foreigners, which is based on nationality only.

German population and immigrant households and consults with migrant households on day-to-day problems and the barriers they face with bureaucratic procedures (A. Kaufmann, interview).

- **Urban Renewal:** All of the urban regeneration programmes and instruments mentioned so far have a more or less explicitly social component. Particular projects in East Leipzig include the neighbourhood park Rabet which was developed after the demolition of seriously decaying buildings (Fig. 31). The park forms part of a green corridor running through East Leipzig (*Rietzschkeband*), which has less access to green spaces and attractive public amenities than other areas of the city. The total costs are estimated as 48 million Euros (Stadt Leipzig, 2002). This corridor is being created in a project-by-project fashion (A. Kaufmann, S. Gabi, interviews). Other elements include for example the 'dark forest' on sites cleared after demolition.
- **Local skills:** The LOS programme (*Lokales Kapital für soziale Zwecke*) receives EU Social Funds to provide small-scale financial support for projects aimed at improving local skills and qualifications, especially among the long-term unemployed (A. Kaufmann, interview).
- **Support for small and medium enterprises:** Some local businesses in the area benefit from funds from the federal government (KMU programme).

**Fig. 30: East Leipzig: a poor, diverse, inner-city neighbourhood**



**Fig. 31: East Leipzig: new neighbourhood park on land cleared from demolished housing**



## 4. WHAT HAS CHANGED: SIGNS OF RECOVERY?

We can identify several key events or moments that were important milestones in Leipzig's regeneration process. The dramatic political transformation following the collapse of the Berlin Wall in 1989 made the crisis in Leipzig more extreme and sudden than in Western European industrial cities that went through a longer period of decline. Most experts in Leipzig seemed to agree signs of recovery, as opposed to the un-sustained post-reunification boom, could be identified since the late 1990s. The following sections outline the most significant changes.

### 4.1 Population: strong decline, slight recovery

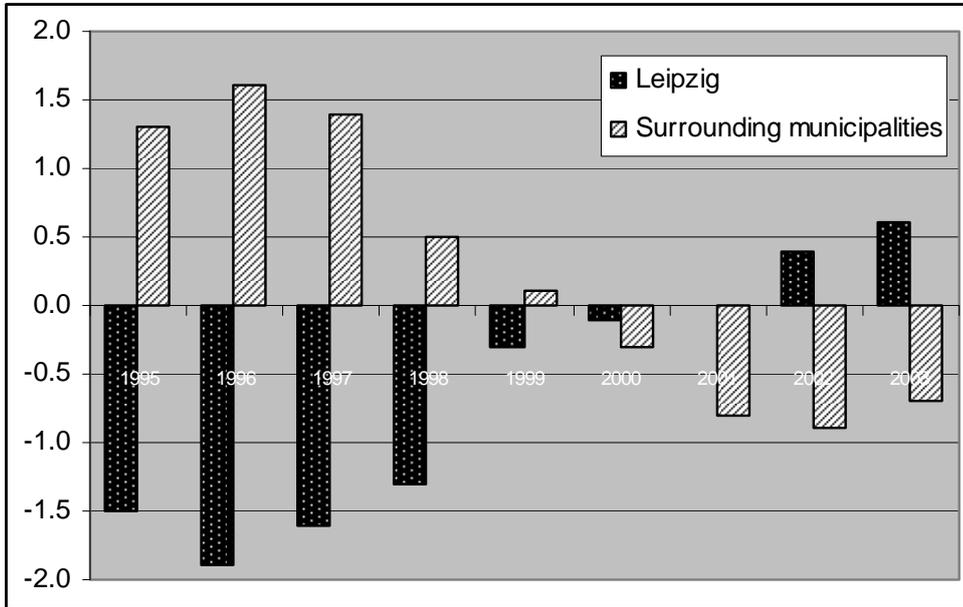
Leipzig experienced significant population losses in the 1990s, and its lowest point was reached in 1998 with 437,000 inhabitants. According to recent figures, the city now has 502,000 inhabitants. This substantial growth can be attributed to a number of factors:

- *Municipal incorporation:* As an important footnote to the suggested demographic growth of Leipzig, the city's policy of municipal annexation culminated in the reform of the municipal boundaries in 1999. Most of the recent population gains are explained by the incorporation of surrounding suburban municipalities (O. Weigel, interview). Due to these statistical measures, the analysis of population alone is not sufficient to explain recovery.
- *Change in taxation:* This policy has particularly increased the number of students living in Leipzig (M. Bernt, interview).
- *Urban renewal:* The urban renewal efforts have created attractive and inexpensive inner-city housing options (S. Heinig, interview).
- *A limit on suburbanisation:* Suburbanisation quickly lost its drive in the Leipzig metropolitan area. On the one hand, this can be explained by the end of federal subsidies, bad transport connections and more attractive housing options within the city. On the other hand it reflects the larger demographic trends of negative natural growth and ongoing migration towards more dynamic regions in Western Germany. As can be observed from Figure 32, in contrast to most other Western European metropolitan areas, the Leipzig region now shows a reverse trend of population decline in the suburban municipalities and growth in the central city (Stadt Leipzig, 2006).

Overall trends for East Germany show the stabilisation of the larger cities at the expense of smaller and medium-sized cities (Burdack, 2007). However, this trend shows heterogeneous patterns at the neighbourhood level; while some areas grow, others continue to lose population. Leipzig has successfully attracted younger households. The most numerous group moving to the city is aged 18 to 30 (Stadt Leipzig, 2006). This can partly be attributed to the rising numbers of students at the University of Leipzig, which is strengthening its position as a leading regional higher education institution and attracting many of the relatively large late-1980s generation (Fig. 33). It must be noted, however, that, considering the underlying demographic trends, even

maintaining the population at the current level would be a major achievement (notes from 10<sup>th</sup> Urban Workshop in Leipzig 2007, taken by J. Schaber).

**Fig. 32: Population development in Leipzig and surrounding municipalities, in % (1995-2003)**



Source: Stat. Landesamt Sachsen, *quoted in*: Stadt Leipzig (2006).

**Fig. 33: New university buildings**



**4.2 Economic development: catastrophic decline, recent recovery**

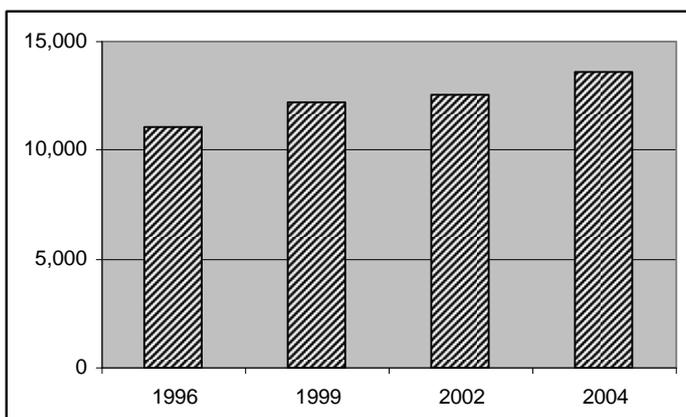
Much has been done by the City of Leipzig to foster economic success and initiate a turnaround after a drastic loss of investment. The city has shown its willingness to ‘go the extra mile’, such as providing extra services to potential companies and reducing the bureaucracy entailed in decision-making processes.

It has done this against the backdrop of dramatic decline in the 1990s. Even compared with other European cities, Leipzig’s process of deindustrialisation reached an unprecedented depth with incredible speed. Meanwhile, the early strategy of using economic restructuring as a basis for creating a centre for banking and finance failed and the construction boom could only briefly absorb manufacturing losses.

Since the second half of the 1990s, and especially in the first half of the 2000s, the situation started to improve. The decision by several companies - especially from the car manufacturing (BMW, Porsche) and logistics sectors (DHL, Quelle, amazon) - to locate in Leipzig are finally signs of beginning economic recovery. Leipzig’s success in winning the bid to attract BMW against the competition of 250 other national and foreign cities is considered as particularly important. Although the city ‘already won the lottery once’ (M. Schimansky, interview), constant efforts are put into attracting another big investor.

Employment in manufacturing consolidated in the mid-1990s and has increased slightly since then. Nevertheless, if compared to its former size, it would be exaggerated to speak of an industrial renaissance (Fig. 34). Only 11 per cent of the workforce is now employed in manufacturing, a figure considerably below other German cities. Nevertheless, some of the traditional sectors such as printing/graphics and machine engineering have managed to modernise and survive in market niches, albeit with a significantly reduced workforce and under owned by companies with headquarters elsewhere. The cluster approach has only shown limited results. The success of the car manufacturing and logistics clusters is undeniable. These sectors have benefited also from major improvements to the transportation infrastructure. The media, IT and communication technology cluster with its 33,000 employees is also important. It reflects some positive development in the publishing and printing sector, but mostly depends on the regional publicly-owned broadcasting station MDR. The remaining clusters show relatively little development.

**Fig. 34: Leipzig: Number of employees in manufacturing (1996-2004)**



Source: Stadt Leipzig (2006)

### 4.3 Progress of urban renewal

Interventions in the field of urban renewal were central to Leipzig's recovery strategy. The particular problems associated with 'shrinking cities' required many cities confronted with broad decline to take specific approaches. Leipzig was the first East German city to recognise the problem and to develop its own urban strategy to adapt to its urban crisis. It therefore designed and implemented a number of special programmes and instruments, many of them highly innovative and later copied by other cities with similar problems. As a result of its early awareness, Leipzig now shows advanced signs of physical recovery.

Successes in urban renewal, such as the provision of renovated inner-city housing, were key in the 'fight against suburbia'. By the end of the 1990s, three quarters of the remaining pre-1918 housing had been refurbished. The numbers living in pre-1918 housing rose from 260,000 in 1998 to 300,000 in 2005, despite overall population losses and demolition (Stadt Leipzig, 2006). The total vacancy rate dropped from 20 per cent or 62,500 housing units in 2000 to 14 per cent or 45,000 units at the end of 2005 (Fig. 13). Gentrification is evident in the most desired inner-city locations (Wiest and Zischner, 2006).

The implementation of urban renewal was, however, contested. In particular, demolition under the *Stadtumbau Ost* programmes attracted substantial criticism (for example, Stadtforum Leipzig, 2006). One of the drivers of decline in outer estates was that substantial funds were made available somewhat too late – at a time when urban decline, physical decay and population losses to the suburbs were already being reversed by a process of re-urbanisation. The urban development policy in Leipzig has also been criticised for focussing too much on reinstating a functioning property market and continuing with unnecessary demolition (Stadtforum, 2006). The property market showed signs of recovery even before the 'demolition-machinery' went into motion. As W. Günther (interview) argued, '*Stadtumbau Ost* is not a perfect programme. Demolition is destructive and not economical. Although for many other East German cities the programme brings benefits, the situation is different in Leipzig.' Meanwhile, changes in the inner city areas to the west and east of the centre have delivered many improvements, although many social and physical challenges remain.

**Fig. 35: Grünau housing estate: refurbished blocks**



Although funding was concentrated in the neediest residential areas, they require further investment:

- East Leipzig still shows the highest levels of deprivation in the city (Stadt Leipzig, 2006). It has high vacancy rates (~32 per cent) although some reduction is occurring as demolition continues. The area is characterised by high levels of welfare dependency and unemployment, low incomes, low educational levels, many one-parent households, all issues reflected in high levels of political frustration. It also has a less attractive public sphere. On the other hand, the influx of immigrants to this area may partly compensate for ongoing population losses.
- West Leipzig recovered more strongly than East Leipzig; the proximity of high-quality green spaces and an overflow of demand from the already-gentrified Südvorstadt have helped.
- With increasingly available and attractive housing options in the older neighbourhoods, and with the introduction of Western consumption and lifestyle patterns, housing problems shifted to the housing estates built during the GDR regime. Although massive investments went into the renovation of the housing stock (Fig. 35), Grünau alone lost 37 per cent of its population in only ten years, from 76,000 in 1996 to 48,000 in 2005 (Stadt Leipzig, 2006). The sustainability of the neighbourhood is severely threatened and even according to optimistic projections it may only stabilise on a much smaller than the original scale (M. Döhler-Behzadi, S. Gabi, interviews).

A real asset of Leipzig is the high quality of life. While housing prices and rents are still low compared to West German cities, the city also offers abundant and attractive green spaces close to the inner city (Fig. 36)

**Fig. 36: Large green public spaces close to city centre**



#### **4.4 Weak labour market**

Unlike our other research cities where unemployment has been declining since the height of the crisis and often even reached levels lower than the respective national average, unemployment continued to rise in Leipzig until 2004 (Fig. 10). In 2004, the unemployment reached almost 25 per cent. The proportion of long-term unemployed is high. Their access to jobs and income is considerably restricted and causes social exclusion. Mostly due to general economic growth in Germany, unemployment has decreased since then. Although the city has been relatively successful in attracting new companies, the effect on overall employment remained small. Being located in a weak region also meant that many of the new jobs were taken by job seekers from surrounding municipalities. The structural deficits of the labour market and subsequent unemployment will remain Leipzig's most difficult to solve but also crucial social problems.

The difficult labour market on the one hand and the creation of new jobs in the service and logistics sector has resulted in less secure, temporary and lower-paid employment and is already resulting in the emergence of a class of 'working poor'. The region has seen a considerable increase in job agencies (F. Hahn, T. Oertel, interviews). While this increases the flexibility of the labour market, economic risks are shifted from the employer to the employee.

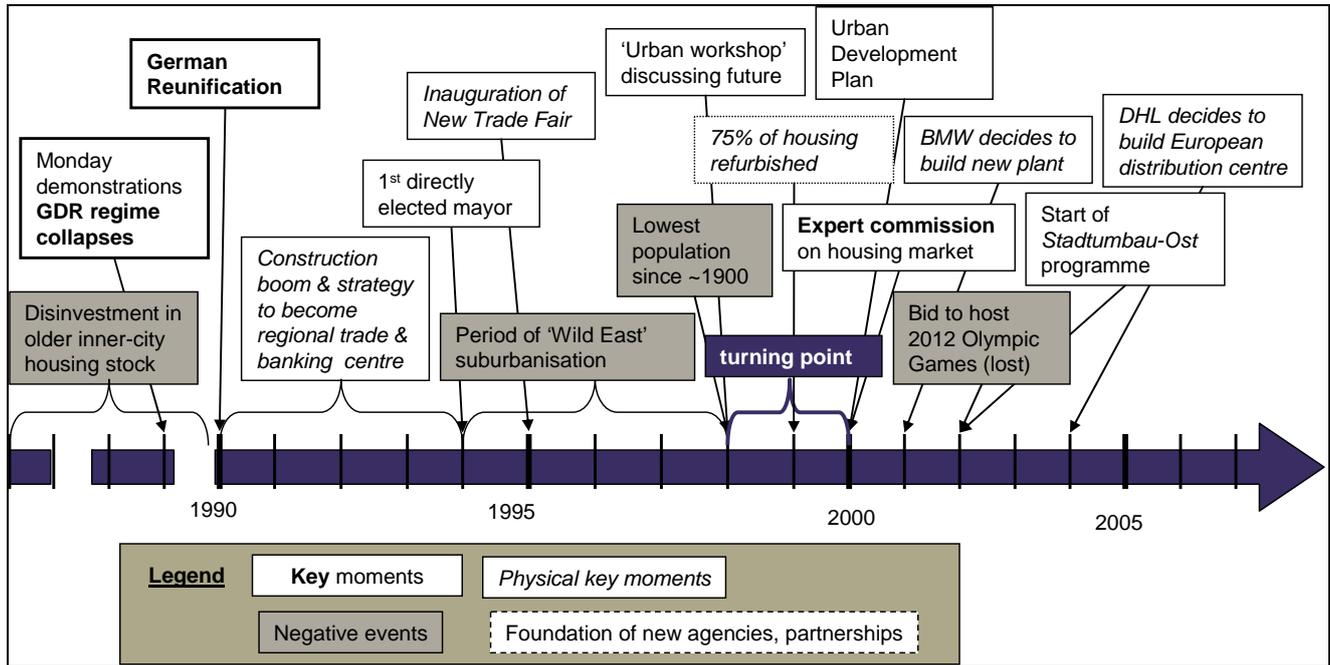
#### **4.5 Regional and wider metropolitan cooperation**

Leipzig has traditionally had a difficult relationship with the regional capital of Dresden, which is similar in size. Many interviewees had doubts about regional cooperation as proposed for the metropolitan area of the 'Saxony triangle' formed by the three major regional cities of Leipzig, Chemnitz and Dresden (M. Schimansky, F. Hahn, interviews). The most popular and accepted concept is the city region of Leipzig and Halle, the neighbouring city with a population of 270,000. However, decision-making between these two cities is complicated due to the fact that they belong to different regions (Saxony and Saxony-Anhalt). Nevertheless, although it is still unclear how the wider inter-urban or metropolitan agenda will evolve, Leipzig and Halle are already cooperating, share an airport and offer inward investors a common labour pool.

#### **4.6 Timeline**

Competitive disadvantage accumulated under the socialist regime led to the abrupt and intense crisis in the post-reunification years. Although Leipzig received large-scale federal funding and strongly invested in projects of urban boosterism, the crisis could not be stopped. After recognising the specific set of problems and the failure of previous strategies by the mid-1990s, the city council followed a more adapted approach. Economic development, urban renewal and population development showed first signs of improvement towards the end of the 1990s. The following timeline (Fig. 37) shows the main events during Leipzig's recent urban history which have led to decline and to recovery.

Fig. 37: Timeline of important events in Leipzig since the late 1980s



Concept and design: J. Plöger

## 5. CONCLUDING THOUGHTS

In a relatively short period, Leipzig has gone through a dramatic transformation. Due to its traditional strengths in commerce and cultural activities, Leipzig was never classed as a typical industrial city either by its inhabitants or by outsiders. It always had a more diverse economic structure. Nevertheless, in absolute terms its loss of manufacturing jobs was higher and more dramatic than elsewhere in East Germany.

It seems to obvious now that the vision of 'blossoming landscapes' in East Germany promised by former chancellor Helmut Kohl was far too optimistic. Heinker more accurately describes East Germany as 'blossoming islands in a sea of decline' (2004).

Leipzig not only exemplifies the struggles of East German cities hit hard by reunification, but also offers ideas of how to confront the ensuing problems. Among its East German neighbours, Leipzig is without doubt one of the few successful cities. In 2005, the Bertelsmann Foundation labelled Leipzig a 'large East German city with emerging growth potential'.<sup>8</sup> Considering its former significance, this re-growth is not surprising. Nevertheless, it sunk from being the fourth most important German city before the Second World War to a third-tier regional city in a relatively weak region.<sup>9</sup> After almost 50 years of isolation in the Eastern Bloc, Leipzig may not regain its historic importance. The positive attitude in the city was mentioned by everybody directly involved in urban policy in Leipzig as a driver for change. However, many suggested that this optimism was not rooted in reality.

The citizens of Leipzig played a leading role in bringing down the GDR regime with their peaceful 'Monday demonstrations' in the autumn of 1989 with its subsequent wide ramifications. The city's civic tradition of entrepreneurialism and local pride put Leipzig in the lead in relation to the urban regeneration of East Germany, anticipating many wider trends. Leipzig's leading role in adjusting to change was driven by the new city council in 1994. Increasing financial constraints and the major urban crisis that developed as job losses and population exodus accelerated generated many innovative approaches. The debate about how to deal with the city's problems opened up new possibilities for creating more sustainable cities, offering a higher quality of life to residents. One important lesson from the Leipzig experience is that in the context of steep centre-city decline, suburbanisation needs to be confronted with real determination.

Leadership was an important factor in Leipzig's turnaround. From 1994, strong, directly elected mayors and able staff in key positions allowed policy continuity as well as the deployment of talent, skill and vision.<sup>10</sup> Although many of the expectations of the post-reunification period could not be met, the city started to build its

<sup>8</sup> The other East German cities in this category were Berlin; the regional capitals Potsdam, Dresden and Erfurt; Jena and Rostock.

<sup>9</sup> The Global and World City research network (<http://www.lboro.ac.uk/gawc>) counts Berlin, Munich, Hamburg and Frankfurt in the 'first league' of globally integrated and economically important metropolises. The 'second league' comprises cities with regional importance and some global connections such as the Essen/Ruhr area, Hannover, Bremen, Köln, Düsseldorf and Stuttgart.

<sup>10</sup> Leipzig mayors since 1990: Hinrich Lehmann-Grube (1990-1998); Wolfgang Tiefensee (1998-2005); Burkhard Jung (since 2006) – all from the Social-Democrat Party.

self-confidence again. Decision-making on larger projects was often facilitated by what some commentators call the 'Leipzig model', based on consensual decision-making and cross-cutting political leadership. This practice has been criticised for its lack of democratic transparency (Heinker, 2004). However the reality was that consensus based negotiations with prospective investors impressed many managers with the city's ability to make efficient cross-departmental and non-bureaucratic flexible decision making. The leading German economic journal *Wirtschaftswoche* put Leipzig at the top of a list of the most business-friendly cities. These extra efforts by the city have been mentioned repeatedly as being very helpful. However, the city has recently lost some momentum as important leading actors have moved on to more senior posts. Former mayor Tiefensee has become the federal Minister for Transport, Construction and Urban Development, and drawn some of Leipzig's talent to Berlin with him. .

Many of the future challenges facing the city are presented here in a brief summary:

- **Budget deficits:** Leipzig needs to stabilise its budget. Being indebted makes flexible decision-making and long-term investment difficult. Such restricted room for financial manoeuvre has already prevented it from accessing external funding streams in the past (Stadt Leipzig, 2006). Like elsewhere, the overall economic growth reduced the deficit in 2007. Nevertheless, the city is considering selling off some more of its public-sector companies, for example the indebted public housing company LWB to reduce the financial burden.<sup>11</sup>
- **Economic Development:** The city needs to build on previous decisions to attract companies. Like most East German cities, Leipzig has no significant company headquarters, or research and development facilities and only a relatively small industrial sector. It therefore also lacks a broad-based, highly-skilled service sector.
- **Future of *Stadtumbau Ost*:** The regional government of Saxony, which co-finances the physical regeneration programme jointly with the federal government, has asked its cities and municipalities to develop integrated approaches for programme delivery. This has opened up intense debates in Leipzig on how to use the programme in the future. During the 10<sup>th</sup> Urban Workshop in 2007 dedicated to this topic most of the participants argued for a continuation of demolition, but in close coordination with the inhabitants (notes by J. Schaber). Some urban experts still favour the urban pattern of a 'perforated city', offering a new, less dense urban form and quality of life based on a more heterogeneous and organic structure for the 'shrinking city' (M. Döhler-Behzadi, interview). Most, however, argue that demolition should be carried out from the periphery towards the centre to retain the dense structure of the typical European city. In the future, the *Stadtumbau* programme will have a stronger renovation component as opposed to the previously strong focus on demolition.
- **Social cohesion:** The city's efforts to foster social integration, given the problematic job-market and continuing high unemployment, require explicit targeting of unemployed groups, those on social benefits, older workers and the rising numbers of immigrants. Within weak market cities, local supports, such as community based social services, are essential for supporting those on low incomes. Although some local social programmes do provide assistance, such as in East Leipzig, more could be done.

<sup>11</sup> The case of Dresden is often managed, where the city managed to become free of debts by selling its municipal housing company.

- **Real-estate speculation:** The recovery of the property market has recently been matched by a 'new real-estate hype' due to speculative development by big investment companies.
- **Regional cooperation:** Leipzig's situation as a relatively successful city embedded in a weak region opens up the prospect of stronger inter-municipal cooperation. The idea of collaboration between the different parts of the region is gaining ground as a way of expanding the city-region's economy and reducing public expenditure.
- **Higher education:** The University of Leipzig is currently being modernised. Unlike other cities in the region, such as Dresden or Chemnitz, Leipzig lacks a Technical University to train a skilled workforce for up-and-coming high tech industries. Nevertheless, Leipzig's population is relatively skilled in comparison with other European cities.<sup>12</sup>
- **Scarcity of land:** Land suitable for developing industrial parks is increasingly scarce in Leipzig. The city is therefore cooperating with nearby municipalities, including the City of Halle, to bring companies into the region and create a joint benefit from spin-off effects.
- **Attractiveness:** With its large share of public open spaces and leisure amenities, Leipzig and its surroundings are highly attractive to visitors, students and long-term residents as well as new investors. This quality of life should also play a role in reinforcing the potential for recovery.

One of the objectives of the federal German government was to equalise the standard of living between West and East. The costs of this effort have been enormous, with low growth in the German economy during the 1990s coupled with structural problems in the East German economy. It was feared by some that Germany would experience a 'Mezzogiorno situation' with a permanent division into a relatively wealthy West and a deprived and subsidised East. However the large-scale subsidies from different levels of government, particularly federal, were extremely helpful to the city. It did help put Leipzig on the map and on the road to recovery.

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<sup>12</sup> 17% of the population have a higher education (Urban Audit, 2005). However, East German standards cannot be translated directly into West German degrees. In relation to educational levels, the statistics tend to have an 'East bias' (P. Frantz, interview).

## SOURCES

### Interviewees

|                        |  |   |
|------------------------|--|---|
| Dr. Oliver Weigel      | Head of department ( <i>until end of 2006</i> )                      | Urban Planning Dept., City of Leipzig   |
| Stefan Heinig          | Head of department ( <i>from end of 2006</i> )                       | Urban Planning Dept., City of Leipzig   |
| Stefan Gabi            | Division manager   | Urban Renewal and Housing Dept., City of Leipzig  |
| Dr. Michael Schimansky | Deputy head  | Economic Development Dept., Stadt Leipzig   |
| Marta Döhler-Behzadi   | Architect  | Büro für Urbane Projekte  |
| Dr. Sigrun Kabisch     | Head of division   | Environment Research Centre (Umweltforschungszentrum: UFZ)  |
| Dr. Matthias Bernt     | Researcher   | Environment Research Centre (Umweltforschungszentrum: UFZ)  |
| Dr. Joachim Burdack    | Senior Researcher, Professor   | Institute for Regional Studies (Institut für Länderkunde: IfL)                                      |
| Dr. Peter Franz        | Senior Researcher  | Institute for Economic Research (Institut für Wirtschaftsforschung Halle: IWH)                      |
| Klaus Wurpts           | Managing director  | Regional Marketing Agency (Gesellschaft zur Förderung des Regionenmarketings für Mitteldeutschland) |
| Dr. Hans-Peter Schmidt | Head of division apprenticeship and training                         | Chamber of Commerce (Industrie- und Handelskammer zu Leipzig: IHK)                                  |
| Frank Hahn             | Responsible for Regional Economic Policy                             | Chamber of Commerce (Industrie- und Handelskammer zu Leipzig: IHK)                                  |
| Torsten Oertel         | Managing director  | Municipal human resource agency (Personelle Unterstützung von Unternehmen Leipzig: PUUL)            |
| Heike von der Bruck    | Head of division Changemanagement                                    | Municipal human resource agency (Personelle Unterstützung von Unternehmen Leipzig: PUUL)            |
| Andreas Kaufmann       | Neighbourhood Manager  | Büro Kaufmann   |
| Wolfram Günther        | Solicitor  | Stadtforum Leipzig  |
| Stefan Rettich         | Architect  | Karo-Architekten  |
| Jutta Schaber          | Masters student, research on demolition approaches in Germany and UK | London School of Economics and Political Science (LSE)  |

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