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**PLANNING THE GLOBAL CITY: THE POLITICS OF DEVELOPMENT IN THE
NEW BERLIN**

by

Elizabeth A. Strom

**A dissertation submitted to the Graduate Faculty in Political Science in partial fulfillment
of the requirements for the degree of Doctor of Philosophy, The City University of New
York**

1996

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This manuscript has been read and accepted for the Graduate Faculty in Political Science in satisfaction of the dissertation requirement for the degree of Doctor of Philosophy.

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ABSTRACT

PLANNING THE GLOBAL CITY: THE POLITICS OF DEVELOPMENT IN THE NEW BERLIN

by

Elizabeth A. Strom

Advisor: Professor John H. Mollenkopf

This dissertation examines the factors shaping redevelopment planning in Berlin since Germany's reunification. Berlin is undergoing several simultaneous transformations. The legal and physical legacies of socialism in East Berlin are now being dismantled, while preparations for the relocation of the Federal Republic's capital functions are underway. Berlin's new economic and political centrality have attracted real estate investors from around the world, and at the same time the multitude of federal subsidies that had supported the city during its years of division are phased out. Using the regime approach to urban political analysis as its starting point, this study asks whether such American-based theories are helpful to understanding the case of Berlin and concludes that factors not considered in the regime literature must be highlighted. In Germany the central state plays a more important role in local planning and economic development policies than in the US, making an understanding of national institutions important to urban policy analysis. Technical and aesthetic sensibilities carry great weight in planning policy discourse, giving architects and other planning experts a key role in this policy domain. Moreover, current events in Berlin are shaped by the unique features of the city's recent city, including the legacy the political landscape of West Berlin's "island" status, and of East Berlin's role within the German Democratic Republic. This dissertation examines three specific redevelopment cases, Potsdamer Platz, Alexanderplatz and the Friedrichstraße, in order to analyze the various actors and institutions shaping local development planning.

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Chapter One: Introduction and Review of the Literature

Part 1: Introduction

Berlin's center will be unrecognizable in twenty years. The massive rebuilding required to accommodate the city's new capital functions, the unprecedented redevelopment under the auspices of large corporations and speculative developers, and the expansion of infrastructure required by these new use patterns will make "downtown" Berlin the world's largest construction site into the next century and, once the scaffolding is removed, reveal an almost wholly re-formed urban fabric. If the circumstances leading to the current appearance of Berlin's center -- extensive wartime damage; division by a heavily armed border; absence of a capitalist property market -- have been anomalous, certainly the circumstances surrounding the city's post-unification redevelopment are no more typical. Few advanced industrial urban centers possess so much un- or underused central space; few have been so precipitously exposed to such intense and cross-cutting redevelopment pressures.

This dissertation examines the forces shaping this dramatic transformation, particularly in the newly emerging central business district between Potsdamer Platz and Alexanderplatz. The decisions that determine the ultimate fate of "downtown" Berlin are made in City Hall and in district administrative offices, in corporate board rooms and in federal courts. This study investigates the many levels of decision-making that are relevant to central city redevelopment, with the ultimate goal of describing a complex situation and shedding light on an unusual case of urban development based on theories of urban political economy. If there is a single research question guiding this study, it is this: who (or what), under what circumstances, determines the redevelopment of Berlin's center?

For several decades now, scholars have struggled to interpret the relative importance of economic vs. political factors, global vs. local forces, and structurally determined vs. contingent variables in explaining urban processes. Recently a growing body of cross-national urban research has broadened the scope of debate over "what really matters" in urban political economy. This dissertation, which studies a city that has not been featured in the literature, offers new empirical evidence toward the task of urban theory-building. My approach is not to choose sides in a debate between theoretical poles. Rather I have adopted a less satisfying approach (but one more readily born out by the evidence of my case study), maintaining that different factors matter more or less at different times and in different places. The task of the researcher is to understand what matters when, and why. A grand theory of urban processes, one that explains and even predicts the contours of urban development in all times and places, is not possible.

Of course the danger of such an approach is that it can produce a muddle of anecdotes; if everything matters then there's no basis on which to order the information that one collects. But the researcher does not abandon all critical faculties when she determines that no single explanation suffices. A model for such an approach can be found in Weber's work, as he gathers historical and contemporary evidence to explain the likely relationships between various social phenomenon. For instance, his essay "Class, Status, Party" describes three possible bases for social stratification, all consisting of different kinds of resources and relationships. These do not occur randomly in a society; rather, particular cleavages gain salience under particular circumstances. Times of rapid technical and economic transformation, Weber writes, privilege the market relations of class cleavages, while the "social honor" that is the substance of status rises to the fore in other periods (Weber 1946, 193-4).

More recent works by Todd Swanstrom and Susan Fainstein have also proposed, in neo-Weberian fashion, that cities are best understood as products as a variety of causal relationships. Swanstrom adopts a consciously post-modern perspective, rejecting all aspects of economic determinism, finding political and cultural factors to be equally important in explaining different cities at different times (Swanstrom 1993). Fainstein, on the other hand, privileges economic forces in her analysis, saying "Everything may matter, but not equally" but she grants noneconomic factors explanatory power (Fainstein 1994, 13). I follow Fainstein's claim that economic forces tend to have greater determining powers over the long run, but believe that whether the economic (or the global, or the structural) is dominant depends very much on what research question one asks. To describe a person as having two legs can be a useful observation -- if one has been asked to distinguish humans from other species. On the other hand, if you need to provide a description of someone so that she will be recognized by a stranger, simply counting limbs isn't adequate. Similarly, noting the economic, or structural characteristics that are inherent to capitalist cities is important to a discussion of urban evolution over time, or a comparison to socialist or developing cities; it also describes the parameters in which non-economic activities take place. But if one's research goal is to illuminate political processes within a particular, late industrialized, capitalist city then merely describing the impacts of economic restructuring has limited value. Perhaps some of the social and political cleavages that mark the polity will be reducible to economic phenomenon, but others will not.

Part 2: Berlin as a research topic

Berlin offers an excellent case for the exploration of phenomena that cannot be explained as the result of global economic restructuring. Berlin was not chosen because it is typical of other cities. For over 40 years it was two cities; one the capital of the German

Democratic Republic (GDR); the other socially and economically imbedded in but geographically and politically separate from the Federal Republic of Germany. Its built environment was destroyed by war; many of its political and economic functions precipitously removed; the western half of the city was blockaded for over a year, receiving its sustenance through an air lift, and even once this emergency was resolved West Berlin continued to persevere as an island in the midst of a hostile nation. Certainly direct comparisons with other cities would be strained.¹

It is precisely the city's uniqueness, however, that today makes such a fascinating case for those interested in studying the multi-faceted processes of urban change, and observing the way urban development accommodates itself to sudden and radical transformation in a city's political economy. After years of shelter from global economic forces Berlin is suddenly confronting the market; this is particularly apparent as international real estate interests compete for development sites in the newly recreated central business district. Berlin thus becomes an excellent laboratory for observing the impact of these global economic forces, and the extent to which local political and cultural characteristics can shape their application to the city. Real estate development in Berlin is conditioned by the on-going process of creating a new government center for the federal government, scheduled to move its main organs from Bonn before the turn of the century, and by the legal and moral issues that arise as the socialist legacy of East Berlin is contested. These factors once again point to Berlin as an atypical case, but one in which the competing forces of economic power, political authority and political culture can all be readily observed.

¹ Scott Campbell lists other cities that have existed as islands or been divided by borders: Jerusalem, Beirut, Hong Kong, Singapore, Vienna (briefly) and the Vatican. He goes on to add that the value of comparing these cities is limited "to a certain novelty." Campbell, forthcoming, 25.

I also chose to study Berlin because, for those interested in urban development, it has been one of the most exciting places to observe since the fall of the Wall rendered its entire political economy obsolete. It would be a shame if social scientists neglected those cases that were, in some ways, *sui generis* because they failed to fit into theoretically established categories. Should the stories of urban change that emerge from the Hong Kongs, the Belfasts and the Jerusalems be left to journalists and fiction writers because they can't be made to fit into our theoretical constructs? In the course of advancing a broader conceptual argument about urban development in the midst of upheaval, I also want to tell the story of an interesting city that, at least at present, contains many anomalies that refuse to be categorized. The story of Berlin can contribute to urban theory-building, but it can also be used to show that not all outcomes can be predicted, and that there is value in describing the exceptional as well.

Part 3: Urban Development Processes:

A Review of the Literature

This dissertation investigates contemporary development issues to determine the relative significance of economic and political, global and local, and structural and contingent factors. My approach to this case is based on a critical reading of recent urban scholarship, as well as other literature that bears on questions of urban governance. The following section offers a critical review of selected approaches to urban analysis, in which their relevance to the case of Berlin is assessed. Finally I propose a synthesis of several research approaches that can best capture the many aspects of Berlin's political economy.

Global Economic Forces: Theories of Economic Restructuring

One approach to understanding urban development has been to study the spatial impacts of changes in the international economy. Cities are not autarkic, but rather are sites for investment from national and, increasingly, international firms. The economic structure and hence the built environment of any given city will therefore be shaped by that city's role within the international economy. In the wake of the recession of the early 1970s, analysts have documented several interrelated trends in advanced capitalism that have markedly transformed the location and content of global economic activity. Some (e.g. Henderson and Castells 1987; Castells 1989) argue that these changes represent the emergence of a new mode of production superseding the industrialism of the past century. Others contend that new developments represent a permutation in the long-standing model of industrial capitalism (Fainstein, Fainstein and Schwartz 1989). While the historic significance of recent developments is debated, there is consensus on its most striking features.

First, manufacturing has been displaced by services as the primary job generator and engine of growth in advanced capitalist economies. In the United States and in Western Europe, by the 1970s the traditional dominance of manufacturing began to shift, and by the late 1980s close to 70% of all American employment was in services (Castells 1989, 127). The changing ratio of manufacturing to service activity represents the simultaneous decline of manufacturing employment, lost to overseas production facilities as well as organizational restructuring and technological changes, and the growth of service employment. New products associated with advanced technology have generated manufacturing jobs in "high-tech" industry, but these jobs remain numerically small in comparison to jobs lost in traditional manufacturing. Such sectoral changes might be of no more than minor interest if the declining and rising industries had similar locational and employment characteristics. But service and high-tech manufacturing firms are quite different than traditional manufacturing concerns. These changes all carry with them

implications for the location of economic activity, and hence for local and regional economies. The decline of manufacturing activity, for instance, has left industrially dependent regions without an economic base, while regions better suited for the service/information based economy have prospered. Today's dynamic industries tend to employ a small strata of highly skilled professionals; those without such credentials make up the bulk of employees, earning wages well below that of the unionized industrial sector, and lacking opportunities to move up within their companies (Noyelle 1989). These wage and mobility characteristics have a profound impact on the cities in which the work force is located.

The internationalization of the global economy is another element of economic restructuring. National economies have long been intertwined through trade and overseas investment, including passive portfolio investment as well as direct investment, especially by U.S.-based multinational firms. The contemporary period has witnessed a new level of interpenetration. European and Japanese firms have challenged the U.S. dominance of third world investment. They have also increased their direct investment in the United States as a way into the American market, just as American companies anxious to have a presence in united Europe have increased their investments there. In addition, activities previously seldom undertaken overseas are becoming more common; developers and owners of major real estate holdings are likely to be subsidiaries of foreign companies; banking and securities have become more international; and responding to these trends, producer service firms (advertising, legal, accounting, etc.) have intensified their overseas operations, and become more dependent on foreign clients at home.

Underlying and accelerating the aforementioned developments has been a dizzying array of technological developments, particularly in the areas of telecommunications and

information processing, that have revolutionized the way work is done. While technological inventions don't cause economic transformations, many of the changes discussed here would not have been possible without them. Networked computers, FAX machines, and other innovations have increased productivity, changed the kinds of skills required for many jobs, created some employment opportunities while destroying others. They have also made it possible for firms to decentralize operations while maintaining managerial control, allowing manufacturers and service producers to disaggregate their operations, locating each division in an optimal (in terms of costs and labor availability) locations.

It was once thought that the computer and telecommunications revolutions would cause the city to lose its privileged position as the meeting point for business activity, allowing corporate headquarters and the auxiliary services they support to abandon high rents and taxes. But the locational patterns of office activity have been varied (Castells 1989). Even as economic activity has become increasingly decentralized, control functions and specialized producer services have not. Post-industrial economic patterns has therefore reinvigorated commercial centers of some cities, where national and international capitalists compete for favored real estate. Sassen has argued that cities such as New York, London and Tokyo have become truly global command centers, with stronger ties to each other than to their national economies; other financial centers, such as Paris, Frankfurt, or Los Angeles are less central to this system of cities but are nonetheless characterized by similarly restructured economies (Sassen 1991). The emergence of key urban nodes as command points in the world economy has given rise to the discussion of "world" or "global" cities (Friedmann 1986). "A 'global city' may thus be defined as one that serves simultaneously as a locus for global finance, advanced corporate services, and international trade; as a center for political decision-making; as a generator of

cosmopolitan culture; and as a headquarters, research and production complex for manufacturing" (Mollenkopf, n.d., 2).

New economic forms have been associated with distinct social, physical and political developments as well. The consequences of restructuring for those cities unable to compete under new conditions are perhaps obvious: increasing pauperization and disinvestment mark such American symbols of urban decay as Newark or East St. Louis. But even in cities that have remained economically vital, the impact of restructuring has been uneven. When graphically displayed, employment statistics for cities such as New York, Paris and Tokyo resemble a bottom-heavy dumbbell: most residents are in low-paying occupations, a declining number in the middle class, and another bulge represents those in the higher-paying jobs in the service sector. The physical characteristics of the city are also shaped by this economic transformation. The highly desirable central areas are built to the highest possible density; increasing property values drive out less profitable uses such as housing and culture. The new strata of well-paid workers move into previously modest areas; through the process known as gentrification poorer residents become segregated in areas far away from the central business district.

Theories of economic restructuring thus posit that the key changes in urban political economy can best be explained by global changes in production. That cities are all responding to the ramifications of similar changes doesn't mean that their manifestations of economic restructuring will be uniform: the diversity of urban economic leads to a diversity of impacts. Just as the same weather system may produce snow in one region, thunderstorms in another and a tornado in a third, depending on local climate and topography, so will global economic trends result in a variety of local economic conditions.

Theories of economic restructuring, however, paint with too broad a brush to explain developments in Berlin both before and after the fall of the Wall. Berlin's physical and economic development has little in common with that of other modern capitalist cities; it can be seen, perhaps, as the exception that proves the rule. The forces of global capitalism transforming other large cities have been held at bay in Berlin. The reasons for this are, in the case of East Berlin, obvious. As the capital of the German Democratic Republic (GDR), the city's development did not evolve in accordance with market forces. Decisions about the location of industry and housing were made by national political leaders. Technological and managerial innovations that reduced the need for industrial labor in the West were not adopted in the East. Residents of the East Berlin area were in 1989 still primarily employed in manufacturing; producer and consumer services were poorly developed. Social inequality and spatial segregation were never pronounced features of GDR cities.

West Berlin was, for two generations, almost equally isolated from the capitalist economy. Its anomalous status, located in the heart of a foreign country, left its economy unable to survive under conditions of competition. After all, who would invest money in a city which was difficult to get to, had no hinterland, and was (until the early 1970s) constantly threatened by hostile activities from the surrounding East German government? West German policy makers early in the postwar period determined that West Berlin's economic survival would require substantial intervention from the outside. A series of laws and provisions were developed over the years to compensate the city for its peculiar circumstances. Not only did the city receive direct subsidies. Individuals were subsidized as well, and elaborate mechanisms put in place to promote industry. Scarcely any economic activity took place in West Berlin in the absence of public subsidy. The nature of the subsidy system as much as or more than the national or world economies shaped the development of West Berlin. The guidelines for federal aid were

created at a time when saving industrial jobs was considered the key to economic success, and investment benefits were structured so as to most reward mass production of goods in the city for sale elsewhere in Germany. Berlin thus retained a higher location quotient for processed food, cigarettes and electronic goods after other German cities had lost their unskilled industrial production. On the other hand, like its eastern counterpart, West Berlin had only a negligible business service sector.

The city's reunification in 1990 has brought with it the end of socialist decision-making in the east and subsidy-based investment patterns in the west. Reunification, as well as the decision to move the nation's seat of government to Berlin, has meant that the winds of world market forces have blown into the city quickly. The assumption is that the city's economy will come more and more to resemble that of other cities, and its social and spatial organization will follow -- an assumption causing fear and resentment on the part of those who enjoyed the city's economic isolation in the past, and elation among the many investors who were cramming the trains and planes into the city as soon as the Wall came down.

Whether "world city" explanations will come to have greater predictive power in Berlin as its unique, cold-war era characteristics are dismantled remains to be seen. Already its economic outlook and its downtown skyline have been influenced by the exigencies of the international economy and of the international real estate industry to an extent never seen during its years of isolation. But national and local political factors have played an equally important role in shaping local development. This doesn't negate the importance of those approaches that seek explanations on the global economic level. International economic analysis should best be seen not as an alternative to theories that seek local, political explanations, but rather as their complement. Indeed, scholars employing such an approach generally leave room for local political and cultural variables as (at least

marginal) explanatory factors, even if such localized phenomena are not the focus of their research. Robert Beauregard, for instance, considers those mediating agents, such as local governments, developers, and community organizations, that form the linkages between abstract forces of international restructuring and concrete local development policies (Beauregard 1989). This analysis of Berlin will offer evidence of economic restructuring pressures as they are relevant to central city development, but the focus is on those mediating agents and the factors influencing their behavior.

Urban Processes and Local Politics

If one dimension of debate within urban politics has been between emphasis on the global or the local, another has been over the autonomy of local governments to pursue an independent policy agenda in light of internally posed constraints. Theoretical considerations of the relative autonomy of cities actually includes two different kinds of arguments. One is the debate of "structure vs. agency", in which those emphasizing structural constraints contend with those who acknowledge the possibility for effective action by local agents. Another aspect is the dispute between those who see economic forces as preeminent in explaining local outcomes, and those for whom the political decision-making process has real meaning. These two dimensions of debate are frequently intertwined, as economic factors are often accorded the weight of structure while political actors are granted the role of agent; thus most structurally-based theories tend toward economic determinism.

Those theoretical approaches that see urban policy outcomes as pre- or over-determined stress the inevitable dominance of business interests, which crowd out other voices. Most prominent among scholars adopting this perspective have been neo-Marxists, but even within this school there have been different explanations for the generation and

maintenance of business dominance in government. Ralph Milliband has examined the behavior of business elites, who have used their position to make government a mere instrument of capitalist control (Milliband 1969); such a perspective informs Domhoff's analysis of local politics as well (Domhoff 1978). Another way of explaining the dominance of business has been argued by French Marxists like Nicos Poulantzas, who see the structural characteristics of capitalism as explaining policy outcomes (Poulantzas 1973). The political system, in this view, is not a mere instrument of business control, but rather enjoys a limited autonomy from capital; this autonomy allows the political elite to act in ways that will ensure the long-term preservation of the capitalist system, even when they must take action that runs counter to the immediate interests of individual capitalists. Those who have done local empirical research based on neo-Marxist assumptions have usually found that both structural limits and the behavior of business elites account for consistently pro-capitalist outcomes. For instance, Todd Swanstrom's analysis of the victory and subsequent defeat of Cleveland's populist mayor Dennis Kucinich shows that the mayor's opponents in the business community used their structural position (as creditors to the city) as well as interest group strategies (appealing for popular support, supporting opposing candidates) to discredit him (Swanstrom 1985). Logan and Molotch also discuss the structural advantages of property-owning elites, but then go on to document the more contingent mobilization of the urban "growth machine", which involved concerted action on the parts of these elites to engage the support of political leaders and at least the acquiescence of the voting population (Logan and Molotch 1987).

The "limited city" model developed by Paul Peterson (1981) also grants little room for local political autonomy, although these conclusions grow out of different intellectual roots than neo-Marxism and lead to different normative conclusions. Peterson's model is based on public choice theory, positing that businesses and households are free to choose

a locality offering the lowest tax burden and highest amenity level. Cities (or states) must compete for these revenue-generating residents, shaping public policies to provide the most desirable bundle of services and least onerous mix of taxes, or face fiscal and economic doom. In the struggle to flourish economically in a competitive world all city inhabitants, from elected officials to property owners to poor welfare recipients have a unified interest: all will gain if the city prospers and suffer if it deteriorates.

Peterson's book, published fifteen years ago, has been criticized in virtually every urban politics venue since then; the collection *Beyond the City Limits* is one of several volumes that seeks explicitly to discredit the "limited city" paradigm. Critics have particularly questioned Peterson's claim that the limits on city autonomy make all development politics, and therefore the stuff of city politics (excepting the allocation of services), moot. The extent of political struggle over development issues in U.S. cities and elsewhere suggests that there is no "unitary" interest in growth shared by all residents. These criticisms of Peterson's work have become so commonplace that it might seem superfluous to include his work today in a literature review. But a consideration of Peterson's analysis remains useful. First, as many neo-Marxist writers have embraced a more contingent, pluralist view, Peterson's work remains a defender of a determinist perspective. Second, if Peterson has been dismissed in some academic circles, his argument continues to dominate in other arenas, particularly among economic development practitioners, who pursue competitive strategies and low-tax approaches. Peterson's analysis of urban politics also plays an important role in discussions of American federalism; Thomas Dye's recent work has emphasized "federalism as choice" as the hallmark of the American federal system (Dye 1990), and on-going debates about the appropriate role of federal policy are informed by such arguments.

Finally, the "limited city" argument both loses and gains credibility when one attempts to analyze cities cross-nationally. On the one hand, applying Peterson's analysis to cities outside the United States points up an important weakness in his thinking. To Peterson, inter-city competition provides the disciplining force that sets the limits on city politics. But such competition is not the inevitable outgrowth of capitalist development; rather, it is politically conditioned. Where national fiscal policies work to redress regional imbalances, where tax policies are centralized, where explicit national industrial policies guide investment, competition between regions is muted. Absent the disciplining power of competition, the convergence of interests behind growth-oriented policies no longer seems inevitable; cities buffered by national policies from some of the ebbs and flows of capitalism may in fact become the level of government *least* open to the growth imperative of investors and *most* likely to engage in redistributive policies. If comparative application reveals the limits of the "limited city" argument, however, it also gives Peterson's argument a new-found significance. When one compares U.S. cities to those in more centralized systems one is indeed struck by the degree to which nearly unfettered inter-state and inter-city competition in the American system shape the possibilities at the local level. This comparison brings to mind Gurr and King's argument about the dual nature of local autonomy (Gurr and King 1987). They maintain that the local government's autonomy is measured by its independence, first, from local economic and social groups, and second from the central state. These two dimensions of autonomy could in theory be cumulative,² but in practice are more likely to operate as a trade-off, with less reliance on local economic groups signaling increased dependence on a national state, and vice versa (Gurr and King 1987, 58). Applying this framework to the "limited city" debate, one could argue that Peterson is correct to apply the "limited city" label to

²For instance, the national state could create laws or devise programs that give local governments considerable control over local resources, or expand their legal right to intervene in the private sector, which would give cities greater leverage over local economic interests without increasing their dependence on central government.

American cities, which are unable to depend on national equalization policies and are therefore far more dependent on, and limited by, the accumulation imperative of local capital.

There is also a tradition, at least in the United States, of analyzing urban political arenas as nearly self-contained, with interest groups competing for control of government and policy. The classics of this pluralist approach (e.g. Dahl 1961) are already well-known and will not be further reviewed here; one still finds some more contemporary literature using pluralist analysis to explain urban outcomes.³ Since pluralist urban analysis became popularized it has been criticized, at times from within its own ranks, for failing to account for systemic inequalities between groups, or to consider the significance of interests that are not able to mobilize.

In recent years the stark lines dividing pluralist analysis from more determinist approaches have blurred. Neo-Marxists, in part inspired by the diversity of the cross-national experience, have become more interested in examining the varied political responses that are possible even within the limited autonomy of the local state; they have found that there is space, perhaps at the margins, to effect different kinds of urban policy and they want to better understand the specific conditions underlying that flexibility. To those adopting a regulation approach, which associates different modes of political regulation with changing modes of production, the post-industrial, postmodern milieu puts a new emphasis on localism. Although cities and regions face a more competitive environment, they also have a greater capacity to innovate, and indeed the greater

³See, for instance, Bellush and Netzer 1990. Both their introductory chapter and many of the book's contributions look back to the pluralist classic, *Governing New York*. New York City may be an unusually tempting topic for those committed to a pluralist perspective: there are so many active interests, there is no clearly dominant business sector, and the city breeds an insularity that can allow researchers to ignore factors from beyond the city's borders.

salience of urban social movements and locally-based protest parties is seen as evidence that local politics has come to matter (Mayer 1994; Harvey 1989, 274-6).

Likewise, few who study urban policy-making would still take up the early pluralist contention that policy-outcomes reflect a balanced play of local interests. That business interests have easier access to authority, that low-income residents face extraordinary political constraints, that urban politics contains a structural bias in favor of business-oriented activities has become part of the accepted wisdom even for those who choose to study interest group and electoral politics. The analysis found in Charles Lindblom's *Politics and Markets*, although not specifically addressed to local politics, well illustrates the revised pluralist perspective. Lindblom focuses considerable attention on the "privileged position of business" found in liberal democracies (which he calls polyarchies), which he sees as both an imperfection of the market (because it generates political externalities) and a fundamental problem of democracy. Although his book uses the vocabulary of mainstream social science, in his analysis the pervasiveness of business dominance is as all-encompassing as that found in any neo-Marxist analysis.⁴ Because elected officials are dependent on the functioning of the economy, he argues, and because the conception of private property embedded in capitalist polyarchies prevents the state from commanding economic performance, government officials have a symbiotic but largely dependent relationship with business. "In the eyes of government officials...businessmen do not appear simply as the representatives of a special interest, as representatives of interest groups do. They appear as functionaries performing functions that government officials regard as indispensable" (Lindblom 1977, 175). Lindblom understands that the public-private relationship is a reciprocal one, as government

⁴His normative analysis and his prescriptions for change, however, differ considerably from those of neo-Marxist critics: he suggests policy compromises between government and business as a way to "buy out" some forms of corporate privilege, and is little concerned with the possibilities for popular mobilization that so interest those on the left. See Lindblom, 348-351.

possesses resources that are also indispensable to business. The partnership between the two sectors is, however, hardly an equal one: any elected official "simply understands...that public affairs in market-oriented systems are in the hands of two groups of leaders, government and business, who must collaborate and that to make the system work government leadership must often defer to business leadership" (Lindblom 1977, 175).

In sum, today's urban scholarship draws from several theoretical and methodological models, including consideration of a city's role within the international economy, accepting the presence of structural constraints on local action, and acknowledging the significance of political agency as well. In other words, although there are certainly still striking differences among urbanists, there has been a synthesis of approaches that had previously been seen as conflicting.

Regime Analysis

The effort to understand better the mix of structural constraint and political agency that define the urban arena has proven a fruitful one. John Mollenkopf (1975, 1983) considered the impact of both international economic transformation and national urban policies in his analysis of local political coalitions in Boston and San Francisco. Economic developments beyond the city's borders created conditions that forced the hand of local officials, while federal urban policies (the outgrowth of political coalition building on the national level) created opportunities around which local actors could coalesce. Mollenkopf's analysis shows how both economic and political factors shaped the story of postwar urban redevelopment: ambitious mayors and development directors joined with corporate leaders to take advantage of federal urban programs, bringing benefits to all participants. Although outcomes were shaped by structural forces, the

success of coalition formation and policy implementation was contingent on the presence of skilled, entrepreneurial leaders.

More recent literature that has built on Mollenkopf's analysis been labeled "regime theory"; this genre includes few common theoretical concepts, however, leaving it at this time more an approach than a theory. Two of the first analysts to use the term "regime" to describe the formal and informal arrangements characterizing urban governance were Clarence Stone (1989) and Stephen Elkin (1987). Of the two, Elkin offers a more precise theoretical explanation that is useful for comparative analysis. Elkin bases his analysis on Lindblom's discussion of politics and markets: "The conceptual foundation on which my comprehensive interpretation rests is the division of labor between state and market as it has been manifested in cities" (Elkin 1987, 7). Although he sees the city as an arena of competing interests, he does not accept the pluralist notion that all interests are equal. He "takes seriously what common sense tells us, namely, that city politics is a profoundly economically-oriented enterprise" (Elkin 1987, 7), and that structural constraints limit political choice. But, departing from more determinist analysts, Elkin finds that political choices cannot be deduced from economic imperatives, and that wielders of political power may consider electoral prospects, career advancement or other political concerns when making their choices.

Urban governance is defined by the division of labor between the state and the market; this division of labor is itself conditioned by a variety of structural features. It is in elucidating some of these features of urban political economy that Elkin's book is especially helpful for cross-national comparative analysis. First, the relationship of public and private is shaped by the definition of the prerogatives of the two sectors. Elkin discusses at length Dillon's Rule, which has been construed to constrain municipal powers over private owners and the capacity of cities to engage in commercial activity

(Elkin 1987, 19-21). In this context he might have added another legal precept that constrains political action: the rights of real property holders, which is similarly a product of historical evolution and social conflict (this is a theme that will be taken up later in this chapter).

Second, Elkin sees the organization of local government as a product of the peculiar dynamics of machine politicians, reformers and business interests. The capacity of urban governing institutions, and hence the state's role in the public-private governing alliance, thus shaped by the relative power of these competing interests over time. Finally, a variety of characteristics of the national state define the relationship between local political and economic elites: the dependence of cities on privately raised investment capital; the lack of a national fiscal equalization or industrial policy all set constraints upon the interaction of state and market on the local level. The structural features of the American urban system privilege the formation of local coalitions of business and politics striving for economic growth, but the nature of these coalitions is contingent, as is evident from the variety of political economies one finds over time, and between regions.

Stone, in addition to further refining the notion of a governing regime, provides an impressively rich case study of Atlanta that offers his readers the chance to experience the creation and maintenance of such a coalition. He characterizes the regime as "the informal partnership between city hall and the downtown business elite" (Stone 1989, 3) without which the weak and fragmented power of city government would be unable to perform more than caretaker services. What gives this partnership its stability is the monopoly access to important resources enjoyed by the partners. City Hall's powers of condemnation and access to federal redevelopment funds make it an attractive partner for local capitalists undertaking large scale renewal projects; the business elite's control of the media and access to private capital makes its cooperation essential for any successful

administration. The nature of this partnership will vary with time and across cities, dependent on, among other factors, the organization of interests and the organization of capital. "Hence there is no one formula for bringing institutional sectors into an arrangement for cooperation, and the whole process is imbued with uncertainty. Cooperation is always somewhat tenuous, and it is made more so as conditions change and new actors enter the scene" (Stone 1989, 9). In Atlanta, the downtown business community has been especially cohesive, and public institutions, partly as a result, have been weak, leading to a governing regime dominated by an activist, growth-oriented downtown elite. Stone's forty-year history explores the durability of this regime in the face of growing challenges from a politically mobilized black community, and the capacity of the regime to act not merely as a caretaker but as the driving force behind Atlanta's development.

Although Stone's book is largely concerned with downtown (and airport) development politics, the issue of greatest interest to Atlanta business, perhaps the story that best illustrates the power of the governing regime, and the costs and benefits accruing to the city from this public-private alliance, concerns Atlanta's approach to school integration in the early 1960s (Stone 1989, 64-50). Even in the 1950s Atlanta had distinguished itself from the virulently racist politics of other southern cities, as business and government leaders took pride in publicizing Atlanta as a town "too busy to hate"; they saw what many southern leaders failed to note until the 1970s, namely that Jim Crow policies gave the city a bad image and hurt business. This didn't mean that there had been much progress in the area of racial equality, merely that the city's leaders didn't make resistance to integration their rallying point. So when it became clear that the courts, in 1960, were about to order school desegregation, business leaders and the city's mayor did not choose the path of loud (and at times violent) resistance found in throughout the region. Businesses actually lobbied Georgia's governor not to force the closing of the local

schools; PTA's and church groups were enlisted to ensure the peaceful implementation of the desegregation order. Even the Atlanta police were involved in preventing disruptions and maintaining surveillance on known trouble-makers. When the newly integrated public schools opened in 1961, the national press was on hand to watch what the mayor proudly called "Atlanta's finest hour"; at the end of the day the city threw itself a huge cocktail party to celebrate its achievement. "The mayor's office, the school system, and the police department acted with unity of purpose. The business community and its civic allies played an active and crucial role. The Atlanta news media again was cooperative, contributing to a climate of order and peaceable acceptance" (Stone 1989, 49).

There was only one catch in this tale of civic harmony: Atlanta's 1961 school desegregation plan included just nine black students who were divided among four white high schools. True desegregation took years longer, by which time white flight and increasing residential segregation had lessened its impact. Thus did the regime succeed by defining the issue in a way it found acceptable, and then using its considerable powers of persuasion and coercion to implement a solution that benefited all its members. The only "losers" (other than the racist groups who were so harassed by police crack-downs that some moved their headquarters to the more hospitable climate of Birmingham) were the thousands of children who didn't win immediate benefits of desegregation -- although even in their case one must wonder (as no doubt the leaders of the black community did at the time) whether this group would have fared better had a more confrontational politics been practiced with the goal of winning true color-blind student enrollment policies. Similar issues emerge in land use and development policies, where business and political leaders have a strong mutual interest in certain development patterns, possess the collective resources to get their agenda implemented, and marginalize potential opposition in the process. Furthermore Atlanta's business elite dominates the community's civic space: the support of individual corporations or joint business

associations is essential to most of the city's cultural, educational and charitable activities (Stone 1989, 191-2). Stone shows how difficult it is to fight against the strong undertow of the governing regime, but makes clear that at least some of the characteristics that have shaped Atlanta's regime can't be assumed in other cities. This point will be considered further as the problems of cross-national comparison are discussed.

Part 4: The Regime Approach Abroad: Exporting Models of Urban Politics

Urban social science has, like capitalism, become increasingly international in recent years. This parallel is not surprising. So much of the urban literature has explored the impact of the international reach of transnational corporations, and the effects of global investment patterns; it is natural that researchers should become more interested in comparing the impact of these phenomena in different urban contexts. Although this has included literature from cities all over the world, there has been a particular emphasis on comparing cities facing similar forms of economic restructuring, primarily the industrialized cities of Western Europe and North America. Moreover the technological advances that have enabled large corporations to expand their operations -- fax machines, computers, improved international phone connections, etc. -- have also made cross-national scholarly exchange easier and more fruitful.

Most recently, scholars have considered whether regime analysis can also be applied to cities outside the United States. Those pursuing this question have primarily been Americans who have investigated urban development politics in European cities; a few European researchers have also considered the utility of this approach. The following section reviews several such studies, evaluating the value of regime analysis for cross-national studies in general and for this study of Berlin in particular.

The regime approach has appeal to those studying European cities because it offers a means of exploring the "fine grain of urban politics in a period of changing forms of urban governance" (Stoker and Mossberger 1994, 199) which is absent from theories concentrating on economic restructuring or on the formal powers of the state. Focusing on the problem of collective action and cooperation between actors who may represent governmental, private or quasi-public institutions, this approach offers analytical tools appropriate to any situation in which authority and resources are dispersed. To European researchers, such a research agenda has become increasingly relevant as national state structures have loosened, casting local governments into a less secure but more flexible environment (Stoker and Mossberger 1994, 196; Mayer 1994).

If regime analysis can point researchers in profitable directions, in its specifics it is nonetheless found wanting by those hoping to make sense of European cities. American regime scholars have based their approach on features of US cities that are not found elsewhere. Most significantly, American urban theories, ranging from Peterson's "limited city" to regime approaches, assume the weakness of the American state. Weakness here has several dimensions. State authority is remarkably decentralized between national, state and local government, affecting the capacity of each level to act. The national state, which is the dominant level of government in most nations, is comparatively *laissez-faire* in its relationship to private capital and does little to influence the allocation of resources between state and local governments.

In comparison, the state within European nations is relatively strong, in ways that vary between countries. But in general, national government policies play a much more determining role (this is especially true in Great Britain (Harding 1994) and in France (Levine 1994)). Legally and historically the public sector at all levels is much more

assertive vis-a-vis private business, with extensive public ownership -- of productive enterprise and of land -- characteristic of cities throughout Europe. Cities, thanks to national fiscal policies, are less dependent on their local tax revenues and therefore less concerned with competing for private investment.

If the state is stronger and the national state is more involved in investment decisions, then the actors on the other side of the public-private partnership, the business elites, must also play a different role in European cities. And indeed, in most cases business groups have not been the dominant force that they have in many American cities. First, in countries like Great Britain, France and Germany business is more centralized than in the US. American growth coalitions have emerged as local corporations along with geographically dependent businesses like utilities, banks, newspapers and department stores have mobilized to influence local decision making. When such businesses are organized nationally, however, their incentive to spend their time on local political matters is quite low. Observers of British and Italian local development have noted the indifference of business to local growth issues, and in French cities growth regimes have emerged at the behest of state officials with little prompting from business elites (Harding 1994; Levine 1994; Molotch and Vicari 1988; Savitch 1988).

European urban regimes may also be subject to greater influence from other actors not considered in the American literature. The American literature ignores the variation among governmental actors, assuming that the local government is fully represented by its elected officials; Shefter's study of New York is one of the few to consider municipal employees, but they are portrayed more as an interest group fighting for benefits than as part of the state policy apparatus (Shefter 1985). This assumption may in fact be suspect even for American cities, but it is certainly erroneous in Europe. One finds a broader and more assertive strata of state officials representing distinct interests and approaches to

problems of governance, whose support needs to be mobilized for new development strategies to succeed. Perhaps because professional bureaucrats play an important role, technical expertise and those who possess it becomes very highly valued; access to such expertise further reinforces the position of the government apparatus (Stoker and Mossberger 1994, 198; Savitch 1988).

The relatively weak American state is also characterized by ideologically indifferent and ineffective political parties. Especially at the local level, parties have little impact on governance: only Mollenkopf's work and Shefter's study of New York include political parties as important forces within a governing regime (Mollenkopf 1994, 1983; Shefter 1985). But Molotch and Vicari find that development politics in Milan is almost entirely a function of party politics; decisions are hammered out between officials of different parties and can be best explained with reference to those parties' platforms (Molotch and Vicari 1988, 201-203). Calavita and Carbone, also describing the Italian case, confirm the importance of party leaders but portray them in a less flattering light, as they use their position to enhance personal and party fortunes. (Calavita and Carbone 1994). Party leaders were important in the French case as well, but in unexpected ways, as prominent Communist mayors took the lead in introducing service-oriented growth politics to their communities (Levine 1994, 345).

If regime approaches are to prove helpful in understanding cities outside the US, then the balance of power between state and private sector needs to be reconsidered and the variety of relevant actors, especially on the public side, needs to be expanded. There is a final, "soft" variable that should be considered as well. Most American urban political economy assumes a cultural milieu in which a business-oriented, pro-growth ideology dominates government as well the public. Even oppositional groups who oppose specific growth regime projects seldom challenge the ideology of capitalist urban development:

they simply want their share of the benefits. This aspect of American political culture does not *create* pro-growth governing coalitions, but it reduces the possibility that their challengers will prevail. In cities outside the US, diverse historical experiences and orientations toward politics and city development are part of the cultural milieu that informs political behavior; these political-cultural factors cannot be entirely reduced to material and institutional forces, and must be considered as part of an explanatory model of urban politics.

The critique of regime approach in the European context is not trivial. This analysis was created precisely to explain how cities pursue development agendas in the absence of sufficient formal, public authority, but in many European cities formal public authority is sufficient to realize many goals. Nonetheless the mobilization of cooperation is not a given, even when most of the key actors are dependent on the state, and researchers have therefore been inclined to modify the regime approach, which does offer an appreciation of the way different actors come together, to make it a better explanatory model for cities outside the U.S. DiGaetano and Klemanski (1993), for example, have defined regimes as "modes of governance that entail formal and informal arrangements for policy-making and implementation, both across public and private domains and within the public domain, the balance of which differs among nations and over time" thereby allowing that the key connections may not be the public-private relationships that dominate US cities. A greatly broadened definition of regime, however, runs the risk of becoming so general that it loses any analytical power. In the following section I wish to propose several features that might be added to a regime approach to make it more useful for comparative analysis, and perhaps ultimately a better tool for analyzing American cities as well.

Beyond Regimes: Institutions and Cultures

The regime approach's concern for the generation of governing coalitions across sectors, and the many ways in which participation in various development strategies is mobilized provides a good starting point for an understanding of city politics, and it will prove helpful in analyzing the case of Berlin. But it is incomplete. Even an exceptional city such as Berlin is still part of a larger national institutional and cultural structure. Berlin's development politics must therefore be seen not only as an outcome of local coalition-building, but as a case within the literature on German policy making. To this end a more complete understanding of the institutional determinants of public policies is required.

An Institutional Approach

One particularly effective analysis of policy making institutions is found in Peter Hall's *Governing the Economy*, a study of economic policy making in Great Britain and France. This approach builds on the state-centered analysis of policy found in Heclo (1974), and Weir and Skocpol (1985), who see policy making as an incremental learning process among state actors. The state-centered approach offers a corrective to those analysts who concentrate solely on societal power, but it fails to account for the fact that, certainly in democratic societies, societal actors do have important access to policy making. Hall's analysis of British and French national economic policy offers an excellent example of how to understand the interaction of the various state and societal forces that together produce policy at any level of government. His stress on organization is an effort to capture the dynamic, multidirectional relationship between interests, policy makers and policy. Organizational structures reflect the institutional legacy of past years; the struggles between capital, labor, and the state at moments of transition become imprinted

in organizations, which during "normal" times may slowly evolve but remain relatively impervious to change.

Organization solidified then, in turn, shapes the nature of group contestation. "Building on this work" he claims,

we can construct an institutional analysis of politics that is capable of explaining historical continuities and cross-national variations in policy. It emphasizes the institutional relationships, both formal and conventional, that bind the components of the state together and structure its relations with society. While those relationships are subject to incremental change, and more radical change at critical conjunctures, they provide the context in which most normal politics is conducted (Hall 1986, 19).

While group theorists stress the quantitative resources groups can use to push their policy interests, such as membership or money, a political-institutional approach looks at how their structure affects the perception and transmission of interests, as well as their capacity to penetrate state policy making. The formulation and articulation of interests will also be shaped by the organization of the state and political arena; groups decide how and where to press their demands based on where points of access can be found.

Similarly, these organizational variables will shape the kinds of policies deemed feasible by state actors, and the means by which they are implemented. Policies should thus be understood as the outcome of pressures for a particular course of action, and the possibilities for implementing them.

This perspective offers a challenging and potentially fruitful method of deepening the understanding of urban development policy. In Hall's analysis, institutions are dynamic and mutable, but they are more subject to alteration under some circumstances than others, and normally they are more a source of influence over societal actors than they are subject to influence. In other words, depending on the situation and on the research question at hand, state institutions can be either dependent or independent variables. He

identifies those institutions most significant to economic policy making: the organization of the state's economic regulation apparatus; the organization of capital within a particular nation; and the organization of labor. He adds that a nation's position within the international economy emerges as an important contextual factor, shaping the behavior of state institutions.

From this perspective, urban governance can be seen as the confluence of disparate local institutions within a context patterned by larger economic, political and legal structures. These local institutions have distinct histories and cultures as well as competing strategic interests which must all be understood, but most crucial for urban analysis is an appreciation of the ways they coalesce (or fail to coalesce) around key policy issues. H.V. Savitch's *Post Industrial Cities* (1988) one of the few truly comparative works in the field, acknowledges the structured relations that shape policy options in different settings. Comparing major planning decisions in London, Paris, and New York, three cities undergoing comparable economic changes, Savitch describes different institutional arrangements, which he calls "combinations of power", between technocrats, elected officials, and interest groups, that result in different decision-making processes and ultimately different decisions. These power combinations, the products of years of political evolution in each setting, go farther toward explaining inter-city differences than capitalist intervention or partisan politics. For instance, the *dirigiste* traditions of French planning, in which technocrats collaborate (or collude) with elected officials with little input from interest groups explains the ability of Parisian planners to create and stick to long-term master plans for the region. This contrasts with business as usual in New York City, where the market is less likely to be challenged by office holders, and "the planner is not the master but the salesman" (Savitch 1988, 280)..

Savitch's analysis of institutions and planning processes in three cities offers useful insights into the politics of development in Berlin. Here as well elected officials, professional public administrators and a variety of interest intermediaries⁵ come together to work out different policy issues. The complex, historically evolving relations between parties and elected officials, elected officials and bureaucrats, public sector technocrats and outside "experts", etc. -- relations defined by formal, legal statute as well as socialization and interpersonal ties -- all bear on policy decisions. The nature of the political process in contemporary Berlin serves to highlight the lines of contestation within and between institutions, leading to conflicting policies and lack of an overall development strategy.

Political Culture

Some analysts argue that cultural differences between polities can account for different approaches to policy making. Is the analysis of political culture a helpful, or valid approach to understanding development policies in Berlin? According to Verba, "the political culture of a society consists of the system of empirical beliefs, expressive symbols, and values which defines the situation in which political action takes place. It provides the subjective orientation to politics" (quoted in Hall 1986, 8). A nation's value system may grow out of religious tradition, secular custom or shared, defining historical events; it is continually reshaped by new experiences. In some studies, mass political attitudes have been surveyed as a way of understanding policy orientations (Almond and Verba 1965); in others the preferences of policy makers or other elites have been highlighted as the best determinants of policy (Richardson 1982). This approach has been used to understand the value orientation shaping the politics of cities: De Leon's

⁵Savitch simply talks of interest groups but I prefer to broaden this category, since political parties (especially those in the opposition) and less formal citizens movements also play a role.

study of San Francisco examines that city's anti-growth policies as deriving from its singular, left-leaning political culture (De Leon 1991).

Cultural analysis alone, however, remains a more valuable descriptive than analytical tool. Unless accompanied by a careful look at the forces which shape group political orientations, it can simply be another way of saying, "Well, you know the French!" First, political culture is shaped by, as much as it shapes political institutions and policy. Survey research by Coughlin (cited in Wilensky 1987) showed that the best predictor of support for welfare state policies was the existence of those policies; in other words, people value what they have. The concept of culture can be interesting when used as a starting point for exploring *how* and *why* these values have arisen. For instance, the activism of San Francisco is certainly a product of its very open political system in which initiatives and referenda are easy to place on the ballot. This electoral system is itself the legacy of Progressive reforms which, according to Martin Shefter (1983) succeeded in Western states due to the weakness of party organization at the time of urbanization. Without such contextual analysis, political culture can be reduced to catch-all, residual category resorted to in order to explain the differences between policies that are left unexplained after the last regression analysis has been run (Lane 1992).

Nonetheless, anyone who has lived and done policy research outside their native country can't help but note that things are really different from place to place. Of course one finds the expected differences in language and perhaps religion, as well as the formal difference in political institutions. But it becomes clear that the way in which policy is made and perceived flows from unique sets of attitudes and assumptions that shape, and are shaped by the usual way of doing things in a given polity. According to Dyson (1992, 8) "Cultural analysis draws attention to the importance of beliefs, feelings and values as influences on behavior. It also argues that the development of specific cultural patterns in

particular countries is explained by references to particular historical experiences...."

From this perspective political culture becomes a useful construct, a short-hand for the unique complex of historically determined practices that exert a continual, measurable influence on policy. If one is careful not to rely too much on the explanatory powers of cultural arguments, but to remember that culture is shaped by, as much as it shapes, existing practices and institutions, then it can have value in explaining certain aspects of public policy.

I find this concept useful, in fact indispensable, in understanding the distinct orientations toward state and market roles (and hence toward planning and urban development) found in different cities. Theorists such as Offe (1984) and Piven and Friedland (1984) have discussed the tensions between the state's accumulation and legitimation functions, tensions that lead to on-going political crisis. But if there is consensus, or at least a majority opinion, that the legitimate business of the state is to provide the conditions for private capital accumulation -- a view which often prevails in American local politics -- then the inherent contradictions of the local state, and hence the problem of planning and policy making, become less intractable. Molotch's work has studied the generation of such ideologies: he summarizes the many concrete resources possessed, or even monopolized by members of the growth machine, concluding,

They foster the idea, quite sincerely I believe, that their organizations, like development associations and chambers of commerce, are generic public betterment associations, rather than narrowly focused on private gain....By playing visible roles in nonpolitical community efforts, growth promoters fortify their position within the civic structure. Cultural power thus reinforces other aspects of growth machine durability (Molotch 1993, 33-34).

In many European cities, however, growth ideologies face stiff competition from pre-capitalist and radical alternatives. Some of these cultural differences can be traced to institutional factors: the stronger hand of the public sector in Europe robs the private

sector of many of the legitimacy-winning activities that enhance its civic dominance in the US. Some, however, have deeper historical roots that can't be adequately explored in a contemporary case study. Molotch and Vicari note the cultural significance of the Catholic Church, which has always lived in uneasy symbiosis with the capitalist ethic (Molotch and Vicari 1988, 201). Others attribute the "collectivist values" that predominate in Europe and Canada to a variety of historical forces. Traditional conservatism (British Toryism and continental Christian Democracy), with its organic, paternalistic view of society, emphasizes national solidarity rather than competition, and social democracy advocates a strong welfare state and extensive state involvement in market decisions (Keating 1991, 14). This tendency is particularly strong in Germany, where commitment to the "social market economy" has been shared by the major parties; according to this model, a strong commitment to public welfare and state regulation is not incompatible with the leading role of the capitalist market economy.

Apart from these modern ideological tendencies, one notes the persistence of pre-capitalist orientations to property rights and the public interest. Throughout Europe, "the feudal legacy has left ultimate property rights in the hands of the state" (Keating 1991, 15) leaving legal and cultural traditions that make state efforts to control the use of land less contentious. "Land is considered a resource which is subject to strong government regulation, a view that can be traced all the way back to feudal times, when all land tenure was enmeshed in a hierarchy of rights and obligations descending from the sovereign to the peasants" (Heidenheimer et al 1990, 271). The acceptance of state prerogatives extends beyond land use: "In continental Europe, there is a tradition of the state as an autonomous entity over and above private interest, the embodiment of a national will" (Keating 1991, 16).

In this dissertation the concept of political culture is used in a very limited fashion. It's not my goal to define a general orientation to politics, or even a policy style for the city. Rather, cultural concepts are used to help understand attitudes, and hence policies, toward urban development in Berlin. One finds pervasive attitudes toward planning and development (or what Germans called *Städtebau*, literally city-building) at the mass and elite levels that, in contrast to the usual findings in American cities, privilege the role of the public sector and of technical experts at the expense of private property owners. Chapters two and three, which provide an institutional and historical context for contemporary politics in Berlin, suggest some of the roots of this orientation. In discussions of current development dilemmas, the planning culture of Berlin is considered as one of the factors influencing policy outcomes.

Institutional and Cultural Context of German Policy Making

Although Hall posits his institutional approach as an alternative to a political culture analysis, in fact institutions and cultures are best seen as interdependent. Indeed, the most fruitful analyses of German policy making have synthesized both approaches. Kenneth Dyson, for example, has codified five institutional-cultural "complexes" that, together, shape the German policy arena (Dyson 1992, 9).⁶ First, he identified Germany's strong, complex legal framework, which is accompanied by a legalistic culture in which most policy matters are viewed as questions of legal interpretation. Few aspects of life in Germany are not governed by law; even the naming of one's children is governed by statute. Based on the Napoleonic Code, German law is entirely codified; that is, the effort is made to anticipate all possible occurrences *a priori*, rather than allow new law to be made by judicial interpretation. Policy disputes are likely to end up in the elaborate system of administrative courts, which are the arbiters of last resort; the mere threat of

⁶Katzenstein has offered a similar analysis, defining three "institutional nodes" (Katzenstein 1987, 35).

such action may influence the behavior of policy activists within and outside the government. The legal culture embodies several implications for policy making. Policy debates are couched in legal terms, which can privilege the role of bureaucratic "experts", many of whom have legal training, at the expense of other interests. Chapter three, which discusses the formulation of urban redevelopment policies in the Federal Republic and in Berlin, offers a concrete example of this "juridification" of policy (Dyson 1992, 9).

Closely related to the legal code and legalism are the state bureaucracy and the bureaucratic culture it embodies. If the law is of central importance to German policy making, it follows that those who interpret and implement the law have great influence; the German bureaucracy has the added power and prestige that has accrued from its longevity (see chapter two). Public bureaucracies are hierarchical with limited contact between top and bottom. Both the bureaucratic structure, and the classification and training of the civil servants who staff it, adhere to strict rules that are uniform throughout the country. Nonetheless the system is marked by decentralization. The federal bureaucracy is small, representing just 10% of all public employees, leaving state and local agencies as well as sanctioned interest organizations and parapublic bodies to implement programs and gather information (Katzenstein 1987, 20). As discussed below, this aspect of federalism slows down the policy process and places a premium on intergovernmental bargaining.

German ministries retain considerable autonomy; the chancellor is entitled to determine an overarching program but would not be expected to intervene in departmental decisions. Such ministerial autonomy is, if anything, stronger on the state level; in the city-state of Berlin the mayor lacks even the agenda setting authority of the federal chancellor. Naturally, ministers are therefore inclined to consider their own political interests, a tendency reinforced when coalition governments leave different ministries in

the hands of different parties. But "departmentalism" leads to an even more profound segmentation of the policy process: Each bureaucracy develops its own culture, forges alliances with different "policy communities" or "issue networks" of interest groups, and develops a view of the universe based on different sources of expertise. Ministries, even those in closely related areas like economic and finance, may thus operate according to entirely different policy paradigms (Lehmbruch 1992, 38). This segmentation of the policy process is one of many institutional checks on reform found throughout the German system; empirical evidence from Berlin suggests that it is a particularly significant characteristic when the state is forced to react to rapidly changing circumstances.

Thirdly, Dyson notes the importance of federalism, both as an institutional and a cultural norm. A decentralized political structure has long characterized the German polity, which became unified as a nation state only in 1871. As the federal policy making system formed after World War II was initially conceived, the central government was to have exclusive or dominant responsibility over a finite list of areas, with state governments largely responsible for affairs within their borders. The administrative autonomy granted to local governments by the federal constitution further ensured the decentralization of policy. As a final check on central power, the Bundesrat, a council of state governments (further described in chapter two) was given veto power over the government's domestic policy.

Countervailing cultural and institutional factors have, however, rendered German policy making less decentralized than the institutional structure would suggest. First, many important political and social institutions are relatively centralized. Important interests are organized into peak associations, many of which are strongest at the center. Political parties, despite their decentralized organization, also exhibit centripetal tendencies. With

this in mind, Katzenstein has declared Germany "decentralized state, centralized society" (Katzenstein 1987, 15). Lehmbruch (1989) has criticized Katzenstein's formulation as too simplistic, claiming that the different networks marking various policy areas make the "centralization-decentralization" dichotomy an imperfect tool with which to analyze the German political system. Katzenstein's analysis does, however, manage to capture the dominant tendencies in German policy making and therefore has value, especially for comparative analysis.

Another force that counters institutional decentralization is the widely held desire to ensure uniformity across political divisions. The German system of revenue sharing (described in detail in chapter two) is an elaborate effort to equalize the fiscal well-being of the states. More fine-grained efforts to reduce inequalities are found in various cooperative programs between states and the federal government. Many of these programs arose in the 1960s and 1970s as structural changes rendered entire industries and the areas they inhabited obsolete, and solutions appeared to be beyond the resources of state governments. The rapid proliferation of such cooperative programs, which has led to the expansion of federal influence, offers evidence that the German electorate is willing to compromise federalist principles to prevent stark disparities between regions. Both institutionally and culturally, then, the German system is marked by contradictory tensions between decentralization and centralization.

These tensions are managed through a high degree of cooperation between the levels of government that has been labeled *Politikverflechtung*, which has been translated as "interlocking politics"⁷ and compared to the American model of "picket fence federalism", which features strong vertical ties along functional lines across levels of

⁷Lehmbruch (1989, 222) comments on the weakness of this translation, since it ignores the several meanings of the German word *Politik*.

government (Lehmbruch 1989, 230). In this system, the expansion of the federal role has not led to increasing centralization at the expense of the states; rather, bargaining between bureaucratic policy experts at all levels of government has become characteristic of federal policy making. The prevalence of intergovernmental bargaining has generated several important implications for policy making. Reform mandated from above is scarcely possible within the German system (Dyson 1992, Katzenstein 1987); not only does legislation have to pass the Bundesrat, but its implementation is not possible without the cooperation of the state and local bureaucracy. The U-turns that marked British policy, especially under Thatcher, were inconceivable in Germany, and even the modest deregulatory movement found in the US during the Reagan administration made far less progress in the Federal Republic (Lehmbruch 1992). When federally-directed reforms are proposed, they must be structured so as to spread benefits as widely as possible among the states; new policy initiatives are invariably accompanied by new spending, rather than the redistribution of existing resources (Katzenstein 1987, 52). Reunification, which has brought five new, relatively impoverished states into the Federal Republic, has greatly taxed the traditional methods of policy accommodation (Lehmbruch 1992, 50-51).

Dyson identifies the party system and the prevalence of political coalitions as another complex. Most significantly, the party system has acted as a territorially and ideologically centralizing force dominated by catch-all parties. Marked by strong ties to the functional bureaucracies and to peak interest group associations, parties are integral to the policy process and the nature of the party system has, as much as Germany's federal structure, encouraged incrementalism and compromise. Not only are the main parties themselves coalitions of disparate ideological tendencies, but they are almost always obliged to govern in coalition, which serves to check the ideological extremes of both parties (Katzenstein 1987, 39). In addition, the structure of the Bundestag, known as a "working" (rather than a "debating") parliament, and the need to forge compromises with

the Bundesrat, which may be controlled by a different party, further enhances the tendency toward cooperative bargaining between the major parties (Katzenstein 1987, 44). Indeed, the major policy initiatives needed to carry out reunification were primarily negotiated between the parties and later ratified by the parliamentary chambers.

Finally, Dyson points to the prominence of "self-organization" within German economic and social institutions, and to an industrial structure that emphasizes cooperation -- between labor, business and the state, as well as between finance and industrial capital (see also Hall 1986). Mandatory membership chambers exist in most industries and professions. These organizations are more integral to policy than typical interest groups; with their duties and privileges spelled out in law, they have regulatory powers within their fields and the right to be consulted in the policy process. Through these chambers, essentially private interests are granted public powers and responsibilities. Moreover, German policy making institutions include a number of parapublic organizations that are essentially public, and carry out public functions, but are organized outside of the public bureaucracy and may have characteristics usually associated with private industry.

Prominent examples would include the public universities, Bundesbank and the health insurance funds (Katzenstein 1987, 58); the array of public banks, housing companies and economic development agencies involved in local planning offer further examples.

The importance of such parapublic institutions, along with the close, formal cooperation between the state and key interests, has prompted many analysts to describe the German state as "corporatist" or "neocorporatist" (Hancock 1989; Huelshoff 1989). Whether a model corporatism is helpful for understanding Germany, and specifically for understanding local development policies in Berlin, is difficult to assess given the many, competing definitions of this concept. Williamson (1989) reviews dozens of different kinds of corporatism, and Lehmbruch (1982) and Schmitter (1982) also offer several

possible constructs. Corporatism is most commonly used to describe cooperative economic policy making efforts between the state, peak industrial associations and centralized labor unions; according to Hancock (1989, 3) it is "an institutionalized arrangement whereby government officials, employer groups, organized labor, and other socioeconomic associations voluntarily participate in making (and in some cases implementing) economic and social policies." From this perspective Germany has had some successful corporatist initiatives (Huelshoff 1989) but is not as fully corporatist as some of its neighbors due to the strength of interest groups outside the sanctioned chambers, the uneven linkages of organized interests to the political parties, and the decentralization of the state (which encourages a parallel decentralization of interest associations) (Lehmbruch 1982, 20).

Because most of the corporatist literature focuses on macroeconomic policy making carried out by centralized organizations, the application of corporatist theory to local politics has been less common.⁸ But some analysts construe corporatism more broadly, in ways that can help illuminate local politics. The concept has been used wherever organized interests participate in the formulation of policy, which can range from cases in which groups are formally incorporated into the state's decision-making process, to those in which self-regulating groups are empowered to make policy decisions in their area of expertise without the involvement of the state (Heinze and Voelzkow 1993, 246).⁹ With this broadened definition the opportunities to discuss corporatism as a feature of local policy making expands. For example, Herns and Selvik (1981), noting the increasing quantity and greater institutionalization of contacts between local governments and businesses in Norwegian municipalities have concluded that there are definite corporatist

⁸To some theorists efforts to transport corporatist models to the subnational political arena represents an inappropriate stretching of the concept. See, for instance, Von Beyme 1991a.

⁹Some have defined corporatism even more loosely (perhaps robbing the concept of its analytical insight); Claus Offe has referred to "a highly informal process of negotiation among the representatives of strategic groups within the public and private sectors" (Offe 1984, 167).

trends afoot. Heinze and Voelzkow (1993) have analyzed social policy and labor market policies in German cities; the various "round tables" and cooperative service provision arrangements they found have led them to conclude that corporatism, in its broadened definition, can be used to describe local politics.

These features of the German state will emerge as important to an understanding of Berlin's development politics; some features, it will be shown, are more characteristic than others. In fact it is remarkable, given Berlin's unique position within the Federal Republic, just how well its governance is nonetheless described by some of the German policy literature; this is perhaps further evidence that, in spite of its administrative decentralization, the German state is remarkably uniform. In the five empirical chapters that follow, Berlin's development will be shown to be shaped by the nature of the local bureaucracy and of state-federal relations. Moreover, many of the decision-making processes used to resolve planning conflicts have a distinctly corporatist quality. The nature of the German state and its significance to the politics of local development is further considered in subsequent chapters.

Part 5: Methodology

The Comparative Case Study

A good part of this chapter has been devoted to the theoretical questions arising from the cross-national comparison of cities. The effort to accomplish meaningful analysis of cities in different countries raises a host of methodological issues as well. Certainly the comparison of national political variables is itself problematic, and there are many

different comparative approaches found in the literature. But when one attempts to say something about local politics in different cities in different countries, one is confronted by an astounding array of possible explanations. Comparative studies that contrast several cities within the same country have the luxury of holding national cultural and political variables constant; when one moves beyond national boundaries one must find a way to account for -- or justification to discount -- the entire complex of national policies that could affect local politics. Although it is possible to proceed from a high level of abstraction, seeking universalizing characteristics in order to confirm general theories, any effort to shed light on local political transactions inevitably involves a familiarity with the national and the local context that can make such an undertaking daunting.

Because I wanted to be able to examine the Berlin case in historical context, and without ignoring important points because they appear to be "outliers", I chose to write a case study rather than a broader comparative work. As I have placed the city within the theoretical literature, much of it drawn from other cities, I still see it as a comparative study aimed at pushing the limits of theory while telling an interesting story about a city. Relying on a single case study to address theoretical problems, a common approach in the field of urban politics, naturally has shortcomings. Several authors (Walton 1990; Cox 1991; Stoker and Mossberger 1994) have criticized the tendency of urban scholars to simply weave together a collection of case studies and call it comparative analysis; rarely can such a serendipitous approach develop the rigorous conceptual framework necessary for comparative theory-building.

Nonetheless there is considerable theoretical and practical justification for conducting comparatively-oriented case studies. We need empirical research to build better theories; relying solely on statistical analysis of quantitative data such as voting behavior and government expenditures (Boyne and Clark 1994) is useful but it sacrifices a deeper

understanding of historically specific phenomena. Fainstein (1991, 284-5) has (cautiously) defended the use of case studies as a way of building broader theories about urban development.

Ideally case studies can be used to further comparative research when a single researcher (or a team working with a common set of questions) sets out to contrast a limited number of dependent variables in two or more cities. But such multi-city studies, especially those using cross-national comparison, are difficult for the solo. The complexities of different political systems, the barrier of language and logistical problems of funding and research travel give few researchers the opportunity to become experts in more than one national urban system, as is clear from the few books in which a single author undertakes comparative research. It can therefore be profitable to conduct single case studies which, if pursued with comparative theoretical questions in mind, can illuminate more general tendencies. Such an approach has been defended by students of the comparative method, who see particular value in the study of the unusual, or "deviant" case, defined as one that "focuses on a critical or exceptional situation rather than an average or illustrative one" (Dogan and Pelassy 1990, 123). Arendt Lijphart (1971, 693) saw the deviant case as like the "experimental group" with the remainder of the cases constituting the 'control group'; Dogan and Pelassy (1990, 123) noted that "an analysis of deviant cases is of great interest because it may disclose new causes and oblige the observer to develop or reformulate his theory." Berlin, it is here posited, can be viewed as such a deviant case in the literature on urban development. The ways in which public authority and private capital interact in order to reshape the built environment in this very atypical case will be explored in order to shed new light on urban development process in other contexts as well.

Data Collection

Writing a scholarly dissertation about a situation in flux poses many methodological challenges. Normally one can rely on a body of secondary literature in order to evaluate and analyze data collected from more immediate sources such as newspaper reports and interviews. Secondary sources about Berlin are, however, scarce. Post-unification analyses have not yet been published, and the Cold War-era literature usually focuses on certain unique characteristics (the impact of division, role of federal subsidies, strategies of social planning) that have limited bearing on the city today. Urban politics per se is not a well-researched area within German social science in general; with some notable exceptions, works tend to be either bloodlessly empirical (focusing on questions of public administration) or else highly theoretical, interested in cities as a category but not in the politics of any particular city.

Collecting reliable statistical data has been problematic. There is a several year lag between data collection and publication for most employment data; when I began my research, employment data was only available for a brief period after reunification, and different, noncomparable methods were used for collecting data in the east and west of the city. This rendered analysis of employment changes since reunification problematic. German data protection practices (no doubt given their strictest possible interpretation by bureaucrats) also interfered in the collection of data that might have strengthened the analysis of economic restructuring. Those agencies most directly involved in economic development (the Berlin Economic Development Corporation and the Treuhandanstalt) consider their work to be subject to privacy laws, and are reluctant to release even statistical summaries of firm settlements and expansions, let alone to allow a researcher to probe their records. Because shifting ownership patterns and rising prices are of such importance to the central city real estate market I had intended to research sales and ownership records for selected parts of the city's commercial center. But property records

are also considered private under German law; one must hire a lawyer, pay a fee and demonstrate an interest in a property (e.g. an intention to purchase) before one can gain access to records.

As a result, I relied largely on newspaper and periodical searches (made difficult by the lack of reliable indexes), documents produced by government agencies, reports and position papers written by the host of experts, often hired by the government, exploring aspects of central city development. I also gathered information by attending public events, and most crucially through some 60 personal interviews. I chose respondents by determining (from newspaper reports and on advice of knowledgeable advisors) which agencies and organizations were most involved in particular issues, and then finding out which individuals held positions of responsibility there. As I began the interviewing process I was also able to identify other respondents on the advice of those I interviewed.

Because there is so little secondary literature, and because even newspaper reports are not always thorough, ¹⁰ much of my understanding of events and practices grows out of information gathered in interviews. Much that I report here therefore will not be found in other publications, which lends my dissertation an immediacy that scholarly work sometimes lacks. On the other hand, there are numerous drawbacks to attempting a scholarly analysis on the basis of interviews. It's hard to confirm or disprove information reported by a single source; analytical assertions based on such information will surely be subject to dispute.

Reliance on interviews also raises the difficult issue of confidentiality. When one does an opinion survey, the identity of individual respondents is unimportant. But when I base

¹⁰Berlin does not have a nationally-prominent daily newspaper; the local daily papers are weak on investigation and analysis.

my report of a controversial policy on the recollections of one or two participants, the reader naturally wants to know who those participants are. Although none of my respondents demanded anonymity, I believe they answered my questions with the understanding that they would not later be haunted by their statements. As a compromise between confidentiality and the desire to maintain rigorous research standards, I've listed my interview subjects and their positions at the end of the dissertation, but used direct quotations and names as seldom as possible. In some cases respondents were public figures whose comments to me mirrored their public statements; in such cases I've been less concerned with protecting their identities.

Part 6: Outline of dissertation

Chapters two and three provide the institutional and historical context in which contemporary Berlin politics take place, in keeping with the preceding analysis of those variables most crucial from cross-national urban analysis. Chapter two discusses the most salient institutional features of the Federal Republic of Germany, including the structure of intergovernmental relations (and the unique federal policies toward Berlin) and offers an overview of the way state administration, elected officials and interest groups interact to make policy. This analysis is then moved to Berlin, as the city's recent political history and administrative practices are examined. Chapter three is concerned with urban development and planning in Berlin. Particular attention is paid to the respective roles of state and market in forging the built environment of this constantly changing city, and the significance of property ownership as a conditioning factor in urban development. In exploring these issues historically, this chapter also offers insight into the emergence of attitudes toward the urban fabric that characterize today's political culture.

Chapters four, five and six discuss contemporary planning and development in Berlin. Berlin's center today is shaped by three forces: the legacy of the socialist built environment, the creation of the new national capital, and the investment activities of private capital. Chapter four explores the first two of these issues. Although many of the residual issues of post-socialism will soon fade, they have been imprinted on the city at a crucial time in ways that will have a lasting impact. The plans for moving the capital will ultimately prove very important, but they are currently in flux and therefore given more cursory treatment in this study. Chapter five offers an analysis of the various institutions actively engaged in "downtown" planning and development, which are explored in greater detail in the case studies found in chapter six. These last two chapters demonstrate how Berlin's role within the intergovernmental system, the characteristics of the local state itself, and the organization of the private real estate sector have inhibited the mobilization of a growth regime.

Chapter Two

Berlin and the organization of the German State: The institutional context for urban development policy

How local governments respond to development imperatives is a function of national state structures, as well as local political variables. This chapter describes the features of the German system most salient to local political action. Part one explores the intergovernmental system, including the role of local government in Germany; the second part considers Berlin's unique position within this system. This institutional framework is understood to influence local urban development policies as discussed in subsequent chapters. Part three discusses aspects of governmental organization and the administrative state that are significant to understanding local state organization. This includes an analysis of bureaucracy as an important feature of German policy making, and patterns of interaction between administration, parties and interest groups. Finally, part four addresses the organization of administration, parties and interest groups in Berlin, including a discussion of recent electoral politics.

Part 1: The German Intergovernmental System¹

Compared to the United States, Germany's federal system produces strikingly uniform outcomes. Prior to reunification the disparities between federal states were small; even now, one finds only marginal variation in the organization of government structures or the application of law. Standards of living within the pre-unification borders were similarly consistent. This uniformity has been maintained, paradoxically, without strong, centralized political institutions. The federal

¹For a more complete treatment of intergovernmental relations and fiscal federalism, see Gunlicks 1986 and Laufer 1992.

government has a very small bureaucracy, and most policy matters are in fact up to each *Land* to decide.

The current federal system came into being with the drafting of the Basic Law, which went into effect in 1949; eleven states were created, each with its own constitution.² The allies had begun considering various federal forms for a post-war Germany even before Germany's surrender, believing that federalism was the best way to dismantle Prussia and protect against the concentration and misuse of power. The views of the allies found resonance among the emerging indigenous leadership of the occupation period, and federalism was adopted as the organizing principle of the new government (Laufer 1992). The respective roles of federal and regional governments, however, was a source of conflict between the Social Democratic Party (SPD), which favored a stronger central authority, and the emerging Christian Union parties, proponents of states' rights (Hancock 1989, 49). The system codified in the Basic Law reserves a great deal of decision-making authority for the states, although the centralized nature of interest representation and the centripetal forces operating throughout industrialized nations with the emergence of complex welfare states have led to the expansion of the central government role in many policy areas.

United Germany today consists of 16 *Länder*, three of which (Berlin, Bremen and Hamburg) are "city-states"; the other states are, in contrast, referred to as "territorial states". The state government is, in principle, the most important level of government for making and implementing domestic policy. Whereas the federal government has exclusive control over foreign affairs and defense, currency, trade and

²The political leaders who came together in 1947-48 to address Germany's political future still had hopes for a united Germany and did not wish to create institutional or symbolic barriers to this goal. They therefore called their constitution the Basic Law (*Grundgesetz*) and the convention at which it was drafted the Parliamentary Council (*Parlamentarischen Rat*); the document was approved by state legislatures rather than by popular referendum, all to send the message that their efforts were provisional. (Smith 1989; Kommers 1989).

post/telecommunications, the areas of education (including higher education), cultural affairs (including broadcasting), police and health are all exclusively the province of state governments. State governments also preside over a public banking system and undertake economic development functions. Local and county governments are primary providers of many social welfare services (some with state and federal aid and others independently), as well as other traditional municipal services such as sanitation, utilities and recreation. The traditional division of responsibilities does not, then, envision the local government as an important catalyst for development; rather its role is to ensure minimum consumption standards for its citizens, leaving economic matters in the hands of state and national officials.

Neat divisions of competencies, however, do not adequately reflect the German intergovernmental system. Firstly, the federal government has a very limited administrative bureaucracy; officials employed by state or local governments are therefore charged with carrying out federal policies. Similarly, many state policies are implemented by county and municipal governments. Secondly, in many areas the federal government legislates only broad policy outlines or minimum standards, leaving state governments to fill in the details. In policy domains such as education, economic regulation, the environment, planning and development one finds a mixture of policy initiation and funding from state and federal government, with implementation entirely in the hands of state (or local) bureaucrats.

Furthermore, the increasingly complex and ambitious tasks of government have required new forms of intergovernmental cooperation. Domestic programs since the 1950s have relied on cooperative planning and implementation between the three levels of government even though such efforts were not constitutionally sanctioned. This situation was corrected by several 1969 constitutional amendments which

outlined the scope of intergovernmental cooperative tasks (Basic Law, Par. 91 a and b; Par. 104 a), which are often called *Gemeinschaftsaufgaben*. Since then, nearly all major policy initiatives in the areas of transportation, higher education, regional development, agriculture, planning and urban development have been undertaken as joint tasks, with powers and funding responsibilities shared between levels of government (Gunlicks 1986, 84-118). When reunification brought with it massive new responsibilities in the former East Germany, development initiatives in the new states were structured as *Gemeinschaftsaufgaben* as well.

The high degree of state authority in areas of domestic policy does not necessarily result in the kind of policy diversity found between the American states. Typically federal legislation, drafted with input from the state-controlled *Bundesrat*, sets guidelines for policy, and although states can then finalize their own legislation the breadth of diversity is limited. There are many forms of voluntary cooperation between state governments that lead to policy uniformity. Since the founding of the FRG, state ministers and civil servants have met regularly to insure consistency in policy areas such as education, broadcasting and environmental protection. The frequency of such cooperative initiatives reflects the high value placed on policy uniformity, which coexists with the value placed on the maintenance of decentralized decision-making structures (Bulmer 1989, 48-49.)

The German federal system was designed to give state governments considerable influence. The upper house of the German parliament, the *Bundesrat*, made up of representatives of the state governments, reviews all legislation, and has an absolute veto over all matters affecting the states -- some 50% of all parliamentary bills (Gunlicks 1994, 83). The Government, which will seldom face difficulties getting its bills approved by a lower house that it controls, must reckon with the concerns of

state governments before submitting legislation to the *Bundesrat*. While sometimes *Bundesrat* debates are carried out along purely partisan lines, one finds coalitions between states with similar local concerns that cross party lines. The importance of state concerns, as articulated through the *Bundesrat*, acts as a brake on legislative activity, contributing to a policy making process that is lengthy and given to incremental changes rather than drastic U-turns (Katzenstein 1987; Conradt 1989).

Local Governments

In some German cities there is a tradition of municipal autonomy dating back to the middle ages, and the idea of the self-governing city as a counterweight to central authority has had political resonance throughout the nineteenth and twentieth centuries. A modern form of self-administration (*Selbstverwaltung*) was introduced in Prussia in 1808, in the wake of Prussia's loss to Napoleon; towns and cities were freed from direct central control partly in the spirit of enlightenment reform, and partly in the hope that greater independence would reduce local claims on a national treasury drained by extended war (Gunlicks 1986, 7; von Saldern 1993, 3). Citizens (a narrowly defined category of residents that excluded the majority) could now vote for their town councils, which gained discretion over those matters deemed to be local concerns -- a narrow range of activities, since police powers were reserved to the state, and many tasks today performed by municipal administrations (health, welfare, housing and planning to name a few) were then held to be police powers. The Prussian state was the least likely to construe self-administration liberally in the case of Berlin, its capital and residence.

Reform didn't produce a sudden awakening of local political identity. Some municipalities eventually had to be forced to hold elections (Sheehan 1971, 118) and

many of the volunteer positions that dominated municipal administration were difficult to fill (von Saldern 1993, 5). By the mid-19th century, however, cities had emerged as centers of power for Germany's liberal bourgeoisie, unable to challenge *Junker* dominance on a national level (Häußermann 1991). Such professional men and merchants were able, thanks to the limited voting rights enjoyed by those without property, to dominate elected councils, and they had come to see volunteer public service as a source of prestige and business connections.

These liberals came to define local self-administration as a governing process distinct from the world of partisan strife, a view that justified the domination of local politics by notables; in their view, "The affairs of the urban community should be run by like-minded men, who were 'unpolitical' and without selfish interests, men who could see and pursue the common good without the distraction of agitation, party organization, and ideologies" (Sheehan 1971, 135). Elite domination was increasingly challenged by various anti-liberal parties, including those of the Catholic Center and especially the Social Democrats; during the Weimar period full suffrage was granted to all local residents and partisanship in local politics became more pronounced, leading local governance experts to decry the end of the self-administration tradition (von Saldern 1993, 6). Moreover, the pressing demands of urbanization and industrialization had, by the 1870s, stretched the governing capacity of amateur notables and city administration became far more professionalized. Nonetheless, cities remained the most liberal level of government; with their relative independence and professionalized administration they were at the vanguard of infrastructure investment and social security provision, and in some cities reformers carried out ambitious planning and housing initiatives that were admired by municipal

reformers from places like Great Britain, where local authorities lacked any appreciable autonomy (Ladd 1990).³

During the Third Reich the principle of centralized leadership, codified in a 1935 local governance code, eliminated most aspects of municipal autonomy. The centralized system of the GDR didn't allow for much local discretion, but municipal self-administration was an important principle to those drafting the West German constitution, who enshrined it as an essential guarantee in Article 28 of the Basic law. After all, the self-administration tradition, limited as it had been, represented one of Germany's few indigenous democratic legacies, and its historical practice tended to be both romanticized and exaggerated in an effort to build identification with democratic institutions (von Saldern 1993, 8).

The Basic Law requires that all levels of government be democratically governed; the specific structure of local government is otherwise left to state legislation. Cities are not, however, legally "creatures of the state" and local autonomy is guaranteed by the Basic Law (Article 28) which, in contrast to the American and British systems (in which municipalities are limited to functions described in their charters), allows German municipalities to undertake any activity not elsewhere regulated. Different forms of local government -- some with strong mayor systems, others with strong councils -- characterize the various states, reflecting divergent historical experiences (most recently the influence of the three western occupying powers after World War II). Efforts to create a single, national code for local governments in the early history of the FRG were opposed by state governments. After reunification the five new

³ There were significant differences between cities, depending on local traditions and the capacities of local leaders. Mayor Franz Adickes of Frankfurt was known for his progressive views of city planning; he used his mayoral position as well as his seat in the upper house of the Prussian parliament to push for expanded local powers to combat speculation, discussed further in chapter three. In Hamburg, amateur self-government was so strongly imbedded that it survived into the 20th century.

eastern states were each paired with a "sister" state in the west, generally adopting the administrative practices of that state. The patchwork of municipal government systems in the west is thus now apparent in the east as well.

The three city-states, including Berlin, differ from this pattern. Their governments look more like state governments, run by a parliament (called, in Berlin, the *Abgeordnetenhaus*) and a cabinet (called a *Senat*; the individual members are *Senators*), coordinated by a mayor whose power often derives more from his position as head of the ruling party than as "first among equals" on the *Senat*. The city-states, and some other large cities, are further divided into districts (*Bezirke*). These carry out some of the functions normally considered part of municipal government, but they do not enjoy any autonomy guarantees and, although run by an elected council, perform their functions in part at the pleasure of the city government.

The study and practice of local government today continues to center on interpretations of the traditional self-administration. Within public administration literature and among some local civil servants one still finds the contention that local governance, unlike state and national policy making, is an apolitical task best carried out by professionals and local notables unburdened by party ties. In fact, this ideal is seldom to be found in practice as party politics has thoroughly penetrated the local electoral arena (Holtmann, 1992). Local self-administration has become, at any rate, a less significant concept in light of municipal dependence on State fiscal equalization measures and the growing assertiveness of federal policy makers in traditionally local areas such as urban development (Voigt 1992, 3).

Fiscal Federalism

The intricate web of political and administrative cooperation within the Federal Republic of Germany is bound together by a unified system of tax collection and revenue sharing. Underlying fiscal federalism are two important principles. The first is the notion that no income source should be taxed twice (called *Gleichartigkeitsverbot* in the tax code), preventing two levels of government from levying the same tax and requiring a clear and consistent tax policy throughout the country. The federal government has a legal monopoly on some revenue sources, including the income tax and certain consumer taxes. The *Länder* have exclusive rights to wealth and inheritance taxes and certain designated consumer taxes, while local governments collect business taxes and property taxes.⁴

Through the 1950 and 1960s the business tax was the most important source of local funding, generating around 85% of municipal tax revenue (Gunlicks 1986, 121), but this method of finance had its problems. Municipalities faced increasing difficulties as they tried to meet service demands, competing with each other for commercial activity; inequalities became cumulative as the communities with the least commercial activity were least able to make improvements to attract business. A major tax reform in 1969 attempted to redress some of the dependence on business taxes, requiring municipalities to turn 40% of business tax revenues over to the federal government in exchange for which they would receive 14% (later increased to 15%) of the income taxes collected from their residents. In 1988 businesses taxes accounted for 15% of local tax revenues (Norton 1994, 271). Cities still compete with each other for investment, but not with the same intensity as earlier (Johnson and Cochrane 1981) nor as they do in the US.

⁴Land law determines the split of various consumer taxes between state and municipal governments.

The second underlying principle maintains that state and local governments should not have to bear the costs of services and capital expenses that are undertaken at the behest of another authority or that serve those outside the political boundaries. Thus, state governments receive federal aid and local government state and federal aid when they act to implement federal programs (e.g. to repair a federal highway); localities receive funds toward federally-supported transfer payments (e.g. rent subsidies, training stipends). In addition to shared taxes, the intergovernmental system is also held together by grants from federal to state, and from state to local governments. Special grants are available to offset service burdens of overregional institutions like universities, or to compensate states and municipalities whose fortunes suffer as the result of actions taken by a higher level of government (for example, West Berlin had received DM 1 billion annually to compensate it for the presence of Allied forces; the city of Bonn will soon begin receiving payments in compensation for the loss of the seat of government). In addition to such compensatory intergovernmental grants, since 1969 there have been a growing number of jointly funded programs (*Gemeinschaftsaufgaben*), including many in the area of urban redevelopment.

The goal underlying German fiscal federalism is that of maintaining a rough equality of living standards (*Einheitlichkeit der Lebensverhältnisse*) across the country. This goal is realized through special federal grants to disadvantaged regions (for example, the various programs, some purely federal and some *Gemeinschaftsaufgaben*, for the new states of the former East Germany), as well as a system of horizontal revenue sharing (*Finanzausgleich*) through which wealthier states subsidize poorer states. Using a formula which calculates the average per capita revenue as the standard, the difference in revenue between the wealthiest and poorest states is reduced from 1.24

to 1, to 1.07 to 1 (Gunlicks 1986, 127).⁵ Before reunification the major contributing states had been Baden-Württemberg and Hessen, with the older industrial regions of the north receiving equalization grants (Berlin, not included in the *Finanzausgleich* system, will be discussed below). The entrance of five economically weak new states into the Federal Republic threatened this system, as suddenly even the poorest of the west German states would, under the old formula, have been required to make payments to the east. Special regulations were established, intended to remain in effect through 1995, to meet the financing needs of the new states.⁶ Similar equalization measures can be found within each territorial *Land*, as states endeavor to minimize inequalities within their borders.

Germany's tradition of municipal self-administration and policy decentralization make German governments more autonomous than those of, for example, France and Great Britain. In comparison to the US intergovernmental system, however, the German approach to urban and regional governance appears far more consistent and offers municipalities more support. Minimizing regional inequalities through tax and revenue sharing measures is an explicit goal of the German constitution and of most legislation, and although municipalities are still largely responsible for the health of their local fisc, the imperative to maintain the area's economic health is tempered by the many forms of intergovernmental aid available. This doesn't mean that German municipalities are immune from fiscal pressures. Local revenue is still dependent on the generation of local wealth, and municipalities bear much of the costs of welfare for those not eligible for federal social security or unemployment benefits. In times

⁵Some American states have been struggling to develop such a system to minimize the inequalities between self-financing school districts. Germany's very rigid, constitutionally delineated taxing system, in which not only types but often rates of taxes are mandated, makes such a horizontal revenue sharing possible, since it eliminates the opportunity for donor states to simply lower their tax rate in order to avoid making transfer payments.

⁶ The new states would retain a higher percentage of taxes shared between state and federal governments; 2/3 of their budget deficits would be covered by federal funds and Treuhand profits. These funds were to be raised through budget cuts, higher taxes and, principally, borrowing.

of recession rising expenses and diminishing revenues often lead to cuts in services, although typically these represent cyclical rather than structural adjustments ("Slums aus Wellblech" 1994).⁷

Chapter one of this dissertation considered the applicability of American regime approaches to the study of European cities. In light of the features of the German intergovernmental system, it appears that German cities would command resources that would make them less dependent on local economic forces. Local elected officials would be less likely to seek partnerships with private sector investors than their local resource-dependent American counterparts. American partnerships are forged when public officials are willing to trade tax benefits and regulatory relief for development; German local officials lack control over many aspects of tax collection, and most policy areas are regulated cooperatively by federal, state and local officials. This reduces flexibility and diminishes the capacity to bargain with potential investors.

Part 2: West Berlin's Special Status, 1945 - 1990

West Berlin occupied an anomalous role within the federal system, largely because the city's status was contested from the end of World War II until the reunification of Germany in 1990. Although the city had been liberated by Soviet forces, it was ultimately divided into four occupation zones. Reflecting developments in the country at large, following the 1948 currency union the three sectors occupied by France, Great Britain and the United States were merged into West Berlin; the Soviet Zone became East Berlin and served as the capital of the German Democratic

⁷Cities in the new states, and the city state of Berlin, face a number of extraordinary fiscal problems following reunification, only some of which have been redressed by the special revenue sharing provisions discussed above; they therefore face more pressing, long-term financial pressures.

Republic. Unlike the rest of East and West Germany, Berlin remained officially under the occupation of the four allies until 1990. This special status had legal and political implications especially for West Berlin; these are discussed, insofar as they are relevant to the city's development, below.

Special Legal Status

Throughout the period of division, the city-state of West Berlin occupied an ambiguous legal position. The Soviet Union claimed that West Berlin was part of its occupation zone (and therefore part of the GDR), relenting somewhat as the groundwork for the Four Powers Agreement⁸ was laid in 1971. After the Four Powers Agreement, the Soviets and the East Germans acceded to the independence of West Berlin but refused to acknowledge it as part of the Federal Republic. This led to some interesting diplomatic footwork when Berlin matters needed to be resolved, as the East Germans would make official contact only with local representatives, but West Berlin leaders insisted that negotiations only be held with national leaders in Bonn. Nonetheless the Four Powers Agreement did greatly reduce tensions and ease transit to and from West Berlin. It thus represents a turning point within West Berlin politics: as security ceased to be the overriding concern, political leaders and residents began to focus on the more typical urban problems such as job loss and housing deterioration. A heightened level of political conflict in the late 1970s and 1980s, discussed below and in chapter three, was the result.

The western allies and the West Germans also had standing disagreements about the status of West Berlin. The German Basic Law includes Berlin as one of the *Länder* comprising the Federal Republic (Article 23), but the Allies did not accept this claim.

⁸This agreement took steps to normalize relations between West Berlin and East Berlin/East Germany.

Ultimately the Allied Command agreed that West Berlin would be treated "as if" it were indeed a part of the Federal Republic, except in those areas spelled out by the occupation powers (Wetzlaugk 1992). Berlin was therefore treated as the eleventh state in some, but not all matters. Residents of West Berlin carried German passports, but they could not send voting members to the *Bundestag* or the *Bundesrat*, although the city's representatives could attend as observers. The highest power within Berlin was not the *Bundestag* but the Allied Command, and West German laws were not effective in Berlin unless they were also approved by the city's parliament. In reality, the local parliament made a point of passing each federal law immediately and without comment.⁹ Thus were all major national policy initiatives, including the legislation governing planning and development, applied to West Berlin as they were throughout the FRG.

Allied rule remained remote from daily lives except for the abundance of military parades which, as one commentator noted, would have done the Prussians proud (Skierka 1980). The Allies maintained control over air traffic (which included the right to approve construction permits near the airports and applications for the use of building cranes), and retained the right to approve the appointment of the police chief. In theory the Allies were empowered to strike down Berlin laws, but in practice they refrained from involvement in the city's internal affairs. In the final years of the occupation the growing environmental protection movement came to resent the Allies' exemption from local planning laws; there were protests when the British cut down 30,000 trees near their seldom-used air strip and when the Americans built apartment houses in an environmental protection zone (Skierka 1980; Press- und Informationsdienst 1992, 36). Because Berlin was to remain demilitarized, defense

⁹The Alternative List (Green Party), which first entered the local parliament in 1981, did sometimes argue against acceptance of Federal law. When they joined the governing coalition in 1989 they agreed to accept the SPD position that all FRG laws would be automatically approved (Weis, 1989).

related production was prohibited, a measure that further discouraged large firms from investing in research and development and high value-added production in the city. Berliners were exempt from military service, which no doubt increased the city's appeal for young men and contributed to its identification with the student revolution and counter-culture in the late 1960s and after.

East Berlin's legal status was also contested, although its location within the GDR made this a less problematic issue than it was for West Berlin. The Soviet Union, which assigned Berlin a special status as the constitution of 1949 was drafted, allowed the capital city gradually to assume the same legal status as the rest of the German Democratic Republic. Berlin was made a *Bezirk* in the territorial reforms of 1973. The western allies, however, asserted that all of Berlin was under Allied occupation, and did not officially acknowledge East Berlin as a legitimate seat of government. In practice this stand had minimal significance; by the 1970s the western powers had even opened embassies in East Berlin, but insisted in calling them embassies *to* rather than *in* the German Democratic Republic. The four occupation powers only officially relinquished their competing claims on the city in 1990 as the German Democratic Republic was absorbed into the Federal Republic.

West Berlin's status within fiscal federalism

For both legal and practical reasons, West Berlin was excluded from the fiscal equalization system; its budget and most local economic activities were instead supported through a system of special subventions known collectively as the *Berlinförderungsgesetz* (Berlin Promotion Law, or BFG). After the lifting of the Blockade of 1948-1949 (during which West Berlin was supported by Allied emergency funds) it quickly became clear that the city's post-war economic crisis

would not abate. West Berlin, cut off from its hinterland, surrounded by hostile armies, robbed of its capital functions and industrial base, was not economically viable. Its isolation from the West and the constant threats to its security made it unlikely that it would attract sufficient economic activity to survive, let alone to undertake an extensive post-war rebuilding¹⁰. A series of measures, beginning with the Federal Transfer Law of 1950 and continually revised through the 1980s, sought to support the city's budget and promote the local economy in spite of its considerable locational disadvantages.

One important aspect of the BFG was enormous federal support for the city's treasury. As a direct result of the city's economic position, tax receipts were chronically low compared to other cities. In keeping with the goal of maintaining equality of living conditions across the Federal Republic, and given the strategic and symbolic significance attached to the preservation of a "free" West Berlin, the federal government made up the difference between income and expenses with various forms of direct aid. West Berlin thus became a mecca of publicly-supported cultural activities and social service programs; the gap between its tax income and expenses, compared to other city-states, is shown in table 2.1. That federal aid covered the lion's share of the city's growing budget can be gauged by the figures presented in table 2.2. Since reunification direct federal aid to Berlin has been cut significantly; in 1994 it represented merely 14.4% of a much larger Berlin budget. Some of the shortfall has been compensated through the German Unity Fund, a revenue sharing program encompassing all the new federal states that is supporting approximately

¹⁰Berlin had been devastated by both bombing raids and the house to house fighting that marked the Battle of Berlin at the war's close. An estimated 30% of its buildings were destroyed (Bodenschatz 1987).

Table 2.1

Per capita tax revenues and expenditures in West Berlin,
Hamburg and Bremen, 1980-1990

	1980			1985			1990			% change, 1980-90		
	W. Berlin	Hamburg	Bremen	W. Berlin	Hamburg	Bremen	W. Berlin	Hamburg	Bremen	W. Berlin	Hamburg	Bremen
Revenues	8,367	5,594	5,191	10,921	7,273	6,491	11,120	8,737	8,185	32.9	49.7	57.7
-- tax revenues	2,094	4,246	3,429	2,901	5,479	4,007	2,930	6,003	4,444	40.0	41.4	29.6
-- misc. income	6,273	1,349	1,762	8,020	1,794	2,485	8,190	2,370	3,740	30.5	75.8	112.3
Expenses	8,804	6,016	6,612	11,086	7,708	7,939	11,579	8,298	9,089	31.5	37.9	37.5
-- Personnel	3,489	2,767	2,728	4,136	3,369	3,227	4,193	3,624	3,533	20.2	31.0	29.5
-- Overhead	1,545	936	968	2,130	956	1,154	2,286	1,199	1,359	48.0	28.1	40.4
-- Interest	278	364	574	406	703	1,157	355	778	1,325	27.5	113.9	130.6
-- Transfer payments (to individuals and businesses)	1,748	1,019	959	2,202	1,626	1,391	2,663	1,784	1,412	52.3	75.2	47.2
-- misc. expenses	1,743	930	1,382	2,212	1,054	1,011	2,082	912	1,460	19.4	-1.9	9.5

Source: Federal Statistical Office, cited in Vesper 1992

Table 2.2

Berlin's Municipal Budget by Source of Revenue, 1970 - 1993
(in DM millions)

Year	Total DM	Percent Local Revenue			Percent Federal Aid
		Total	Taxes	Other	
1970	6,942	47.1	28.1	19.0	52.9
1975	13,356	45.8	23.0	22.8	54.2
1980	17,220	47.6	23.1	24.5	52.4
1985	21,917	49.1	24.5	24.6	50.9
1990	25,865	49.4	24.5	24.9	50.6
1991	36,476	60.8	26.2	33.8	39.2
1992	38,964	66.4	31.9	34.4	33.6
1993	38,344	73.7	38.1	35.6	26.3

Source: Deutsches Institut für Wirtschaftsforschung, unpublished data. 1980-1990 figures are for West Berlin; 1991-1993 for the united city.

23% of the city's expenditures ("Drastische Kürzung des Bundeshilfe zwingt Berlin zu Ausgabesperre" 1994).

Federal transfers were only one part of the economic support offered to West Berlin. Perhaps more significant has been the array of subsidies, grants, and tax preferences given to businesses and individuals in the city, outlined in table 2.3. Turnover (sales) taxes were reduced for producers within Berlin and for West German companies purchasing from Berlin producers. The exact percentage reduction changed through successive revisions in the law and was ultimately made dependent on value added content, but in general it represented a 4 - 7% savings on the cost of any product. Capital investments received very favorable treatment. Outright grants of 7.5 - 10% of investment costs were awarded, and accelerated depreciation laws allowed

Table 2.3

Summary of Economic Subsidies under the *Berlinförderungsgesetz (BFG)*

Description	Estimated financial impact (in mio. DM) in:		
	1970	1981	1990
1. Turnover (sales) tax preference	1050	2275	2850
-- preference for Berlin producers			
-- preference for West German firms purchasing goods produced in Berlin			
2. Investment subsidies	NA	964	1665
- accelerated depreciation			
- tax reductions on loans for business investment			
- investment grants			
3. Housing subsidies	NA	346	960
-- accelerated depreciation for multi-family housing			
-- accelerated depreciation for single-family housing			
-- tax reductions on loans for housing investment			
4. Employee subsidies	960	2835	3770
-- income tax reductions			
-- annual bonuses and additional child-rearing subsidies			

Sources:

Postlep and Stegmann 1984, 71

Campbell 1990, 197

"Das Ende einer Steueroase" 1990, 155

investors to write off 75% of their investments in the first year. Accelerated depreciation and subsidized interest rates were also available for housing construction and renovation. Subsidies directly benefited employees as well; each employed Berlin received a tax-free 8% "hardship" bonus plus a small monthly allowance for each child. In addition, income and corporation taxes in Berlin were reduced; low-interest credits from various sources were available; and public loan guarantees

reduced the risk of all kinds of investment. In short, no economic activity was unaffected by some aspect of the BFG (Campbell, 1990).

Nearly all sections of the BFG have been or are in the process of being phased out. 1994 is the last year of both special Berlin budget subsidies and the German Unity Fund; beginning in 1995 Berlin and the rest of the new states will become part of the national fiscal equalization system. Some of the investment inducements have been replaced by other federal or European Union programs available throughout the former East Germany. For the most part, however, Berlin's special fiscal status is a thing of the past. Since reunification, Berlin has been forced to reduce its expenditures; this has resulted in cuts in many of the city's long-established social and cultural programs. A number of administrative and political reforms that will serve to limit spending, some discussed below, are under consideration, including reducing the number of districts, shrinking the size of the *Senat* and the Chamber of Deputies, and merging with the neighboring state of Brandenburg.

The system of special subsidies has, nonetheless, shaped the fiscal, economic and political life of the city for two generations. Because subsidies represented such an important production factor, the Berlin economy oriented itself to public support programs just as plants bend toward the sun. The original goal of the BFG was to use public moneys to neutralize the locational disadvantages of the isolated city. At the time analysts believed that any city's economic generator was its industrial base. Since Berlin had lost its important capital city functions, economic policy makers believed that in the promotion of manufacturing lay the city's only chance of survival (Kluge 1960). The subsidies, with their emphasis on capital investment and sales, provided the greatest benefits to manufacturers producing large quantities in West Berlin for delivery elsewhere in the Federal Republic. This structure ultimately had

two important consequences for the local economy. First, it encouraged new capital investment, some would say at the expense of jobs, prompting large firms to build state-of-the-art production facilities in Berlin to replace more labor-intensive operations elsewhere (Campbell 1990). Berlin became known as the "extended workbench" of German industry, as factories were set up in Berlin to take advantage of subsidies (which, until the 1980s, were available regardless of how little of a product was actually produced in the city) but they created few jobs and even fewer highly skilled jobs (Zitzelsburger 1986). The local chapter of the German labor organization pressured local and national politicians to alter subsidy formulae with an eye to greater job creation, but counter-pressure from the local *Industrie und Handelskammer* (Chamber of Commerce), or IHK, whose members were the beneficiaries of the status quo, prevented major revisions until the 1980s (Skierka 1982).

The emphasis on manufacturing production, capital intensive or otherwise, obscured the need to promote other forms of economic development, such as service industries or research and development activities. Thus one could say that Berlin policy-makers had hooked the city's economy to what was by the 1960s a falling star: even the generous Berlin subsidies could not prevent the loss of manufacturing activity from advanced urban areas. And when industry left Berlin (such as the 1982 closing of an AEG plant that had in 1965 employed nearly 30,000 workers) it didn't couldn't move to the suburbs, where it might continue to have some impact on the local economy, but left the region altogether (Nawrocki 1982). There was little basis for the development of the kinds of economic activities that were regenerating other cities by the 1980s. With only one major company headquartered in the city there was little demand for, and little attempt to develop, an advanced service sector. The public sector, on the other hand, was unusually large, both because the heavily subsidized

local government carried an large payroll, and because of the federal government's explicit policy to site several of its more labor-intensive agencies (examples include the Federal Printing Office and the Federal Employee Insurance Agency) in Berlin.

The structure of the economy also shaped the city's real estate markets and hence the built environment. Corporate headquarters and advanced services are the forces that fuel demand for central city real estate. The absence of these sectors in Berlin led to a weak demand for office buildings and little pressure to create a new central business district to replace the city center that had been "lost" to East Berlin. There was, of course, a real estate sector in West Berlin, but it was insular and risk averse. There was never a booming market in Berlin: commercial rents during the 1980s, a time of skyrocketing rents throughout industrial cities, remained flat, and well below those of other West German downtowns. Without a corporate sector, without a growing demand for business services there was little need for more offices. Developers tended to focus instead on the heavily subsidized social housing market.

By the 1980s it had become a truism that the extensive subsidy program had not only shaped the economy of Berlin, but also its very culture. Berlin became, especially to some conservative critics offended by the city's long-time Social Democratic leadership and its vocal counterculture, a symbol for wastefulness comparable to Ronald Reagan's "welfare queen"; a national newspaper entitled an article on the city "Fat, Sated and Unhappy" (Staeck 1981). Branded as "subsidy city", its citizens were said to suffer from a "subsidy mentality". The public sector was criticized as over-staffed and inefficient; with so many of its activities underwritten by national taxpayers, there was little incentive to be creative in finding more cost effective programs. The private sector was decidedly un-entrepreneurial, in part because the least innovative sectors of the economy were located there, and in part because even

indigenous businesses were more attuned to public benefits than to innovation. This is clear when one looks at the building sector, where rents in the social housing stock that represented most new construction were subsidized down to 5 or 6 DM per square meter per month even when actual costs were 20 or more; in such a climate anyone with the patience and connections to deal with the public bureaucracy was sure to be able to make a living. Berlin's credit agency was generous in providing subsidized interest rates loan guarantees for commercial projects -- according to one estimate, 70% of all industrial investment in Berlin in the mid-1980s was so subsidized ("West Berlin: Looking for a Future" 1986). Reassured by this cushion, private banks were also less cost conscious. Several expensive failures shed light on the sometimes scandalous ease with which public moneys were allocated, but did not alter the nature of local development. In a sense the Berlin subsidies provided a safety net that protected both public and private sectors from the consequences of failure.

If the organization of German intergovernmental relations makes the federal government a significant presence in local development politics generally, federal rules and fiscal policies have played a truly dominant role in Berlin. The structure of the Berlin economy, the organization of public administration and the behavior of interest groups (especially those with ties to the economy) can all be explained only with reference to the comprehensive federal subsidy network that was the city's lifeblood for decades. As this dissertation looks at the role of public institutions and private investors in urban development it will become clear that the city's forty-year dependence on federal subsidies has indeed shaped all aspects of its political economy.

Part 3: The administrative state: civil service, policy-making and implementation

Much of the American literature on urban politics omits discussion of the administrative apparatus. The public sector is assumed to be represented by elected officials (joined, in some studies, by top-level, appointed development directors); the organization of the administrative apparatus and the behavior of career government employees is seldom made central to urban analysis. This approach may be acceptable in the study of American cities, marked by weak administrative traditions and, in some cases, strong mayor governments. The study of local politics in Germany and Berlin, however, cannot overlook the administrative state. Few political systems have been as closely identified with their administrative norms and personnel as the German system. The history and organization of the German state apparatus cannot be summarized here; rather, this section highlights those aspects of the state bureaucracy that are relevant to understanding local policy making.

The German Civil Service

The German civil service has a long history, predating both the German nation and democratic institutions, which helps explain the strength and persistence of the administration and its norms even in the face of political upheaval. The Hohenzollern dynasty, attempting to consolidate its rule over Prussia, incorporated the Junker class into the civil service because they could not afford to alienate them; but they also needed loyal, competent ministers and therefore recruited bourgeois university graduates as well. The Prussian General Code of 1794 first elaborated conditions of entry, conduct, and provided some security against arbitrary dismissal and defined

bureaucrats as servants of the state, rather than servants of the crown. Bureaucratic autonomy was strengthened under 1873 Civil Service Act, negotiated between liberals in Parliament who wanted to curb special privileges of bureaucrats but also give them some independence from Bismarck, who could still hold dismissal and loss of pension over their heads (Siedentopf 1983, 238).

Throughout the 19th century Prussia and the other German states required more advanced legal training for their administrators and the notion of an expert civil service entrusted with most of the work of governance gained greater acceptance. As early as 1815 the Prussian state had the characteristics of a "bureaucratic autocracy" (Kvistad 1988, 100), where policies were made and implemented by civil servants increasingly imbued with a class identity distinct from the nobility, the middle classes or the "mob" and defined as the "unique embodiment of a state established to protect the public interest of Prussian society....The public interest was not perceived to be something to be distilled from the interaction of Prussian society's estates [or later, its political parties]; it was, rather, to be defined and acted upon by the state bureaucracy" (Kvistad 1988, 101). The examination system insulated the bureaucracy from outside pressures, leaving it responsible for its own recruitment. This insularity served the purpose of Bismarck and the Kaiser well during the second empire, as it helped keep the bureaucracy loyal to the state and beyond the influence of the various political interests and parties (socialists, Catholics, industrialists) arising at the time. The parliament had virtually no influence over the civil service, although civil servants could, and did, hold seats in parliament, generally in the parties most closely tied with the government and Junker class, from where they used their influence to dampen potential challenges to the government. The tradition of civil service "colonization" of party and parliament, a kind of mirror image to the colonization of the civil service by the party (or patronage), remains strong today.

Already in 19th century *Reich* the relationship of *Land* and federal bureaucracies were established. Local and state governments had their own administrators, but they functioned as well as agents of the national state as they implemented national policy. As rapid urbanization produced the need for more complex city administration in the late 19th century, city governments became attractive employment sources for talented, university-educated men (Sheehan 1971, 125).

During the politically tumultuous Weimar period, the fledgling republican government needed help crushing abortive revolution and so turned to military and traditional elites; thus was the administrative apparatus of the *Kaiserreich* able to weather the transition to democracy with little effort. In fact, their influence most likely expanded during this period. Hitler's coming to power resulted in only marginal purges, as the civil service loyally served the Third Reich. If there were conflicts between party and bureaucracy, it was the party that routinely lost out (Shefter 1977, 429).¹¹ The continuity extended after the war into the FRG (but not the GDR); a law passed in 1951 granted all civil servants a right to reinstatement, and for ten years after the Third Reich 60% of FRG civil servants were Third Reich holdovers (Shefter 1977, 430). Shefter describes the historical forces that have shaped the politically neutral civil service as the "constituency for bureaucratic autonomy"; this has been so strong, he says, that the civil service has been able to pass through four opposing regimes with scarcely any changes (Shefter 1977, 431).

Although the Allies, participating in the creation of the new West German constitution, sought to reduce the influence of the bureaucratic state, the German

¹¹Shefter makes this point based on David Schoenbaum's study of Nazi bureaucracies (*Hitler's Social Revolution*, Garden City, NY: Doubleday, 1966). On the other hand, Mayntz and Derlien (1989) maintain that Hitler made partisanship a requirement for retaining public office and subjected the bureaucracy to party control.

drafters of the 1949 Basic Law stressed their ties with administrative tradition. The leaders of the fledgling FRG felt that a thorough bureaucratic reorganization would entail unnecessary disruption; no doubt they were also aware of the high political costs involved in taking on effectively organized civil servants. Both the Constitution and early legislation therefore ensure continuity of civil service personnel and practice. Article 33, paragraph 4 of the Basic Law entrusts the exercise of state authority to a civil service whose status, according to paragraph 5, will be governed by a public law created "with due regard to the traditional principles of the professional civil service."

The concept of the civil servant and his or her role in a democracy has been the source of much debate in the Federal Republic. Largely gone are older notions of a reified civil service "above politics", as surveys show a widespread acceptance of parties and political conflict within the state administration (Kvistad 1988, 116-117), and indeed there is considerable overlap between party and state (discussed below). Nonetheless, state bureaucrats, especially those of the upper levels (the *Beamten*) are believed to have special role as agents of the state and guarantors of the rule of law. The Constitutional Court has defined the civil service as "an institution whose purpose it is, based on expertise, professional efficiency and loyalty, to guarantee a stable administration and in this way provide a balancing factor in respect to those political forces which shape the life of the state" (quoted in Siedentopf 1983, 236). The 1972 *Radikalerlass*, for example, a ban on civil service employment of those engaged in radical political activity, was justified by the claim that public servants have a different relationship to the state than do ordinary citizens. As 17% of the West German workforce were state employees (including teachers, professors,

hospital staff and even clergy), codes affecting civil servants had a large impact on German society in general (Kvistad 1988, 96).¹²

Not only has the role of the civil servant been debated in light of the needs of a modern democracy; so has the operation of traditional bureaucracy in light of the demands of modern policy making. The traditional German legal state was based on Prussian codes (which in turn were founded in Roman law) that endeavored to achieve rationality by anticipating every possible situation and codifying it in laws. Today such comprehensiveness is not seen as possible or desirable, and there is more emphasis on general laws interpreted by the courts; nonetheless German legislation addresses itself to far more detail than would be customary in the US. Top echelon civil servants, most of whom receive legal training, are educated to ascertain the facts and apply legal norms as solutions. A tendency toward legalism within the policy making establishment continues to characterize the contemporary German system. Lawyers dominate the civil service and civil servants dominate the parliament, but whether this is cause or effect of the German preference for a *Rechtsstaat* in which all matter of things are treated as legal problems is hard to say. Analysts of German politics have often noted the tendency among politicians and within society to emphasize the apolitical, technical side of policy-making (von Beyme and Schmidt 1985), and a considerable amount of far-reaching legislation, including the major tax reforms of the late 1960s, were passed with minimal public debate (Häußermann 1991).

¹²Kvistad's interesting article describes the controversy surrounding the *Radikalerlass*, which had tremendous implications since many of the professions most attractive to former radicals, including teaching and social work, were civil service positions. The measure controlled not only the behavior of public employees during working hours, but also their private lives; membership in parties or organizations deemed "hostile to the constitution" is grounds for dismissal. The rule's harsh treatment of those who engage in non-traditional political activities contrasts strikingly with the many rules that promote civil servant participation in the traditional political parties, discussed below.

In recent years, some critics have complained that this approach is not helpful to the kinds of administrative tasks that confront the modern state: comprehensive planning or cost-benefit analysis, for instance, are not effectively carried out through the traditional bureaucratic decision-making process (König 1983, 10). According to one respondent in Röber's study, "' we're in the Atomic age, but the public administration... is still working with steam engines'"(Röber 1992 , 52). Moreover, a climate of heightened activism and protest beginning with the student protests of the 1960s and citizens initiatives of the 1970s punctured the veneer of aloof objectivity cultivated by German bureaucrats (Hager 1992; Mayer 1992). Bureaucratic procedures in those areas that had attracted the loudest citizens protest, especially environmental protection and urban development, have been opened up to include the participation of groups outside the bureaucracy, although participation remains limited to carefully proscribed channels in which state officials still have the final say. A system of administrative courts offers citizens redress against officials who fail to follow the law. Thus do legal norms continue to dominate policy discussions, even in today's more open policy making climate, setting the parameters within which most conflicts are determined.

Party and Administration

Although theory and law hold civil servants above politics, in fact the interpenetration of party, parliament and civil service is quite pronounced at every level of government. This interpenetration works in two directions. The first, decried by German observers as the "politicization" of the bureaucracy, is patronage, or the use of party ties to secure civil service appointments and promotion. The second is the domination of party and parliament by civil servants.

Civil servants are loath to admit it, but subtle forms of party patronage do mark the relationship between state and party. At the top of each ministry is a group of civil servants whose appointments are explicitly political: this reflects the belief that ministers should be able to rely on an upper echelon loyal to their policies. Further opportunities for patronage are limited by the job security enjoyed by most civil servants, and by the clear statement in the Basic Law (Article 33, paragraph 3) that adherence to a "philosophical persuasion" should not disadvantage any job applicant. Nonetheless party patronage was common in the early years of the Federal Republic (Dyson 1977, 4) and a growing tendency toward party membership among civil servants has been reported; it's not clear whether this reflects a new opportunism on the part of civil servants, or stronger ideological proclivities, but research indicates that career paths within the bureaucracy can be greased by membership in the "right" party (Mayntz and Derlien 1989, 393). Staffing based explicitly on partisan considerations is most common in state and local governments in which one party has long been dominant. West Berlin, discussed below, was long known for its practice of "party book administration". The CDU in Schleswig-Holstein exercised a virtual monopoly on all public service appointments during its long dominance; it was an open secret, for instance, that teachers and school principals were as a rule chosen from among party members (Dyson 1977, 11-12).

The relationship of party to administration is not limited to the efforts of parties to colonize the bureaucracy; more striking is the prominence of civil servants within the parties and within the national and state parliaments. This practice sets Germany apart from other democracies: both the US and Great Britain, for example, prohibit civil servants from engaging in political activities. In Germany, where the administration predated democratic institutions and political parties, and where the prestige of civil servants has always been high, there is a long tradition of civil

servants actively engaged in parliamentary politics. A 1982 study estimated that 41.9% of the *Bundestag* consisted of people with civil service status (about half were teachers); some *Land* parliaments included over 50% civil servants (Mény 1993, 325). Civil servants are also overrepresented in party memberships, especially in the CDU and FDP, but not nearly as much as in the parliament, suggesting that civil servants who are active in parties have a very good chance of being chosen as parliamentary candidates. These practices are encouraged by civil service laws that promote political participation. State bureaucrats can take sabbaticals to participate in politics while still drawing 75% of their salaries; their jobs are guaranteed during their absence. Thus does the state, in a sense, subsidize the political participation of its employees, turning them into "privileged campaigners" (Lorig 1994, 105).

The implications of civil service dominated parliaments have not been fully discussed in the literature. Some observers credit this practice with smoothing relations between the administration and its political leadership, rendering both parliament and bureaucracy more effective; the bureaucrats holding seats in parliament have better access to information and expertise than, for instance, their counterparts in Great Britain (Lorig 1994, 105; Dyson 1977, 18-19). On the other hand, the number of civil servants in parliament calls into question whether the elected body can act as a democratic check on the bureaucracy. Surely questions relating to the position of civil servants or to administrative reform are not likely to receive an objective hearing, especially since those committees most intimately involved with administration are most likely to attract career civil servants (Dyson 1977, 13). No doubt some of the legalism and incrementalism that mark German policy making can be traced to predominance of administrators, many with specialized legal training, within the national and state parliaments.

Civil servants have also proven adept at participating in interest group politics, and are major lobbying powers at all levels of government. American efforts to include in the Basic Law something similar to the Hatch Act, which enjoins federal employees from participating in electoral politics, were foiled by civil service interests which found a champion in Konrad Adenauer (Shefter 1977, 432). The two main public employee organizations have been very successful in protecting and expanding their privileges; they also lobby on larger political issues that have implications for civil servants. They have played an important role in shaping the policies governing the move of the capital to Berlin (see chapter four), and, especially in Berlin, been accused of obstructing needed administrative reform.

Interest Groups and the State

Interest groups, especially those representing economic interests, are well integrated into the policy-making process at all levels of government. First, established groups often have close ties to one of the major political parties (e.g. the farmers association to the CDU/CSU; labor unions to the SPD), ties that amount to an overlapping of personnel and policy-making efforts. Often party candidate lists will include a certain number of key interest group representatives.

Secondly, many interests are organized into associations that, legally, have the status of public corporations and that combine interest intermediation with public duties. These "parapublic institutions" are found in all aspects of German political and social life (Katzenstein 1987, 58). For example, all businesses are members of local Chambers of Commerce, which are organized into a national peak association; there are similar chambers found in the professions. In addition to possessing powers of self-regulation, these groups often carry out public programs under contract to the

state, and are specifically incorporated into legislative approval processes in some policy areas. For instance, the Chamber of Commerce and the Architect's Chamber do not participate in urban development decision making as outside lobby groups; their views are, by law, solicited at an earlier point in the process. The significance of these forms of organizations for development policy in Berlin will be explored below.

The way in which interest groups are incorporated into the policy process has led some analysts to describe the German system as "corporatist" or "neo-corporatist", particularly with reference to macro-economic policy development in the 1960s, in which peak business and labor organizations participated in various tripartite accommodations in order to increase economic stability.¹³ But Germany has never fit as neatly into the corporatist category as some of its neighbors. Tripartite economic management arrangements have proven too unstable (and by the 1970s evolved into bilateral negotiations between the Chancellor and each of the economic sectors (Hancock 1989, 138)), in part because peak organizations are not always able to command the loyalty of their constituent parts. In most cases national organizations are confederations of state and local groups, which enjoy a great deal of autonomy. The relatively decentralized nature of interest articulation grows out of historical practice, as some groups can trace their roots back to Medieval guilds (Katzenstein 1987, 58). This structure is further shaped by, as it shapes, the federal system: interest groups are organized to take advantage of the many opportunities to influence policy on the state and local level, and the intensity of involvement at these levels further fuels the relevance of subnational politics in the policy making process. One finds varying "networks" in different policy areas, marked by divergent patterns of interaction between interest groups and state officials at different levels of

¹³To distinguish current corporatist arrangements from their authoritarian variants, Lehmbruch (1977) has labelled this "liberal" corporatism, and M. Donald Hancock (1989) has used the term "democratic" corporatism.

government. These may be more or less centralized and feature greater or lesser degrees of corporatist-style integration (Lehmbruch 1989).

Contemporary German politics also features interest group intermediation patterns that can't be described as corporatist. There are 341 companies and 1481 associations registered to lobby in Bonn. They use strategies familiar to students of American interest group politics to influence policy, and are able to take advantage of their financial resources to develop close relationships themselves to political parties, or to mobilize their memberships and the public at large to oppose policies ("Kämpfen und Kungeln" 1993).¹⁴

On the other side of the political spectrum, since the 1970s the German political scene at all levels has been shaped by less traditional citizens movements, many in the area of environmental protection, urban renewal, and other so-called "quality of life" issues that had been ignored in the course of promoting German economic growth (Karapin 1994). Rather than fit into a model of neo-corporatist cooperation, such movements have attacked the legitimacy of such arrangements. The state bureaucratic monopoly on information and expertise, the party monopoly on interest articulation, and the cozy relationship between industry, bureaucracy and party have all come under fire (Mayer 1992, Hager 1992). Such movements have had their most pronounced impact within the local arena, but they have also managed to influence national policy debates, forcing the mainstream parties to address new issues. Although citizens movements initially concentrated on extra-parliamentary activities, using both protest and administrative appeal processes to make their claims, the

¹⁴German politicians are not nearly as beholden to private financial contributions as their American counterparts, but parties do supplement their membership fees and public subsidies with contributions (an estimated 10% of SPD, 20% of CDU, and 30% of FDP and CSU funds are private donations); political leaders may be appointed to corporate boards or given consulting positions (Kämpfen und Kungeln 1993, 56).

creation of the Green party gave movement politics a parliamentary arm and shifted its focus. Today, in part thanks to the parliamentary successes of the Greens, one finds emerging forms of neo-corporatism within non-traditional sectors. Especially within local governments one finds "alternative" organizations with close ties to sympathetic state administrators; these organizations are consulted in policy discussions and assigned public tasks under contract to the government (Mayer 1992).

In summary, the administrative state remains a central feature of policy making in Germany; its strength is apparent at all levels of governance. Traditional notions of an administration that is "above politics", and civil servants as neutral interpreters of detailed laws, coexist with more modern concepts of democratic control and innovative approaches to problem solving. Because bureaucratic traditions and administrative norms remain so prevalent in the German policy-making process, an analysis of decision making in a German city would not be complete without some understanding of that polity's permanent bureaucracy.

To say that administration is significant is not to say that German urban politics would be well-described by a state-centered approach in which all policy is seen emanating from an insulated bureaucracy. Clearly the German administration, for all its rigidities, is influenced at many points by parties and interest groups. The overlap of civil servants and party activists enhances the power of administrators over legislative matters, but also brings the interests of party constituencies to bear on administrative matters. Interest groups penetrate the bureaucracy both through sanctioned, neo-corporatist channels as well as through alternative forms of participation.

Part 4: State Structure and Administration in Berlin

Berlin is a "city-state" in which state and municipal functions are combined; it is in a sense of "hybrid" of state and municipal government (Wewer 1991, 409). Although some administrative functions are carried out by district governments, these districts are not autonomous legal entities like municipalities.

The city-state's government consists of an executive body called the *Senat*, which includes the Chief Mayor, the Deputy Mayor and an ever-changing number of Senators up to a maximum of 16.¹⁵ The Chief Mayor chairs the *Senat*, but unlike the Chancellor or the Ministers-President of the territorial states, he or she does not have the authority to determine the *Senat* program.¹⁶ The Chief Mayor is elected by the Chamber of Deputies (*Abgeordnetenhaus*); each Senator is also elected this way, at the suggestion of the Chief Mayor. This further weakens the Chief Mayor's position within the Government, since individual Senators owe their positions to the Chamber rather than the Head of Government. The weak Chief Mayor position is a feature of all three German city-states, and gives rise to occasional reform movements as the inefficiencies and lack of direction inherent to weak leadership are decried (Wewer 1991; Röber 1992). As Wewer documents in the case of Hamburg, however, it is very difficult to change this circumstance since the individual Senators,

¹⁵The size of the *Senat* changes as existing line agencies are consolidated and new agencies added (the general trend has been toward a larger *Senat*); for instance, the Department of Urban Development and Environmental Protection was created in the early 1980s, removing these functions from the Construction and Housing Department. Such changes are made by the Chief Mayor with the approval of the Chamber of Deputies. The current Government consists of 15 Senators, whose functional agencies are: Work and Women; Construction and Housing; Federal and European Affairs; Finance; Health; Internal Affairs; Youth and Family; Justice; Cultural Affairs; Education, Training and Sport; Social Services; Urban Development and Environmental Protection; Transportation and Business; Economics and Technology; Science and Research. After the 1995 elections the number of Senators is to be reduced to 10.

¹⁶Berlin and the other city-states operate according to the *Ressortprinzip*, in which responsibility is divided among functional agencies, rather than a *Kanzlerprinzip*, according to which a chief executive determines policy guidelines for the entire Government.

the Chamber of Deputies and the competing party factions whose interests they serve form a solid "negative coalition" in opposition to reform.

The Chamber of Deputies consists today of 241 members (there are plans to reduce this number for upcoming elections as a cost-cutting measure), representing five parties: the Christian Democratic Union (CDU); the Social Democratic Party (SPD); the Free Democratic Party (FDP); the Greens (earlier called the Alternative List)/Alliance 90; and the Party of Democratic Socialism (PDS). Like the national parliament, it works in party fractions and party discipline is strong; only on rare occasions will the parties decline to take a position on a matter and release their delegates to vote as they wish. As in most parliaments, the Government's bills are usually passed and the opposition's bills, unless they address broadly agreed upon topics, usually fail. Opposition parties can nonetheless use their parliamentary seats to gain ground on their key issues. They can demand information from the Government and in so doing focus media attention on issues that Government would prefer to ignore. Opposition parties can also be heard in the 25 working committees into which the Chamber is divided. Because of the large number of current and past civil servants in parliament one finds a high degree of relevant professional expertise in the committees, and committee discussions and decisions often break through party differences. In most cases committee decisions are ratified by the Chamber, but on some controversial matters party votes will override the committee. In fact, deputies have been known to support a certain position in their committees and then reverse themselves in the floor vote to comply with the party position (Interview).

Each senator wears, in effect, two hats: he or she is a voting member of the executive (the *Senat*) as well as the head of an administrative agency. In theory the administration merely implements the government's decisions; in practice the political

role of each Senator is frequently a factor (Röber 1992, 24). Each agency is hierarchically organized, with the Senator at the top; the highest non-elected official is called a *Staatssekretär*, who is directly under the Senator and responsible for the internal operation of the agency. The *Staatssekretär* is one of the few political appointees in the administration. Nearly everyone else is a permanent public employee. In reality, a dramatic change in an agency's political direction usually leads to some shuffling of department heads in line with the new program.

Local Administration and Policy

Complaints about the rigidities of public bureaucracies can be found anywhere, but in West Berlin and today in Berlin policy implementation difficulties have been particularly pronounced. Every study (Hill et al 1993, 29; Deutsches Institut für Wirtschaftsforschung 1994b, 34) and every interview subject for this study has discussed the problems found in an oversized public sector; its size in comparison to other German states and city-states is indicated in table 2.4. This would seem to be merely a fiscal concern -- and indeed one that the end of special federal subsidies has highlighted -- but in fact it has colored all administrative action. For any given task there are usual at least three agency sections responsible -- one at the *Bezirk* level and usually two or more at the city-wide level; merely coordinating these interests becomes a task in itself. Such activities as planning and economic development, which are by their very nature interdisciplinary, can sometimes involve a half dozen separate *Senat* agencies. For example, although the sale of public land is technically the responsibility of the Finance Department, in fact the Urban Development, Construction and Housing, and Economics Departments as well as each *Bezirk* all

Table 2.4

Public Employment per 1000 residents in Berlin and selected German states, 1992

	W.German territorial states	Brandenburg	Hamburg	Bremen	Berlin
Total	23.3	24.5	66.8	62.6	90.6
General Admin. *	10.5	9.0	25.5	22.8	26.5
Education, science and culture	10.6	9.8	16.7	19.0	22.0
Social services	0.4	0.4	6.1	4.5	12.7
Health and recreation	0.1	0.7	2.5	1.2	4.1
Housing	0.3	0.6	4.1	4.3	1.1
Transport. and commun.	0.5	1.3	2.2	2.0	0.3
Hospitals	2.0	1.1	13.3	11.2	12.9
State-owned enterprise	0.5	2.8	0.1	---	13.7
Misc.	0.5	0.1	0.4	0.3	0.4

Source: Deutsches Institut für Wirtschaftsforschung 1994b

*Includes: Political leadership, finance, justice and security

have sections concerned with public real estate. When I called the administrator responsible for land disposal in the Economics Department he congratulated me for having located him at all, given the number of agencies involved in his area (Interview). This is hardly auspicious for a unit whose purpose is in part to expedite private investment.

Since reunification, fiscal pressures and the need to compete for private investment have increased the urgency with which administrative reforms are discussed. In the words of one civil servant, "Before reunification, OK, you fought over everything but nothing was that serious. Now it's really problematic, and means that everything needs to get worked out at the political level" (Interview). Since the nature of coalition politics and intra-party factionalization often produces a *Senat* filled with political rivals, and given the chief mayor's lack of authority to set firm policy mandates, some inter-agency conflicts cannot be easily resolved even at this level. Since reunification, public disputes between the various agency heads have marked every redevelopment project.

Earlier efforts to implement greater efficiencies in the line agencies and the city-owned corporations had been stymied. Public sector unions, a key support of the dominant right wing of the SPD, stood firmly in the path of reform. For example, Chief Mayor Stobbe had tried to have time-clocks installed in city agencies in the late 1970s to better monitor the working hours of public employees. The head of the local public employees union dismissed this suggestion as insulting, and union opposition prevented the *Senat* from implementing this, as well as other efficiency measures (Heß 1984, 314). The interests of civil servants were well protected apart from interest group mobilization -- the Berlin Chamber of Deputies was among the most bureaucrat-dominated in Germany. During the 1970s, half of the CDU and two-thirds

of the SPD fraction were comprised of civil servants; they formed a majority on nearly every committee. Thirteen of the 15 members of the committee responsible for administration were themselves civil servants; over half of the construction committee members were employees of the Construction Department whose work they were supposed to oversee (Dyson 1977, 10). Moreover, Berlin, with its long-dominant SPD, was well known as a state where patronage was rampant; positions within the city's many publicly-controlled corporations were rewards for party loyalty (Dyson 1977, 10). While patronage was practiced throughout the Federal Republic, only Berlin was accused of actually compromising administrative competence to achieve partisan goals (Dyson 1977, 21).

Unable to reform the bureaucracy to make it either more responsive or more efficient, political leaders have since the 1970s tried to find ways to work around it. It was primarily in order to create a vehicle that would implement his urban renewal policies that Building Senator Ristock empowered the International Bauausstellung (IBA) in 1978 to carry out renewal policies (discussed in chapter three). Responding to growing citizen disaffection with the accessibility of public servants (manifested by the blossoming citizen's movement that was threatening the SPD's popularity) many *Bezirke* and the chief mayor's office had created Citizens Advisory Offices to perform Ombudsman functions on behalf of residents by the early 1980s (Heß 1984, 343). In addition, Berlin followed the lead of other West German states in founding private, non-profit, government-controlled development agencies charged with marketing and development functions at which the line agencies were supposedly especially inept. The Berlin Economic Development Corporation, created in 1978, helps businesses with real estate and regulatory issues. Controlled by the *Senat's* Economic and Technology Department with participation from the Berliner Bank and the Chamber of Commerce and Trades Chamber, one of its largest tasks is to link investors with

subsidies available earlier through the BFG and today through the various programs targeted to eastern Germany. The corporation has never won high marks for its effective economic development work. Suspicions that the BEDC was performing inadequately were confirmed by a 1994 report, commissioned by the *Senat*, charging the corporation with poor organization and inefficiency. The BEDC director was dismissed, and the *Senat* spent over a year searching for a replacement, finally settling on a relatively inexperienced candidate who received a lukewarm reception from the business community (Scharf 1995).

More recently the Berlin Landesentwicklungsgesellschaft, or BLEG, was initiated with capital from Berlin and the publicly-controlled LandesBank Berlin. Unlike the Berlin Economic Development Corporation, BLEG is actually a development agency, empowered to buy and improve land before selling or leasing it to end users. BLEG's major initiatives include a commercial project, buying up and then leasing ground floor space in public office buildings in an effort to provide affordable commercial space as well as to improve the vitality of street life in government center area. Other projects involve the purchase of industrial sites from the Treuhand. In the latter cases their work is slowed by many of the hurdles affecting the Treuhand's work with other purchasers: unclear ownership claims and problems setting sales prices.¹⁷

Finally, since the CDU governments of the 1980s it has been much more common for public services to be contracted to private providers. Many aspects of actual building and planning processes are subcontracted. There is a sector of small, private planning firms, some evolving from university-sponsored research projects, supported almost entirely by contract work for the *Senat*, the *Bezirke* and other public entities.

¹⁷Efforts to evaluate the work of Berlin Economic Development Corporation or BLEG are hampered by the confidentiality of their data. According to officials, all transactions of these agencies are considered private, and even statistical summaries of their work cannot be released.

The tremendous volume of research and reporting required by federal regulation to carry out preparations for land use plans, environmental studies, and urban renewal strategies is almost always performed by private planning firms. In some complex cases, such as the redevelopment of Potsdamer Platz, even the evaluation of and response to citizen comments, considered to be the essence of public sector accessibility by observers of German planning law, is carried out by these planning firms.¹⁸ The dependence on nongovernmental actors to carry out public functions has precedent in Berlin and German policy making. Social welfare and health insurance policies were frequently carried out by private nonprofit agencies (Katzenstein 1987, chapter four), and close cooperation between the state and private, state-funded providers has continued to distinguish local social policies in contemporary Germany (Heinze and Voelkow, 1993). Housing policies have favored subsidizing private and quasi-private providers over erection of a large public housing administration (Wollmann 1985).

Nonetheless it is surprising that Berlin, with its notoriously oversized bureaucracy and overreaching state apparatus, has elected to privatize its planning activities to an extent not found in most other cities.¹⁹ This may have to do with timing: substantial social service, construction and educational bureaucracies were built up in Berlin in an earlier era of SPD dominance, as the state expanded its capacity in these areas. Many of the tasks of planning are much newer, the result of attitudinal changes and federal policy innovations of the 1970s; by the early 1980s there was little political will for the creation of massive new bureaucracies, so that when the CDU government created the Department of Urban Development and Environmental Protection it kept

¹⁸The firm BSM was hired to manage the public participation aspects of the approval process for the Potsdamer Platz development, including the evaluation of citizen comments (Interview).

¹⁹Just how far outside the norm Berlin is in this respect is hard to ascertain; according to one planner, the degree of planning privatization in cities varies, depending on whether the relevant city department had managed to build up a substantial internal planning administration.

it relatively small and farmed out much of the most labor-intensive work. The expansion of the private planning sector after the *Wende* is hardly surprising: it has proven far easier for the bureaucracy to contract out its hundreds of new planning tasks then, at a time of budgetary constraint, to employ new civil servants.

The use of private consultants, perhaps advocated on fiscal efficiency grounds, ultimately has another great advantage in Berlin's stratified administration. The outside consultant is far better positioned to pull together actors from different agencies and different levels of government than would a mid-level bureaucrat from inside the administration. Indeed, the bulk of the consultant's work appears to be simple coordination, as he or she attempts to bring together relevant public sector actors who may, for complex projects, number in the dozens. One private planner notes that public officials face difficulties working directly with those from other agencies: their structures are extremely hierarchical, and the way they organize their tasks not always well coordinated. If a particular project is led by a Section Leader in, say, the Transportation Department, but the Construction Department has assigned their piece of this project to a mere Group Leader, then the working relationship between the two can be strained by their status differences. The outsider is able to bring together participants from different agencies with less competitive tension, and to overcome the tendency within each bureaucracy to make discrete decisions within their own hierarchy (Interview).

As privatization of planning and development has spread, resentments within the public bureaucracy have grown. Those working within the traditional bureaucracies are offended by the creation of quasi-public agencies which are so often launched as an implicit criticism of the performance of civil servants. Says one, "We have a lot of committed workers who would also like to work more efficiently; we can do what

they [the private and quasi-public providers] do, and cheaper! And then these well-paid guys in their expensive suits go with an attitude to a *Bezirk* official somewhere in East Berlin, we're they're earning just 80% of our salaries in the West, and there's a tension" (Interview). Of course, the point of privatization is not merely to replace the public sector personnel, but to create a work environment in which the freedom from public sector restraints allows for greater efficiency; creation of new agencies and privatization become alternatives to more difficult administrative reform: "Scarcely any decision-makers believe in the reformability of the bureaucracy but all are convinced of the blessings of all kinds of outside developers" (Lütke-Daldrup 1992, 202.) But it's not clear that these agencies have overcome these hurdles. Since, unlike some American and British development agencies, they don't have the authority to work around local planning requirements, they are held up by the same regulations as their public sector counterparts, whose approval is still the only way to make a development project legal.²⁰ Thus far, the quasi-independent agencies haven't managed to cut through the bureaucratic clutter, and may in fact have added to it.

The bureaucracy has not been dramatically altered to accommodate the greater size and scope of local government since reunification, although specific changes have been made as needed. Several departments, most notably the Urban Development and Construction Departments, added units responsible for capital city planning; overall coordination for these various sub-units was ultimately placed within the *Senatskanzlei*, or *Senat* Administration, directly under the supervision of the chief mayor, who represents the city in negotiations with the federal government. Those agencies that were divided geographically, for instance the units within the Urban

²⁰One critic of Berlin's economic development efforts related a story, perhaps apocryphal, of an American investor planning to build a factory in Europe and, for sentimental family reasons, preferring Berlin over other locations. His only demand was that he be assured that construction approvals could be obtained within a year. He was forced to build elsewhere, as the BEDC could not wrest such a commitment from the various approval agencies. (Interview.)

Development and Building departments that supervised urban renewal areas, added new offices and personnel. Some of the most significant changes were found within the Building Department. Here, a new unit was added to oversee inner-city private investment (known as Section III), with its focus on the eastern part of the inner city. It has been this unit, discussed further in chapter five, that has been most involved in the effort to coordinate public sector response to new investment pressure. The unit has relied mainly on existing personnel from other parts of the East and West Berlin administration to carry out its work. The Construction Senator also recreated the position of City Building Director to provide better leadership for the city's many new development areas; the Building Director, brought in from West Germany in 1991, has taken a strong preservationist stand regarding inner city redevelopment, placing himself in the center of national debates on urban planning and architecture (see chapter five) (Bodenschatz 1994, 23).

In an effort to draw upon the expertise of a broad range of planning professionals, the Senator for Urban Development created the City Forum (*Stadtforum*), a body of fifty or so architects, planners, social scientists, and intellectuals (plus a few Berlin builders) working outside city government, soon after reunification. It is organized into thematic working groups that can also call on the services of experts from beyond the Forum, and meets as a whole most months to hold discussions on various planning themes. Topics can range from the ethereal to the pedestrian: one special symposium brought together French philosopher Jaques Derrida and film director Wim Wenders for a discussion entitled "Thinking about the City", whereas other sessions have examined problems of rail connections and sewage disposal.

It's not clear whether the City Forum has had any impact on planning policies. Although official pronouncements about the Forum justify it as a way of fostering

citizen participation in the planning process (Schlüsche 1995), in fact the panel is neither a participatory mechanism nor a decision-making body, functioning more as a think-tank. Its sessions are open to the public, but they are not widely publicized and are held in a room unable to accommodate more than 100 or so onlookers; it's clear, therefore, that Forum is not designed to maximize public participation. Nor does this body have any decision-making power. Its discussions are structured to air a wide range of views from within the professional community; little effort is made to arrive at conclusive recommendations. Even when clear recommendations are formulated they are seldom implemented, and some Forum participants complain that their ideas are so watered down by the time they make through the administration that they are unrecognizable (Kraus 1996). The Senator and the Department of Urban Development insist that the ideas generated in the City Forum are indeed important in shaping departmental policies, and they point to specific areas (Potsdamer Platz, e.g.) in which *Stadtforum* discussions have led to official action (Interview; Dönhoff 1991).

Critics of the City Forum may have had unrealistic expectations of the organization in the first place: the Forum's structure makes it clear that this body was designed as a loosely-organized think-tank, created to help the senator achieve several goals which shed some light on the workings of Berlin's development politics. He has mobilized a range of professional expertise in a manner possibly more cost-effective and probably more provocative than contracting with consultants to write reports. He has cemented his ties to the professional circles most important to his successful tenure; as significant numbers of planners, architects and social scientists have been drawn in as members or working group advisors, and even nonparticipants can attend discussions and take home reams of free material each month. The two days sessions have become important social and professional events within planning and architectural

circles, as Forum members mingle with their colleagues in the audience during the long coffee breaks. As Hassemer no doubt learned when the first months of his term were marred by battles with architect/planner groups over Potsdamer Platz (see chapter six), good relations with professionals in his field must be carefully cultivated. Finally, the support of the professional community, and the existence of an institution that appears to bring considerable technical expertise to bear on the sticky planning issues confronting the city, give the administration's decisions greater legitimacy in the eyes of a public accustomed to taking their cues from knowledgeable experts.

The Forum's most limiting feature is indicative of Berlin politics in general: it has been convened by just one *Senat* agency, chosen solely by its senator. Therefore, even if the City Forum were to be truly participatory and was granted more significant decision-making power, it could still speak for just one part of the larger public planning apparatus. Indeed the construction senator convened his own, somewhat less public panel of experts and no doubt other agencies sought out professional expertise in other ways as well. The fragmentation of planning and development functions between different agencies and the absence of a centripetal force in Berlin politics prevents the mobilization of diverse constituencies behind a comprehensive urban strategy.

Berlin's *Bezirke* and Urban Development

The final layer of administration in Berlin is the *Bezirk*, or district. Legal precedent goes back to the Greater Berlin Law of April 1920, when 20 *Bezirke* were created for administrative purposes. The *Bezirk* boundaries of this period have remained roughly in tact, and were in fact respected when the city was divided into four sectors after

World War II. In the 1980s three eastern *Bezirke* were added (Marzahn, Hohenschönhausen and Hellersdorf) reflecting the population movement that resulted from the GDR policy of establishing satellite communities on the city's previously rural edge. These new *Bezirke* were not recognized by the Western allies, but they were nonetheless retained following reunification. In recent years there have been proposals to reduce the number of *Bezirke* and redraw district lines. In Spring 1994 the *Senat* endorsed a proposal to reduce the number of *Bezirke* to fifteen; this proposal must be approved by the Chamber of Deputies and may be put to a popular referendum. Although some proponents of reform within the *Senat* administration have cited increased rationality as a motivation (the central city-capital district, for instance, is currently divided between three district governments), the major concern seems to be fiscal, as the elimination of eight *Bezirk* administrations is expected to save DM 160 million per year ("Diepgen will Volksabstimmung über Zahl der Bezirke" 1994).

The *Bezirke* hold an ambiguous place within German administrative practice. On the one hand they are considered organs of local self-administration, and their governing bodies are composed according to principles of democratic representation. On the other hand, they lack most of the basic powers that make local self-government meaningful. Beyond promulgating regulations within their sphere of competence (regulations which are subject to state veto), they have no legislative authority. Lacking their own revenue-raising capacity they must depend on funds allocated by *Senat* agencies, which until now have been allocated for specified purposes. Beginning in 1994 the state is experimenting with a new form of fiscal administration in which *Bezirke* receive a pool of funds to budget as they see fit; this innovation is intended to satisfy some neighborhood calls for more local authority, and to lead to greater savings ("Jetzt achten die 23 Berliner Bezirke selbst auf ihr Geld" 1994).

The *Bezirk* government consists of a 45-member general assembly called the *Bezirksverordnetenversammlung* (BVV), which is elected every four years from *Bezirk* lists compiled by each party (candidates are not required to live in the district) or by less formal citizen alliances.²¹ Like the *Abgeordnetenhaus* the BVV is organized into functional committees and party fractions; its decisions are binding for the *Bezirk* although there are a few cases in which the *Bezirk* executive has the final word. The BVV, like state and national parliaments, also has oversight over the bureaucracy, and can demand information.

The executive consists of a district mayor and six (after 1995, four) functional officials; these seven positions are divided between the parties in the BVV according to their voting strength. Individuals must be approved by the entire BVV, however, so the fractions must consider the concerns of other parties when they make their nominations. Which executive position is occupied by which party is subject to negotiation: the *Bezirk* mayoralty is usually, but not always taken by the largest party. The selection process for *Bezirk* executives is designed to create a less partisan local administration.

Expressing the same subsidiarity principle that underlies the federal constitution, the Berlin Constitution grants the central administration authority over those affairs affecting more than one area, or requiring a uniform administration; the remainder is left to the *Bezirke*. Examples of typical *Bezirk* activities include: administration of homeless shelters, senior citizens residences and day care facilities; maintenance of

²¹The major parties dominate the *Bezirke*, but occasionally voters' groups gain seats. For example, a coalition of citizens initiatives made a strong showing in the district elections in *Bezirk Mitte*, which includes much of the most contested private and national capital development sites. Through its Building Director, this coalition has insured itself a voice in the major planning issues confronting the city.

athletic and recreation facilities; naming of streets. The policy area of planning and development involves the greatest level of *Bezirk* involvement. Unless a project is specifically removed from district competence²² all plans for building or renovation must be submitted to *Bezirk* planning officials for approval. Although they can be overridden by central administration officials their decisions usually stand (or changes are negotiated to win their approval).

District officials have a number of formal and informal channels through which they exert influence on the central administration. The *Bezirk* mayors meet regularly with the Chief Mayor as a group called the *Rat der Bürgermeister* (Mayors' Council); this group is described in the State constitution, although its function is largely advisory. Recently the Mayor's Council has been given a voice in determining when planning authority may be removed from *Bezirk* competence; they were called upon to make such a decision in the case of Alexanderplatz, discussed in chapter six. Similarly, the *Bezirk* officials in each functional area have developed the practice of meeting with the relevant Senator to work out important policy areas. These various advisory councils are considered useful policy-making instruments even if they have no legal authority, and *Bezirk* officials have noted that at times face-to-face contact brings surprising results: "I presented my position [on an aspect of the city-wide land use plan to Urban Development Senator Hassemer], and he said 'OK, if that's what the *Bezirk* wants then we'll do it that way.' And I sat there, stunned at how easy it could be. Sometimes you can work miracles if you can get the ear of the Senator!" (Interview). Party ties of course help cement relationships between different *Bezirk* officials and with Senators, but the regular working groups create more complex

²²This is typically the case when a project, such as the redevelopment of Potsdamer Platz, involves more than one *Bezirk*. The planning for the national capital has also been removed from *Bezirk* authority as per changes in local planning law indicated by the Capital City contract signed by the Bund and City governments. When *Bezirke* lose their authority they tend to be involved informally in the decision-making process, functioning more like neighborhood interest groups than public authorities.

alliances as well: representatives of inner city *Bezirke* may find common cause against those from the suburban regions; even gender alliances can shape policy debates.²³

Moreover, *Bezirk* functionaries are considered to be official representatives of local interests, a concept that has significance given the quasi-corporatist nature of certain policy-making processes. For instance, approval of city plans requires consultation with "official representatives of the public interest"; thus are *Bezirk* officials included in the drawing of city-wide plans even when their offices are not actually responsible. When architectural competition juries are convened or topical commissions are formed, *Bezirk* representatives are nearly always included among the members.

The literature on planning and development in the 1950s and 1960s scarcely mentions *Bezirk* governments at all; it therefore seems that this grassroots level of administration has become more assertive in the past few decades. This is due to a variety of factors, ranging from a more competitive party system and the grassroots citizens mobilizations that were able to capture and utilize the *Bezirk* as a tool against the more remote central administration (Karapın 1994). Whether *Bezirk* governments "matter" is thus a difficult question to answer. Those who believe the claim that they represent an important organ of self-administration and democratic citizen participation will be disappointed when they are written out of the most important decision-making processes. But those who dismiss the *Bezirke* altogether will soon find that these local offices have formal and informal leverage that can make them noteworthy opponents.

²³Several female District Building Directors described how female building officials have developed a productive working relationship in the course of these meetings.

Local developers have certainly learned to be sensitive to *Bezirk* politics. Unsympathetic district building officials, especially the elected *Baustadtrat*, or building director, were mentioned by those developers interviewed as major sources of irritation and delay. Even in West Berlin prior to reunification existing plans were not always current, and some form of zoning exception or variance was needed for most new building. This gave *Bezirk* governments the opportunity to influence building plans; from the developer's point of view it allowed the districts, especially those encompassing scarce attractive development sites, to practice a civilized form of blackmail, insisting that plans be modified, or that items on a *Bezirk* wish list be included before approvals would be forthcoming. One local builder maintained that this was inevitable, given the politicization of the districts: one might work well with the leader of the local planning division, a career bureaucrat, only to find oneself stymied by the *Baustadtrat*, who was answerable to the elected BVV. A builder representative contemptuously referred to the local building directors as "Bezirk princes" (*Bezirksfürsten*) (Interview). Some *Bezirke* have been particularly assertive in their dealings with builders, a function of party politics (the strong presence of the Alternative List certainly made Kreuzberg less amenable to new development) as well as other factors. Some conservative outlying areas, such as Zehlendorf, were reluctant to approve any new building projects, whereas in Kreuzberg at least social housing construction was viewed favorably. Although builders were quick to credit *Bezirk* politics with coloring the planning process, in fact one can view district leaders as politicians whose lack of responsibility for their district's fisc freed them from the accumulation imperative that forces compromise on most local governments. *Bezirke* receive their budgets from the city government; they gain nothing if tax-generating activity is located in their district, and in fact merely suffer if such activity generates the need for increased services. Anti-growth politics can therefore flourish, untempered by economic pressures, within the *Bezirk* political arena.

The relations between local and city-wide officials are complex, fully captured neither by a model of conflict nor one of cooperation. The central administration can, in the end, legally override the *Bezirk* on any matter, but the various party, interest group and professional ties between the bureaucracies and the political leaders make this a less common phenomenon than one might imagine. Skilled *Bezirk* politicians can gain advantage from playing bureaucracies off against each other (not difficult when they are controlled by different parties and have so many overlapping responsibilities), or by building on the strength of supportive interest groups who have their own connections within the city-state leadership. According to Dorothee Dubrau, Building Director of *Bezirk Mitte* (or *Stadtmitte*), one must "always try to widen the circle of allies, to link up with those who can ring the loudest bells,

and in certain projects we have managed to achieve something. We insisted on including a housing component in inner city commercial developments. Two or three years ago they said, 'these gals from *Stadtmitte* want new housing in *Friedrichstadt*; they must be nuts!' But we succeeded in winning the requirement that all development include 20% housing (Interview).

The entire administrative structure may soon be overhauled, if the proposed merger of the city-state Berlin with the surrounding territorial state of Brandenburg is actually executed. Talk of a merger began just after unification; officials of both states sought to decrease public expenditures while rationalizing regional planning, and a study commission was created in 1991 (Zawotka-Gerlach 1992). Negotiations between the two state governments have been underway for several years, with varying degrees of intensity. The merger has many proponents; planning and environmental groups endorse it, and business interests are in favor ("*Einmalige Chance zur Verwaltungsreform*" 1994); ²⁴ only the PDS, which could suffer a loss of influence

²⁴Businesses anticipated no direct economic gain from the merger, but welcomed the anticipated cost savings.

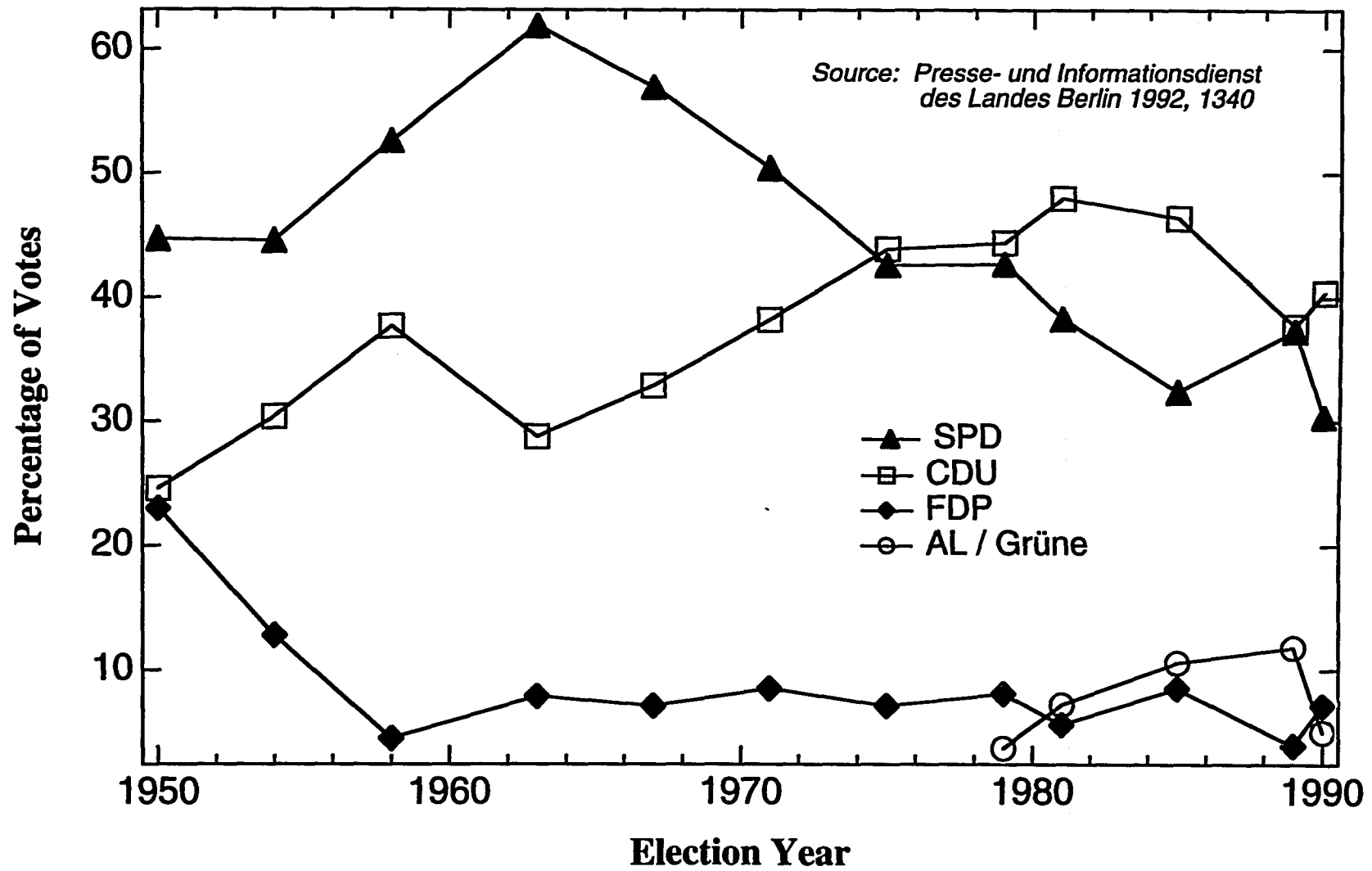
with the merger, has come out in opposition. Nonetheless, many issues remain to be resolved. Brandenburg, with its 2.6 million residents, is concerned that its interests will be overwhelmed by the larger and more economically powerful Berlin, while Berlin officials are afraid that they may become just one more city within an enlarged state. Both states hope to retain some of the fiscal privileges accruing to Berlin as a result of its city-state status; these issues are being negotiated with federal officials and representatives of the other federal states (whose resources are at issue in questions of horizontal fiscal equalization).

Party and Interest Group Organization in Berlin

Like the other federal states and large cities Berlin's political arena is occupied by the major national political parties. Through the 1970s the Social Democratic Party was dominant, and governed almost uninterrupted, either alone or in coalition, from 1946 through 1981 (See figure 2.1). The conservative Christian Democratic Union gained strength through the 1970s, becoming the largest fraction within the local parliament and finally, in 1981, taking over the government. During the 1980s the local party system further diversified as the Alternative List (the local branch of the Greens) entered parliament in 1981,²⁵ and since reunification the Party of Democratic Socialism, successor to the East German Socialist Unity Party, holds seats. The right-wing Republican Party was represented as well, following a strong showing in 1989, but the 1990 elections ended their presence in the parliament. These parties are also the dominant forces within each *Bezirk* government. As is true on the national level and in virtually every state, the chances of any party winning a majority of seats is

²⁵Following reunification they merged with their East German counterparts, Bündnis (Alliance) 90.

Figure 2.1. Berlin Chamber of Deputies Election Returns, 1950 - 1990



slim; the heart of Berlin politics therefore rests in the possibilities for governing coalitions between the various parties.

Berlin has, historically, been a socialist city. After the prohibition on the Socialist Party was lifted in 1890, the party consistently dominated the local delegation to the Reichstag,²⁶ and the politics of metropolitan consolidation around the turn of the century was shaped by Prussian and suburban concerns about the city's leftist leanings. Even in the early 1930s, as the rest of Germany swung to the right, the Socialist and Communist parties received a convincing plurality of Berlin's parliamentary votes (44% in Fall of 1932 and 40% in March 1933). The division of East and West Berlin (and by extension East and West Germany) was hardened when the West Berlin SPD resisted Soviet pressure to merge with the Communist Party (KPD) in 1946.²⁷ Local SPD officials such as Ernst Reuter and Willy Brandt became associated with the isolated city's struggle against Soviet and East German pressure during the Blockade and the building of the Wall, strengthening the party's anti-communist right wing.

Explaining Electoral Change in Berlin

Electoral support for the SPD peaked in 1963, two years before the charismatic Willi Brandt left the city for Bonn. By the mid-1970s the SPD no longer commanded a majority in the local parliament, and remained in government only because its FDP coalition partner, following the lead of the national party, was unprepared to work with the CDU. An early election was called in 1981 as, for the third straight time, an SPD mayor had been forced to resign amid scandal; this time the CDU defeated the

²⁶Only the three-class voting system kept it from controlling local politics as well.

²⁷The SPD and KPD within the Soviet Occupation Zone did merge, creating the Socialist Unity Party which ruled the GDR until 1990. This party has been re-founded as the Party of Democratic Socialism (PDS).

socialists resoundingly, falling just a few votes short of an absolute majority, and eventually formed a government with the FDP. The end of one-party rule in Berlin has changed the nature of local politics and laid the foundation for the competitive, post-unification party system in operation today; several interrelated causes for this realignment are offered.

First, various members of SPD governments (and at times their FDP coalition partners) were forced to resign in the wake of what the Germans call "affairs" throughout the 1970s, as the SPD became associated with corrupt government (Dyson 1977). In some of these instances public officials were found to have personally benefited from ties with private agents or at the public expense, but most involved the exercise of bad judgment in granting public subsidies to private entities, especially those involved in property development. Such revelations were more damning for the party than the exposure of a few clearly corrupt "bad apples"; they were merely an extension of "business as usual" of Berlin governance, in which ties between the dominant SPD, the bureaucracy, the credit agencies and local builders were so close that in the absence of public catastrophe they were able to conduct their business without scrutiny.

The city's credit agency's practice of aiding private development by guaranteeing construction loans became a significant source of public embarrassment. No doubt dozens of projects were, with or without merit, thus aided, but as long as they remained solvent the details of their financing were never known. But two costly bankruptcies brought down two SPD mayors. First, a DM 40 million credit guarantee was awarded a builder with plans to build West Berlin's highest tower in the sub-center of Steglitz; the city was forced to pay off these debts when the project developer became insolvent, and in the course of revelations of how badly the project

had been handled Mayor Schütz was forced to resign.²⁸ His replacement, the younger Dietrich Stobbe, took office vowing to clean house, but just four years later, after winning narrow re-election, was forced to resign in a similar scandal of even larger dimensions. This time, a local architect, builder and FDP member named Garski had received loan guarantees of DM 115 million for construction projects in Saudi Arabia. After the projects went under and Garski disappeared, it became clear that his entire operation had been financially shaky. The press and the opposition parties focused on the many conflicts of interest that discouraged close scrutiny of publicly-subsidized business deals and led to the squandering of public funds. Garski's own board of directors included a former SPD construction senator and the president of the quasi-public Chamber of Commerce, both of whom had accompanied Garski on visits to the Middle East building sites. The Berliner Bank, which had extended the loan, was partly controlled by the *Senat* and top politicians sat on its governing board; the public credit agency responsible for granting loan guarantees had scarcely glanced at the balance sheets. The fallout from the affair increased as the conservative Springer-owned newspapers that dominated Berlin intensified their coverage, and as top officials smugly refused to acknowledge responsibility. Within two months Stobbe and most of the *Senat* had resigned and national party leader Brandt had appointed a new mayor, the nationally renown Hans-Jochen Vogel.

The association of the Berlin SPD with intrigue and corruption was not only clear to the Berlin voters who gave a near-majority to the CDU in 1981. Berlin gained a reputation throughout the country as a cesspool of scandal; along with the reports of violent exchanges between police and squatters in the city's tenement neighborhoods

²⁸The Senat eventually sold the partially completed, weather-damaged structure to a new developer at a loss, but with the agreement that city agencies would lease the space at rents well above the market for that area. (See "Berlin zahlt für Kreisel-Büros die höchste Quadratmeter-Miete" 1980.) Eventually the Senat exercised a purchase option and the building is today in public ownership.

(see chapter three) this contributed to a growing sense of distance between many West Germans and their former capital (which didn't help the city in its annual plea for additional federal aid). No doubt the dominance of the SPD contributed to the extent of corruption, as the opposition was too weak to raise objections. More significantly, the SPD had controlled jobs and contracts for so many years that nearly every sector was a beneficiary; for those who supported a party for material gain, there was no incentive to hedge bets by maintaining ties to the opposition as well.

That CDU and FDP politicians also fell prey to corruption scandals at those times when they had sufficient resources to merit attention suggests that Berlin's endemic corruption was not just characteristic of the SPD, but had more systemic causes. Certainly the availability in Berlin of an extraordinary level of subsidy, most provided by the federal government but distributed by local officials, increased the opportunities for political distribution of favors, and decreased the incentives for bureaucrats or opposition officials to carefully monitor the expenditure of what was often not local taxpayer money. As one commentator noted, in Berlin "the cake is especially big and tasty... the cake-slicers and the cake-eaters can easily work in harmony" (Koch 1981, 6).

A second cause of partisan shifts in Berlin can be attributed to damaging internal strife within the SPD. Few parties are immune from some degree of factionalism, and V.O Key (1949) has shown that dominant parties facing little electoral competition are especially likely to suffer internal rifts, but the division between the SPD's left and right wings in Berlin in the 1970s was particularly strong and debilitating. This was in part because both tendencies were, in the walled city, more extreme. The older generation of party leaders, the core of right-wing support, was defined by its anti-communism: for many their political initiation had been their

resistance to Soviet attempts to force a merger with the KPD and their subsequent struggle to keep the city running in the face of Soviet pressure. On the other hand, as early as in the late 1950s Berlin was the organizational rallying point for protest activities against nuclear arms and later the Vietnam War, and emerged as the fertile crescent of the 1968 student revolution. Many student radicals of the 1960s rejected the mainstream parties altogether, but some remained within the SPD, dominating its youth wing (the Jusos) and fighting to return the SPD to its more ideologically radical, pre-Bad Godesburg position. These ideological tendencies were represented by two different demographic groupings: the right wing older and closely associated with Berlin's labor unions, including those of the public sector; the left wing younger and centered around the universities. Their mutual antipathy dominated much of the party's business,²⁹ and made compromise in the name of party unity difficult to achieve, in spite of frequent attempts to make a new beginning and promote unity, e.g. the 1978 slogan for the annual state party meeting: "Freedom in discussion; unity in action" (Heß 1984, 305).

Although the relative strength of the factions is hard to calculate, Heß estimates that the right dominated through the 1960s and 1970s, with the left commanding between 30- 40% of the support of party members in *Land* conventions; the individual district locals tended to shift between left and right, depending on which tendency was more effective at mobilizing its adherents (Heß 1984, 379). The implication of several leaders associated with the right in the scandals of the early 1970s, however, and growing dissatisfaction with SPD urban renewal policies, gave some strategic advantages to the left, which they used to increase their influence, especially in the area of urban development (Karapin 1993, 141). No doubt the intensity of factional

²⁹An example of the lengths to which the factions were willing to go to score ideological points: members of the right wing actually compiled a list of university students who had run for student office on tickets that included representatives of communist-linked organizations; these lists were to be circulated to prospective employers. (Heß 1984 315-6).

struggles also helps explain the increased political significance of corruption in the 1970s, as inner-party rivals sought to discredit each other through revelations of wrong-doing.

In part due to corruption and in part to internecine warfare the SPD was increasingly seen as unable to govern. Stobbe, for instance, tried in 1978 to shift focus to policy issues to distract from the inner-party ideological rifts, and in a few cases committees drafted working papers on issues like economic development and inner city housing that were adopted by the party and served as the basis for policy initiatives in the Senat (Heß 1984, 309). Failure to address the break-downs in the city's housing and urban renewal policies, discussed in chapter three, contributed to disenchantment with the SPD from both the left and the right. Stobbe had recognized that many programmatic changes required a more accessible and efficient bureaucracy and tentatively moved to implement minor changes in administrative regulation and in the labor laws governing workers in the many city-owned corporations such as those responsible for housing and urban renewal. He soon found that the large percentage of party members who were also bureaucrats, and the strong ties of the public service union (ÖTV) to important party officials and Senat members, made even the smallest rule change impossible. The unassailable power of the ÖTV was in part a function of the ever-present factional strife: this and other unions were the backbone of the party's right wing and therefore key allies for the many party leaders for whom retaining the upper hand within party struggles was far more important than implementing administrative reforms. The inaccessibility of the bureaucracy and difficulty implementing change had become more of a public issue in the political climate of the 1970s, as hundreds of citizens initiatives began to press demands.

Political change in Berlin cannot, however, be analyzed simply as the implosion of the SPD. Rather, the strengthening of other parties, the creation of new ones, and the diversification of means of participation through an upsurge of traditional and innovative interest group activity all reduced the SPD's role in governing the city-state. Indeed, it is precisely this fragmentation of political organization that has led German observers to apply the concept of post-Fordism to the local polity (Mayer 1992; Krätke and Schmoll 1991).

By the late 1970s the CDU had become a serious contender for control of the Berlin government. In 1979 the CDU's undynamic party leader and mayoral candidate was replaced by the nationally respected Richard von Weizsäcker. In von Weizsäcker the SPD faced a real challenger. Von Weizsäcker's prestige, and the apparent unity of the CDU, previously beset by its own factional struggles, led to a strong CDU showing in 1979; only the FDP's unwillingness to depart from the national pattern and consider a coalition with the CDU kept the SPD in power. In 1981 the CDU did even better, ending up only two votes shy of a majority. This time, five of the seven FDP delegates rejected their own party's advice and agreed to cooperate with a CDU-led government. Soon thereafter the FDP agreed to an official coalition. Their change of heart reflected both strategic and programmatic considerations. The FDP had barely garnered the 5% of the popular vote required to take up seats in the parliament; should von Weizsäcker fail to form a government, some FDP leaders feared, new elections would be held and the results could be even worse. Once the CDU government was established the FDP formed even closer ties with the conservatives, eventually forming an official coalition, mirroring similar developments in Bonn.³⁰

³⁰In 1982 the FDP joined the CDU to unseat Chancellor Schmidt in a vote of no confidence action, with CDU leader Helmut Kohl assuming the Chancellorship.

The internal dynamics of the Berlin FDP were shifting as well. The coalition change in Bonn prompted the resignation of 400 left-leaning party members, as the FDP emerged as the clear party of choice for entrepreneurs, especially those in the development sector; who abandoned the weakened SPD (Schmollinger 1985, 338). Subsequent efforts of the FDP/CDU coalition were helped by a nominally non-partisan group calling itself "Citizens for Berlin" (*Bürger für Berlin*). The goal of this group, organized by representatives of small and large businesses with substantial ties to FDP politicians, was to prevent the emergence (and later the continuation) of an SPD-AL (or "red-green") coalition in the city-state. Because of the nature of Germany's dual electoral system and the contours of coalition politics, this meant shoring up the position of the FDP, which this group did through a steady flow of newspaper and radio ads and personal letters and phone calls throughout the 1985, 1989 and 1990 election campaigns; in 1985 these efforts were held largely responsible for keeping the FDP in the parliament (Schmollinger 1985, 344-5).

At the same time, the SPD lost votes on the left, as the burgeoning protest/citizens initiative movement became a source of competition as well. Poorly received by most SPD leaders, these movements attracted the energies of some left-wing party members as well as many unaffiliated activists. In 1978 the various citizens groups decided to contest elections, forming the Alternative List for Democracy and Environmental Protection (AL), the Berlin equivalent of the German Greens.³¹ After winning seats in four *Bezirk* parliaments, they gained sufficient support to earn seats in the Chamber of Deputies in 1981, and have remained there mostly in opposition (with the exception of their 22 months in government, from 1989-1990) on the basis of their ties to Berlin's strong "counter-culture", as well as the attraction of their

³¹There was, for a time, a distinct *Landesverband der Grünen*, or State Organization of the Greens, in Berlin, but they officially merged with the Alternative List in 1985.

programmatic appeals to a broader group of supporters. The group was initially conceived as the parliamentary arm of the citizens movement rather than a party (Hager 1992, 64); among its distinctive features were the requirement that the parliamentary fraction abide by the wishes of the party convention, and the practice (since abandoned) of rotating parliamentary representatives to prevent the entrenchment of a party elite. The AL has been adept at using the limited tools available to opposition parties. They've made symbolic gestures that have succeeded in gaining media attention -- in 1982, just after entering parliament, they protested the overly generous financial support given to the party fractions by donating DM 100,000 of their surplus funds to a women's center in Poland (earning the wrath of the other party leadership)(Karutz 1982). More concretely they've remained an important arm of the various citizens movements, using their access to information and resources to support various feminist, neighborhood and environmental causes in the city.

In summary, since the 1950s Berlin has evolved from a system marked by single-party dominance, with the CDU and the FDP vying for the chance to force the SPD into a coalition, to in which both the CDU and the SPD have a chance to control the government, with two smaller parties (the AL and the FDP) capable of winning a good share of the votes. These four parties also compete to control district governments, and were joined by East German parties after reunification, making for a complex, competitive party system.

Interest Groups

As both a city and a state, Berlin is home to the panoply of interest groups one would find on the national level as well as a number of smaller, local initiatives. A comprehensive analysis of interest intermediation in Berlin is beyond the scope of

this dissertation; the following section will merely outline those groups most prominent in the area of urban development; their roles will be further discussed in later chapters.

There are three public-law interest "chambers" that are important in Berlin planning politics. The two economic chambers are the 110,000-member *Industrie und Handelskammer* (Chamber of Commerce or IHK) in which all businesses, by law, hold membership, and the *Handwerkskammer* (Trade Chamber, or HWK), with 22,000 members from the various trade and craft sectors. Both receive government funds to carry out training and business development programs, and they use their own revenues to support programs considered to further the interests of their members. In the areas of economic development and land use planning the chambers have a quasi-official role. During the Cold War period they, along with the central trade union federation (the DGB) were enlisted to help lobby Bonn for more generous subsidies, and they were regularly consulted in the process of fine-tuning BFG programs. Today they are consulted early on other policy matters, and they are frequently represented on various informational or decision-making committees that are convened within the Chamber of Deputies or within the administration.

The Architect's Chamber operates as a traditional professional chamber, disciplining members as they represent professional interests, but their function goes beyond such narrow concerns. By public law they are obligated to promote "Building culture, building art, building essence, city development and landscape protection" ("*die Baukultur, die Baukunst, das Bauwesen, den Städtebau und die Landschaftspflege zu fördern*") (Architektentkammer Berlin 1992, 172). This responsibility is fulfilled through publications, participation in public debates and on government-initiated decision-making bodies on matters pertaining to the built environment. The

Architect's Chamber is responsible for setting guidelines and issuing approvals for the architectural competitions that are used to plan so many public and private developments in Berlin.

In economic and planning matters these Chambers fulfill important, official missions, but their very breadth and official sanction make them inadequate as interest intermediaries on narrower or more controversial issues. Thus members commonly organize other interest associations that operate as more typical lobby groups, with ties of varying closeness to one or another political party. Those groups important to central city development are discussed more fully in subsequent chapters.

Environmental groups also figure prominently in Berlin's planning policies. These include local chapters of national groups as well as purely local initiatives formed around opposition to specific projects (Hager 1992). Although much of the environmental movement is associated with the progressive social milieu of the 1970s and 1980s, some of the most vocal and successful initiatives in Berlin are found in more conservative quarters, featuring "Not In My Backyard" concerns rather than challenges to the status quo. Environmental groups on the left often have very strong ties, including overlapping personnel and sharing of resources, with the Alternative List; the less ideological initiatives will seek their political support wherever they can.

A network of neighborhood groups and tenant associations remains as a legacy of an earlier period of community activism. Citizens action group arose in neighborhoods slated for urban renewal and highway construction, bringing together those directly threatened by such plans with those ideologically opposed to the content and process

of city policies.³² They used a variety of tactics to prevent the realization of contested plans. For instance, during one of the city's official Construction Weeks during the 1970s, during which the Construction Department took visiting dignitaries on bus tours of planning sites, the Bürgerinitiative Westtangente rented their own bus and followed the official caravan with an unofficial tour of their own. Citizens action groups disseminated information, worked with sympathetic technical experts to propose alternative plans, and publicized their opposition in many fora.³³ These organizations seldom developed a mass following, so their most effective efforts were those that used federal law to delay or derail the planning process. Each time an official building plan was brought up in the *Bezirk* council, activists used all participation channels to oppose it. When plans were nonetheless approved they exercised their right to file legal grievances against them: in one case a planned highway was delayed when activists showed that it would have caused the death of several protected trees (Schneider 1992, 75).

Since the earlier days of squatting and protests, discussed in chapter three, Berlin's neighborhood activism has become far more institutionalized, focused on specific, government-funded projects rather than broader goals. Many of these receive at least modest support from *Bezirk* or *Senat* coffers, and some are part of the legally required system of residents representation required in areas slated for urban renewal. In addition, the city administration is now staffed with people who are sympathetic with the goals of neighborhood planning groups, leading to a relationship that is far more symbiotic than it is confrontational (Mayer 1992). Partly as a result, post-unification

³²Schneider (1992) reports that membership of the Bürgerinitiative Westtangente, which fought against highway construction in the Schöneberg area, included 40% students, 25% academics, teachers, and other professionals; 16% mid-level white collar; 12% out of the labor force (homemakers, pensioners) and 6% workers.

³³ For instance the Bürgerinitiative Westtangente distributed 6,000 copies of their 1976 "Black Book of Transportation Planning", which offers extensive critiques of highway building in general and of specific Berlin plans in particular.

development policies have been carried out unencumbered by more than token neighborhood mobilization.

Berlin Electoral Politics since the Fall of the Wall

The night the Berlin Wall was breached in November 1989 the SPD had recently taken over the government, this time in coalition with the Alternative List. This "Red-Green" coalition had taken office in the winter of 1989, after the CDU had suffered an electoral defeat that had caught most observers by surprise; the SPD's mayoral candidate had not even discussed coalition possibilities, so sure was he that all he could do was eat into the CDU's lead (Schmollinger 1989, 310). But the CDU ran into unexpected difficulties. The lagging popularity of the national party swayed local voters. In addition, corruption scandals in the *Bezirk* of Charlottenburg involving CDU leaders made it more difficult for the party to present itself as the alternative to a corrupt SPD. Finally, the CDU's housing policies were becoming increasingly unpopular: their support of rent deregulation at a time of rising prices and limited supply gave their opponents an important campaign issue (Schmollinger 1989, 311). The CDU ultimately lost 120,000 voters, dropping to under 40% for the first time since the early 1970s; the FDP, with only 3.9% of the votes, failed to gain entry to the parliament at all, thus eliminating the CDU's coalition chances. The SPD gained few votes over previous elections. Rather, the beneficiaries of the CDU-FDP losses were the right-wing Republican party, which gained enough votes to form a parliamentary fraction, and most of all the AL, with its unexpected 11.8% of the vote. As a Grand Coalition was not greeted enthusiastically by either the SPD or the CDU³⁴ the way was open for Berlin's experiment with Red-Green politics.

³⁴ The CDU's leader may have gambled that a Red-Green coalition was guaranteed to lead to a quick collapse of government and hence new elections. (Schmollinger 1989, 320).

Perhaps the progressive coalition could have survived had the Wall remained intact and the long, carefully-crafted coalition program, featuring environmentally-oriented policies and public sector investment, remained relevant. But the government was rapidly overtaken by post-November 1989 events, and there was not sufficient consensus within the *Senat* to generate solutions to pressing problems. On central development issues such as the sale of Potsdamer Platz, SPD politicians failed to consult their AL colleagues until important decisions had long since been reached, exacerbating the lack of trust between the coalition partners. In fact, the relationship between the coalition partners had so deteriorated by the Fall of 1990 that an informal working alliance between the CDU and SPD emerged to handle pressing planning issues of mutual interest, such as the development of Potsdamer Platz and the Olympic campaign (Schmollinger 1989, 320). Even SPD Mayor Momper, on the eve of the 1990 election, conceded that the coalition's image was marked by "permanent conflict and confused governance" ("Flitter in der Mensa" 1990).

Elections for a new, all-Berlin government were scheduled along with national elections in December, 1990. Just 17 days before the election the Red-Green coalition crumbled. Berlin's Internal Affairs Senator, responsible for public security, had ordered the eviction of squatters who had occupied tenement buildings in East Berlin; in one particular area squatters fought off police in riots so intense that national troops were called in to help restore order. The AL criticized the action, complaining that given the number of empty buildings in East Berlin there was no reason to evict squatters, and charging the SPD with failure to consult them; this time they concluded the breach was too serious to be healed and they withdrew from the coalition ("Der mittelenglische Umgang" 1990). Although CDU mayoral candidate Diepgen grumbled that this move was some sort of underhanded campaign strategy,

most observers were stunned that both parties would take actions so likely to alienate voters on the eve of the election (Nawrocki 1990).

Election returns from the December 1990 elections indicated a return to the center, as both the AL and the right-wing Republicans lost votes; the SPD also suffered a setback as the CDU improved its tally.³⁵ The erosion of SPD support in the city's west came as a surprise to political observers, especially since SPD Mayor Momper had enjoyed a surge of support as he greeted the end of Berlin's division. But the identification of the SPD with the failures of the Red-Green coalition cost them many traditional, working class SPD voters without earning them new friends (Jesse 1991, 400). Post-election arithmetic and the desire to mobilize a post-unification coalition with the broad support needed to tackle new challenges drew CDU and SPD leaders to a Grand Coalition of the two major parties.

As the Grand Coalition nears the conclusion of this election period (Berlin elections will be held in November, 1995), it appears to be stable if unspectacular. Opposition parties have been able to do little within the parliament, as the Coalition's overwhelming majority is sufficient to pass even constitutional amendments without other support. In spite of frequent squabbles between senators, which are certainly not limited to Senators from different parties, there are few deep ideological cleavages between the major parties on the key issues of Berlin's development, and both parties were content to make the attraction of the Olympic games and promotion of Berlin as the national capital the capstones of their program. As a newspaper commentator's mid-term evaluation of the coalition reported: "What began as an emergency measure, as a pragmatic alliance, is today valued as a comfortable

³⁵As the CDU has never been popular in the city's eastern districts, its strong showing in 1990 indicates an even greater increase in West Berlin support than the overall result would suggest (Jesse 1990). See chapter four for an analysis of East Berlin voting trends.

alternative" (Fehrle 1993). Of course, failure to attract the Olympics (and the bad aftertaste left by the campaign's poor management and the opposition it generated) and the conflicts over capital and economic development planning may have left this meagre strategy vulnerable to attack from opposition parties.

Conclusion

The German intergovernmental system provides a consistent basis for revenue collection and public expenditure between the states, with the goal of minimizing discrepancies between regions. In addition public policies, such as those governing planning and urban development, take place within a framework of national legislation, drafted with the consultation of the states. State and local governments are charged with concretizing and implementing these policies, usually with the aid of federal funds.

West Berlin was only partially integrated into this intergovernmental structure, participating in many federal policy initiatives but, especially in the area of revenue sharing and economic promotion, occupying a unique category. The myriad programs designed to preserve the city's fiscal and economic viability came to shape the structure of industry as well as less tangible aspects of the city-state's political life. East Berlin also, although for different reasons, occupied a unique place in its nation's economy and political hierarchy. The legacies of the singular circumstances that marked both East and West continue to influence planning, economic development and political culture even now that legal and military barriers are gone. Furthermore, Berlin's selection as the capital of the united German nation will continue to merit the city-state special treatment from the national government.

The political system of Berlin is unusual for several reasons. First, as a city-state it stands apart from most German states. Second, West Berlin's isolation and dependence on subsidies not only shaped its economic life, but also had implications for the organization of politics as well. The long dominance of the SPD, the notorious inefficiency of the local bureaucracy, and the association of the SPD-dominated administration with various forms of corruption were all at least to some extent outgrowths of West Berlin's peculiar situation.

At this point we can begin to outline some tentative hypotheses about the forces shaping development politics in Berlin. Forces of economic restructuring are, thanks to the structure of the German intergovernmental system, mediated by the practices of federal government; in Berlin this has been even more pronounced, as the combined efforts of federal and local officials have striven to keep market forces (which in this case would have led to dramatic disinvestment) at bay. As we will see in later chapters, the important role of government economic development policy has left its mark on the local private sector, as the business sector lacks the kind of (economic and political) entrepreneurship that has shaped public-private governing coalitions in other cities.

The political arena in Berlin is far more complex than those of the American cities that have generated much current urban scholarship. The administrative apparatus plays an important role in shaping policy, and political parties, with which the administration is well-integrated, are central to electoral politics. Although the major Berlin parties are especially identified with patronage practices, it would be a mistake to assume that politics in the city operates according to the kinds of machine practices common to American cities: the rules governing bureaucratic recruitment and behavior are too well-respected, and parties retain stronger ideological commitments

(even if those of the mainstream parties can be difficult to discern from the programs they endorse) ³⁶ which further shapes the possibilities for coalition-building and strategic policy-making among elected officials.

³⁶The CDU and the SPD attempt to appeal to the greatest number of voters and therefore have less clear-cut ideological programs than some of the smaller parties; nonetheless when one reads party platforms, or listens to speeches of party officials, it is clear that (at least in contrast to local parties in the US) party positions are to some extent guided by ideology.

Chapter 3: Planning and Development Past and Present

This chapter offers a selective history of planning and development in Berlin in the context of national developments. Part one considers the framework of planning and development policies in the Federal Republic of Germany and in Berlin, continuing themes of intergovernmental exchange and institutional development raised in the previous chapter. The goal of this section is to provide the reader with an understanding of the "rules of the game" in the formulation of planning policies, and to suggest how these rules themselves shape contemporary policy outcomes.

Parts two and three then take us back chronologically, outlining the forces that have shaped Berlin's modern built environment, particularly during the rapid expansion of the late nineteenth and early twentieth centuries and in the Cold War period. The main purpose of these sections is to explore the respective roles of public and private actors as they engaged in the task of urban development. The German case has often been cited as one in which the public sector has enjoyed a leading role in the planning of cities -- throughout his book Fogelson refers to German cases as counterexamples to the privatized planning common in the United States (Fogelson 1986) -- but property holders have wielded considerable influence here as well, and the notion of the property contradiction still has resonance. This was especially true in the late nineteenth century, in spite of the status granted to architects and other arbiters of the aesthetically pleasing city. This brief look at Berlin's planning history highlights the emergence of institutions and attitudes that still have explanatory power today.

Part One: Planning and urban development policies

National Legislation

Planning and urban development remain areas of high state and local discretion, but over the years a national policy framework has been developed. A brief look at national planning and urban development legislation should help clarify how the intergovernmental system operates, as well as provide background for the analysis of these policies in Berlin that follows in subsequent chapters.

Most significant for the development of urban areas is the body of building law and the programs to promote urban regeneration as part of that legislation. Historically, urban planning and construction were extensions of state and local police functions; Hobrecht, Berlin's nineteenth century master planner, worked under the auspices of the Prussian police director (Bodenschatz 1987). Both the Weimar and Nazi governments sought to create a comprehensive, national legislative framework for local development with mixed success. In the postwar FRG, rebuilding efforts first got underway under the occupation authorities ¹ before being taken over by local authorities on the basis of emergency decrees. Most states eventually passed some kind of reconstruction legislation but consensus could not be reached on a federal law. The difficulties drafting building legislation on the federal level was in part attributable to the reluctance of some state officials to cede their prerogatives to the national government, but was largely a consequence of the concerns of property owners (articulated by owners' associations, Chambers of Commerce and banks) that national planning laws would infringe too heavily on their rights by placing

¹Each occupying power brought its own attitudes toward urban development to the task: in the French area a "building czar" was empowered; the British drafted teams of town planners to oversee rebuilding in their areas. The Americans believed reconstruction should be left to the private sector, but they did expend energy trying (without notable success) to persuade the Germans to adopt more efficient, Levittown-type technologies to expedite housing construction (Diefendorf 1993, 250).

restrictions on what could be built, and increasing state eminent domain powers (Diefendorf 1993, 231). The interests of property owners were supported by a series of Federal Constitutional Court decisions throughout the 1950s that limited state expropriation powers based on Article 14 of the Basic Law (Diefendorf 1993, 238).² Moreover, property interests were able to win broader support in their efforts to limit government powers given the ideological climate of the 1950s: the Nazi government and, more dramatically the Soviet and East German authorities across the border engaged in wide-reaching property confiscation, and defense of property rights could therefore be championed as a cornerstone of liberal democracy.

A national law, the Federal Construction Act (*Bundesbaugesetz*) was finally passed in 1960s, too late to guide most post-war reconstruction and already inadequate to the newer challenges confronting cities. The setting of national guidelines may have facilitated development initiatives in some areas, but it served to restrain the on-going activities of the more interventionist local governments. The law's passage also marked the end of the immediate postwar period during which even the conservative Christian Democratic government had embraced controls on real estate prices and rents and extensive state involvement in housing construction (Wollmann 1985, 143). Like most federal laws regarding domestic policy, it created a national framework that guided states in devising their own concrete policies.

In light of the nature of post-war reconstruction efforts and the conservative ideological climate of the times, the first Federal Construction Act was structured to manage a planning environment in which private owners initiated development and the local state served a reactive, regulatory function. More proactive policies were

²This article discusses the rights and obligations of property holders. Paragraph 3 states: "The taking of property shall only be permissible in the public weal. It may be effected only by or pursuant to a statute regulating the nature and extent of compensation...."

required, however, as population loss and disinvestment emerged as pressing urban problems. In 1971 an Urban Development Act (*Städtebauförderungsgesetz*) was passed to provide a framework for more aggressive strategies such as urban renewal; this legislation not only expanded the scope of state action, but also provided funds to carry out actual renewal activities cooperatively with state and local governments (an example of a *Gemeinschaftsaufgabe*, described in chapter two). The negotiations for the *Städtebauförderungsgesetz* were still more contentious than those for the Federal Construction Act had been, as the ruling SPD first had to compromise with its Free Democratic Party coalition partner and then with a CDU-dominated *Bundesrat*. The two latter parties defended the interests of property owners over those of the local authorities in which the SPD wanted to invest greater powers to condemn property and control speculation (von Beyme 1987, 139). This was the first national law that required cities to solicit citizen participation in the planning process; it therefore had tremendous impact on neighborhood and city politics as well as policy outcomes (Clarke and Mayer 1986, 411). Amendments to both the Federal Construction Act and the Urban Development Act throughout the 1970s and early 1980s, supported by an SPD-led national government at the urging of the many SPD-led large cities, aimed to strengthen the hand of the state in confronting the more intractable problems of inner cities. This included increasing public sector leverage vis a vis property owners by broadening the municipal rights of first refusal and speeding up condemnation proceedings. In response to the burgeoning citizen protest movements, mandated citizen participation requirements were strengthened, and residents of officially designated urban renewal areas were granted the right to be represented in the decision-making process by state-mandated and funded residents councils. In some cases these councils became powerful advocates for neighborhood interests, providing the seeds for political involvement beyond technical questions of urban renewal; others were less effective (Clarke and Mayer 1986, 411). In 1986 the two

laws were brought together along with other relevant legislation into the Construction Law Book (*Baugesetzbuch, or BauGB*) which, along with several special regulations governing the new states and the capital planning process for Berlin, is the operative planning and development law today.

Implementation of Planning Law in Berlin

Specific provisions of the BauGB are relevant throughout the story of Berlin's planning and development: urban renewal policies; the process by which public land can be sold; general land use planning as well as the approval of specific site plans are all regulated in this law, and will be discussed at greater length in other chapters of this dissertation. At this juncture I wish to stress only the overall approval process mandated by the national law, and how it has been applied in Berlin (Berlin-specific details are spelled out in the *Berliner Ausführungsgesetz zum Baugesetzbuch*, the Berlin Implementation Act to the Federal Construction Law Book, or AGBauGB). The law requires cities (and city-states) to develop a Land Use Plan (*Flächennutzungsplan, or FNP*) which does not have the weight of law but is binding on all official actions; this plan covers the whole city, indicating the permitted kinds of land use in each area. Such a plan is intended to remain in effect for some twenty years; it is therefore supposed to anticipate the development needs of the city for a generation to come.

In Berlin the FNP is prepared by the Department of Urban Development and approved by the *Abgeordnetenhaus*. A new plan, replacing one from 1965, had been passed in the mid-1980s, but it was quickly rendered obsolete by the fall of the Wall. The long process of creating a new FNP was begun shortly thereafter, and was finally completed and approved in 1994. Some of the key features of this plan include providing for entire new town settlements along the train lines in the city's previously

undeveloped northeast and zoning for a major research and development cluster in the southeast. The plan also designates areas at key rail and highway intersections, beyond the central city, as high-density office clusters. This represented the Department of Urban Development's concept of how service sector development could be encouraged without sacrificing the character of the old inner city. In the meantime, however, permission has been granted for tremendous amounts of office development in the inner city, and there has been little investor interest in the more remote, officially designated areas. (Further discussed in chapter five, this reveals both the limits of planning as a tool for steering investment, and the complicated problem of forming development strategies in a city that divides responsibility between so many actors.) In all, the new plan provides land for an additional 400,000 housing units and doubles the area available for office development.

The Construction Plan (*Bebauungsplan*), which is to be based on the requirements set out by the FNP, enumerates in detail the legally binding specifications for any building activity, usually for a single site or block. The preparation of the *Bebauungsplan* can take years; municipalities generally undertake this effort only if development is imminent. In Berlin, these plans are generally executed by the *Bezirk*. The Department of Construction has final authority, however, and in especially noteworthy or controversial cases, or where a building site includes more than one *Bezirk*, will take over from district officials.

Property owners do, under the BauGB, retain certain rights to develop their properties in the absence of municipal planning. Paragraph 34 of the federal law permits construction even when there is no *Bebauungsplan* as long as new development is consistent with the existing environment. In other words, the owner of a vacant site within a single-family residential district would be able to build a similar house

without waiting for a new plan to be created. This provision was intended to expedite infill construction in already developed areas, but has come to play a major role in planning large segments of post-reunification East Berlin, as will be discussed in chapter five. Because redrawing a *Bebauungsplan* is so complicated, there are also provisions for planning variances and exceptions, granted to projects that conform to existing plans except in a few respects. Such variances require *Bezirk* approval and open the door for informal negotiations between district officials and investors.

One of the most important aspects of the BauGB for local politics is its requirement that citizens be included in the decision-making process, a requirement that has been strengthened and clarified in various amendments. Par. 3 of the BauGB requires that citizens be involved in the planning process "at the earliest possible time".

Municipalities are required to make their plans available for review, to consider the comments of viewers, and to respond to these comments individually³. The federal law still leaves much of the implementation of citizens participation requirements up to the local governments, which can decide when "as early as possible" is, how people should be informed and which interests should be officially included. But there are also numerous points at which those interested in the planning process can get involved, and many legal avenues through which the decisions of authorities can be challenged. In Berlin, *Bezirke* have normally put advertisements in the local newspaper announcing when plans for a particular area will be available for review. When especially large projects are under consideration the Department of Urban Development or Department of Construction may hold a centrally-located exhibit and organize open information panels -- for instance the plans for Potsdamer Platz were on display in the main branch of the public library for several months, and the staff of

³If there are a number of comments making the same point, the authorities are allowed to issue a collective response.

the responsible planning firm was available at an information desk to answer questions. Citizens can file grievances in administrative court against municipal authorities if they believe the process has not been correctly followed; the burden of proof is on the authorities to show that they have indeed considered each citizen's comment and rejected it on well-founded grounds.

A review of comments submitted in response to the most recent draft FNP offers some insight into the politics of planning in Berlin. The city received 95,000 comments on 1,300 different issues, many in the form of petitions from groups of individuals or from organized initiatives. Few of these concerned central city development; rather, sources of concern were road and tunnel construction and garbage disposal facilities planned in residential neighborhoods (Senatsverwaltung für Stadtentwicklung und Umweltschutz 1994). In some neighborhoods, established citizens initiatives actively encouraged residents to send in their objections, circulating flyers that urged readers to submit comments that would then be assembled by the initiative for delivery to the *Senat* (see, for example, Bürger Initiative Stadtring-Süd 1993).

As has long been the case in Berlin's planning process, the "small gardeners", or *Kleingärtner*, were the most active single interest; some one-third of all comments concerned the preservation of the small garden colonies that dot the Berlin landscape, sometimes on surprisingly central land (Senatsverwaltung für Stadtentwicklung und Umweltschutz 1994). Garden colonies, usually on public land leased for a nominal fee, are a longtime feature of all German cities, east and west; in West Berlin they had a special resonance for residents who did not have the option of visiting the suburban countryside. The gardeners have an extremely effective political organization; their association, with 84,000 members, is considered the strongest in the city (Piepgras

1994). They are one of the few groups to have strong support from all parties, and they are especially adept at using such official channels as the FNP participation process to express their interests. Administrators from various departments, who might have their eye on some garden colony areas for housing or public facilities, all learn the political dangers of tangling with the gardeners; according to one Department of Urban Development official the small gardens are the "sacred cows" of Berlin land use planning (Interview). In the current FNP 85% of existing colonies have been retained in spite of the considerable pressures from other land uses; those (the most centrally located) slated for other uses are given a ten-year moratorium on eviction, and replacement sites at the edge of the city are offered.

In addition to this open participation process, Par. 4 of the BauGB instructs local governments to solicit and consider comments from "representatives of the public interest" (*Träger öffentlicher Belange*). Undefined in the law, these interest representatives can include: federal offices; party fraction leaders; the long list of publicly-owned private companies (such as housing societies, utilities, etc.) operating in the city; quasi-public professional and trade groups found in each city (Chamber of Commerce, Architect's Chamber); religious establishments; as well as business associations, unions, and in some cases citizens initiatives or neighborhood service groups. Both unsolicited citizens' comments and the officials positions of solicited organizations are considered after the first draft of the plan is issued; in the most recent plan they did not result in any fundamental changes, but did produce changes at the margins, as some garden colonies were saved and a planned incinerator was reduced in size. Well-organized groups that can mobilize a strong response with support from elected officials have the best chance of influencing the process.

In conclusion, a federal framework for urban development and planning has emerged over the years, and it shapes the way cities go about their business. Federal law grants local authorities power and funds to undertake urban renewal projects; it also imposes responsibilities on cities, as mediated through state laws, to carry out planning tasks and to do so with the participation of affected residents. Finally, a system of administrative courts is in place to adjudicate disputes if citizens believe these federal responsibilities have not been properly executed. This system leaves much implementation discretion to state and especially local authorities, but nonetheless imposes rules to govern the behavior of public and private actors.

In Berlin, the process for comprehensive planning is the responsibility of the Department of Urban Development; the department carries out this task with advice from officially sanctioned public and private groups, as well as the input of citizens. Environmental groups (including those focused on transportation issues) and garden clubs have been among the most active participants in this process. More detailed construction plans are the responsibility of the Department of Construction and the individual districts. They are also drawn according to a federally mandated process which includes opportunity for citizen comment; the political constellations active in such processes vary according to the type of development proposed.

Part 2 : Berlin as *Reichshauptstadt*:

The Roots of Urban Development

Political History

Modern Berlin's growth and development has been driven by the political interests of successive regimes anxious to make their capital a world city befitting a world power, and by the speculative interests of property owners. Chosen at the end of the fifteenth

century as the chief residence of the Hohenzollern dynasty, Berlin's fate became bound with that of the Prussian state, and later the German nation.⁴ The commanding presence of the Prussian monarch and his military shaped the city's built environment. Palaces, barracks, arsenals and parade grounds were the major orientation points of the city. In contrast with other German residence cities like Munich and Dresden, where civil society and culture competed successfully with officialdom, in Berlin the state apparatus gave the city its dominant color (Hofmeister 1990, 11).

Like all Prussian cities, Berlin enjoyed a degree of local autonomy following the 1808 reforms, although as the official royal residence its independence was more constricted than in other Prussian municipalities. In 1809, for the first time, a 102-member council was elected as the legislative arm of the city;⁵ the council chose an executive, the *Magistrat*, an executive body consisting of the mayor and several commissioners, or *Stadträte*. The local responsibilities of the 19th century city included education, housing and poor relief. The Prussian state retained control over the legal system and the police; at that time, many urban services (street cleaning and lighting, e.g.) as well as city planning and expansion, were considered police responsibilities. Local autonomy actually decreased after 1850, when a new, "imposed" Prussian constitution, written in reaction to liberalization efforts of 1848, went into effect. New rules gave the state greater authority in choosing and controlling the *Magistrat*, whose members were now required to be state civil servants. Throughout Prussia the three-class voting system, based on tax obligations, was adopted; this had the effect of decreasing the already small Berlin electorate .

⁴Formerly Berlin had been a free city and member of the Hanseatic League; several sources note that the city's residents resisted their submission to the Hohenzollern family and fought (unsuccessfully) to remain autonomous (Hofmeister 1990).

⁵Around 8% of all Berliners were entitled to vote; requirements included property ownership and a minimum income.

The weakening of the organs of local self-administration made the Prussian Police President the "real boss of the capital" (Mieck 1992, 482).

Questions of urban governance and city planning were to become more salient after 1871, when the unification of Germany following the defeat of France plus the acceleration of urbanization and industrialization trends already underway led to explosive growth in the new national capital. Berlin, with the help of Prussian industrial promotion strategies, had become a popular site for industrial start-ups even prior to the creation of the German nation state (Eickelspasch 1992, 1402); its comparative advantage increased further after unification. Many types of industry, from early electronic goods to textiles, were at least partly dependent on government contracts; a location in the capital city was therefore advantageous. Many major German conglomerates, including Siemens, began in Berlin, filling contracts for first the Prussian and then the German state apparatus.⁶

Berlin's growing economic and political importance made it an increasingly attractive site for tertiary activities, finance in particular. Berlin's stock exchange was the prime beneficiary of the growing tendency toward public offerings after the 1870s, and Berlin-based banks came to dominate the German financial world, eclipsing the financial establishments of Frankfurt am Main. After unification the Prussian-dominated state apparatus sought to consolidate the comparative advantages of its capital, permitting certain financial transactions, such as international stock trading, only in Berlin (Campbell 1993). The city's financial industry profited from the 5

⁶Not only did the state purchase weapons and uniforms for its military; it also underwrote the development of transportation and communications networks (Campbell 1993).

billion Franc reparation payment demanded from France after its defeat; much of this money ended up in Berlin, where it fueled speculative activities of every sort.⁷

The period just before and after Germany's 1871 unification, known throughout Germany as the *Gründerzeit* (Founders Period) in honor of the beginning of the new nation as well as the genesis of most modern German industry, was a time of far-reaching changes in Berlin. Karl Marx was said to have noted these changes when he visited the city in 1859: "Anyone who saw Berlin ten years ago would not recognize it today. It has developed from a rigid parade-ground to the busy center of Germany's machine manufacturing" (Quoted in Farr 1992, 197). The egotism of the new national rulers coupled with the growth imperative of newly enriched and assertive capitalists drove the city's development: "Berlin was a parvenu among big cities -- with all the problems of the upstart. Politicians, planners and architects saw it as their task to vie with and overtake other cities, especially Vienna, Paris and London ... with contrived displays of pomp. At the center of this catch-up game was the liberalization [privatization] of urban development" (Bodenschatz 1992b, 58).

Berlin's economic centrality drew thousands of migrants, leading to explosive population growth. The population of the central city and of the greater metropolitan area increased more than three-fold during the dynamic 1860 - 1890 period (see table 3.1). In an effort to better manage this growth, the Prussian government engineered the annexation of Berlin's innermost suburbs, many of which were already sites of industrial expansion, in 1861; this annexation increased the city's area by two-thirds. Population growth and development continued to spill beyond the city's boundaries, and in the 1890s there was a brief effort to annex additional suburban areas to Berlin.

⁷This speculative binge led to the crash of 1873 and contributed to an economic crisis that lasted until 1879 (Mieck 1992, 483-4).

As some of the western suburbs became more affluent and economically independent, however, the mood in favor of annexation waned. The wealthier suburbs saw little to gain by casting their fortunes in with those of the city, and Berlin's leaders were reluctant to assume responsibility for those working class suburbs that were more enthusiastic about consolidation. Prussian officials began to doubt the wisdom of

Table 3.1

Berlin's Population, 1750 - 1945

Year	Central City	Outside Central City	Greater Berlin
1750	113,289		
1800	172,132		
1850	418,700		
1860	493,400	70,500	563,900
1871	826,800	105,200	932,000
1880	1,120,000	NA	NA
1890	1,575,000	378,800	1,953,800
1900	1,885,900	820,000	2,705,900
1910	2,076,200	1,658,100	3,734,300
1919	1,907,500	1,896,600	4,024,300
1939	1,779,200	2,559,600	4,338,800
1945	1,083,400	1,934,100	3,017,500

Source: Ring 1992, 239

urging an expansion of Berlin; the problems of management on so large a scale were daunting, and the possibility of a municipal stronghold of Social Democratic sympathy was unattractive.

Instead, the state allowed the larger suburbs to become independent cities and encouraged Berlin and its surrounding communities to form a regional administrative body (*Zweckverband*) in order to better coordinate joint activities.⁸ Wealthier suburbs continued to resist further consolidation. Towns like Schöneberg and Spandau erected imposing city halls during this period, their way of asserting the permanence of their autonomy; a local councilor speaking at the groundbreaking for the Spandau city hall reportedly exclaimed, "May the Kaiser protect us from Greater Berlin and the *Zweckverband*!" ("Möge schützen uns des Kaisers Hand vor Groß-Berlin und Zweckverband!" Zawatka-Gerlach 1992). The creation of Greater Berlin, achieved by consolidating the eight cities, 59 towns and 27 agricultural regions of the Berlin area, was carried out in 1920 after the *Kaiserreich* had been dismantled, and against the opposition of the bourgeois parties in the Prussian Parliament who feared the consequences of "red" Berlin (Landeszentrale für politische Bildungsarbeit 1992, 9).

Planning and Urban Development

Economic and demographic pressures, the assumption of capital functions and the introduction of new technologies all contributed to rapid changes in the city's built environment and in the state's role in regulating urban growth in the 1870s. Earlier efforts at city planning and city expansion in German residence cities had usually

⁸Responsible for transportation planning, maintenance of open space and certain kinds of building oversight, the *Zweckverband* never became an effective tool of regional planning (Press- und Informationsdienst von Berlin 1992, 458).

been undertaken at the behest of a royal family, whose land was used as much to enhance the prestige of the city as to earn money. Capitalism was, however, the idea in good currency, at least at the local level, when the *Gründerzeit* development pressures emerged; city administrations and even state authorities did not have the will or the means to control the trajectory of urban development. Thus, in spite of Germany's reputation as the originator of effective town planning principles and the notion of the Prussian state as the antithesis of the *laissez-faire* regime, the far-reaching developments of late 19th century Berlin are largely the results of private market activity.

Private property holdings and a property market were relatively recent phenomena in Germany. Since the Thirty Years' War most city land had been owned by the state and leased to users; the 1794 General Property Law recognized individual property rights and subsequent reforms paved the way for property to be freely exchanged as a commodity. The end of serfdom and re-establishment of rural peasant holdings at the same time created the legal mechanisms for the trading of property outside the city's borders, although the difficulties of effectively implementing these reforms prevented urban expansion until the middle of the century (Sutcliffe 1981). Real estate and real estate markets were thus a relatively young concept as Berlin's development took off in the 1860s.

The creation of industrial and housing settlements outside the traditional city center was a process directed by private interests. In 1862 the Prussian Police Chief appointed an engineer, James Hobrecht, to draw up a plan for the newly annexed areas of the city. Although this work is sometimes compared to that of Haussmann in Paris (Elkins 1988, 165) in fact Hobrecht's plan was grounded in practical concerns and lacked Haussmann's sense of the grandiose; Haussmann also commanded

implementation powers that had made large scale, state-sponsored redevelopment possible in Paris. Hobrecht's plan basically laid out a street grid, one that left Berlin's industrial-era areas with their characteristically large blocks. Hobrecht reportedly had imagined this inner-block area developed as green courtyards or intersected by smaller side streets, but state and local officials not wishing to incur the expense of condemning additional land for streets and had little interest in a more elaborate street grid. Few restrictions were placed on the development of the newly created building sites. The emerging real estate professionals who bought up the land built on it as densely as possible, producing the tenements, or *Mietkaserne*⁹ still characteristic of these Berlin neighborhoods today: street-facing buildings, which usually housed middle or lower middle class families, were followed by a succession of rear buildings inhabited by workshops, factories, and apartments that were progressively darker and cheaper. Hobrecht and other officials seemed genuinely taken aback by the pace and density of private development (Cullen 1990, 17); this suggests that the real estate market was still new and unfamiliar, and state and municipal officials were unsure how to deal with it.

Similar pressures are evident when one looks beyond the city's inner ring. Small transportation companies that had earlier served city residents making the occasional trip to the country began to expand as stock companies, buying peripheral land or forming partnerships with real estate companies in order to underwrite property development (Radicke 1983, 354). New coalitions emerged, consisting of those who happened to own land (which could include peasants, members of the petty bourgeoisie or the upper classes); newly formed real estate companies and transportation providers; and the banks and insurance companies eager for an outlet

⁹Literally, "rent barracks".

for capital -- an early version of the modern growth coalition.¹⁰ Speculative activity peaked in 1871-73, with the infusion of French reparation payments, the establishment of the national capital, and the opening of the *Ringbahn*, a state-built rail line designed originally to facilitate military and freight transport along the city's edge, but soon expanded to include commuter service. The crash of 1873 dampened the enthusiasm for real estate only temporarily.

New approaches to the built environment were evident not only in city expansion, but also in efforts to restructure the obsolete morphology of the medieval city center. A maze of small, crooked streets lined by deteriorated housing and home to the city's poor, the *Altstadt* sat in the shadow of the City Palace, and was considered an economic drain and an eyesore (Bodenschatz 1992a, 322). Efforts to execute the kind of creative destruction achieved by Haussmann in Paris were, however, continually stymied. A private company was formed in the 1870s to carry out a street-building project that would have relieved traffic on an existing commercial street, removed a street that was condemned as "the home of criminals and the lowest of prostitutes" (quoted in Bodenschatz 1987, 27), and opened up new parcels for housing and office development. Although the street was built it never had the far-reaching impact on the area that its planners had anticipated, and conditions in the *Altstadt* continued to trouble planners through the Weimar period. In the late 1920s *Baustadtrat* Martin Wagner, with the backing of a business-supported civic group called the *City-Ausschuß*, sought a major restructuring of the *Altstadt*, this time with the auto-friendly American city as a model.¹¹ A competition for the area's renewal

¹⁰Research on the political workings of these emerging interests seems to be scarce. A very thorough history of urban development in modern Berlin merely notes in a footnote that "much remains to be explored in this area" (Bodenschatz 1987; footnote 50).

¹¹As a sign of changing political circumstances, renewal proponents in the 1870s argued merely that deteriorated conditions in the *Altstadt* were an embarrassment as justification for condemnation and demolition. Wagner and the *City Ausschuß*, on the other hand, carried out studies of social conditions in these slum areas to legitimate their renewal plans (Bodenschatz 1987).

was prepared in 1930, but it was rejected by the city council the following year as the municipal budget crisis deepened.¹²

In spite of its role as the capital of an interventionist regime, industrial-era Berlin was a city shaped by the profit-making interests of speculative developers. Beginning with the Hobrecht plan and continuing through waves of outward expansion, the role of the state has been to facilitate the private development of commercial and residential property by providing needed infrastructure. In Germany, expropriation laws were weak and narrowly construed (compared to other European cases). German cities never had the power to condemn tracts of land; rather, condemnation was carried out separately for each parcel, a process costly in time and money. A broader condemnation law, introduced into the Prussian Parliament by the mayor of Frankfurt am Main in 1892, was defeated due to strong opposition from property owners (Bodenschatz 1987, 17 and footnote 9). The proper role of the local state was confined to road building (for which the condemnation process was simpler¹³), and maintaining safe and sanitary conditions.

Inner city redevelopment was particularly frustrated by the unwillingness and inability of the state to challenge property relations.¹⁴ The *Altstadt* was a crazy quilt of small parcels; individual condemnation of each owner was impossible and negotiating voluntary sales expensive. Martin Wagner, writing in an architectural journal in 1934 under a pseudonym, vented his frustration:

How is the city supposed to maintain the modern lifeblood of a metropolis, when its very form is so undynamic that it can't even master the basic construction and transportation technology of a metropolis? The city is caught

¹²This competition, which included Alexanderplatz, is further discussed in Chapter Six.

¹³ This is most likely why the renewal proponents of the 1870s chose to undertake *Altstadt* renewal in the form of a road building project.

¹⁴Local governments were apparently not the only ones unable to overcome resistant property owners. According to Becker (1992), the planning of the Reichstag was delayed a decade as one titled property owner, Graf Raczynski, refused to sell a parcel needed to complete the site.

in a spider web of tiny property lines, making every street widening or office building expansion dependent on accident, or the good will of a neighbor (quoted in Bodenschatz 1992, 328).

The conditions under National Socialism might have been propitious for a more authoritarian approach to inner city reconstruction, but Nazi planners' energies were focused on the creation of Germania, the intended new capital of the Thousand Year Reich. With its monumental triumphal arches and government halls, this metropolis was less a redeveloped Berlin than a totally new city intended to replace it. Those most interested in *Altstadt* renewal were in any case soon gone: the largely Jewish *City-Ausschuß* had been disbanded and its members stripped of their property; the Social Democrat Wagner went into exile.

In short, the legacy of urban planning and development under the Kaiser and the Weimar Republic is one that can be described by what Fogelson (1986) calls the "property contradiction" -- control over property remained firmly in the hands of private owners, and the state attempted to realize its (at first modest, later more far-reaching) goals through regulatory measures that could only be partially effective. From Hobrecht on, those charged with carrying out the public sector's role have not been able to control, nor have they fully understood, the dynamics of the profit-seeking real estate sector upon whose actions their final products depend. During this period German municipal officials became more professionalized, and middle class reform groups pressing for better planning laws, effective tenement regulations and various kinds of land reform gained prominence. These groups had considerable influence over city administrators, who found them to be useful allies. It is out of this alliance that the German tradition of city planning and reform was born, and in some

more progressive cities such as Frankfurt some of their ideas were implemented.¹⁵ Their efforts were sometimes supported by the national government, whose concern for social order overrode alliances with local capitalists, giving them some room for maneuver. Urban reform, however, ran into immediate, insurmountable barriers when it encroached on the exercise of the rights of the property owners who dominated state and local councils.

Part 3: Planning and Development in West Berlin

Immediate postwar efforts

As the center of political and industrial power, Berlin was a frequent target of Allied bombers; it suffered further damage during the ground battle between Soviet and German troops in April, 1945. Approximately 30% of all buildings were totally or partially damaged, with most of the damage concentrated in the city's central districts. Reduced to rubble, the center of Berlin in 1945-6 was an apt symbol for the entire German nation; World War II succeeded in clearing away the political ballast as well as the built heritage of former regimes. New approaches to urban planning as well as new institutions with which to carry out urban development were forged out of this disorder, although the notion of a *Stunde Null*, or "zero hour" at which historical experience is virtually erased is more myth than reality (von Beyme 1987, 114). The organization of city planning after 1945 grew out of many earlier formal and informal practices, and in many cities (especially in West Germany) the post-war planning and

¹⁵Urban reform in Germany, according to Sutcliffe (1981), was more a response to incremental technical and administrative changes, pushed by middle-class reformers at times with support from the state, than a response to the political mobilization of the working class. The major housing and land reform groups were emphatically anti-Marxist, and the Social Democrats suspicious of local reformers and their pet issues.

development personnel were those who had held these positions under the Nazi regime (Diefendorf 1993, 183).

Planning for Berlin's rebuilding began on the heels of the German surrender: on May 19th, 1945, Berlin architect Hans Scharoun was named head of the city's Construction and Housing Division by the Soviet occupation authorities, and he was charged with formulating a plan for the city. The "Collective Plan" he created with a team of planning specialists was never implemented, but it is worth considering as it highlights some of the tensions that have marked Berlin planning ever since.

For modernist planners such as Scharoun, whose critique of the Berlin of the *Altstadt* and the *Mietkaserne* (and impatience with the political and economic obstacles preventing their removal) has already been noted, the circumstances of 1945-6 did not look altogether bleak. Amid the ruin lay opportunity -- the hated buildings were gone, capitalist landowners weakened, and the possibilities for a fresh start limitless. In the words of a contemporary architecture journal, "Happily, amid the vast destruction was also much that was misguided and ugly; the city builder thus greets many a ruined block with wistful laughter"(quoted in Bodenschatz 1992b, 62). The Scharoun planners (and the other planning groups around the city that offered their proposals in 1945-46) saw the chance both to exorcise the past and create the future. The city's built legacy was not only aesthetically unpleasant, but it had, in their minds, been implicated in the scandalous Nazi abuse of power. Starting with a clean slate was, to them, the only way to "build democracy"(Bodenschatz 1992b, 65).¹⁶

¹⁶Whether Nazi era buildings are in some way tainted or whether they can be recycled for other uses is a debate that has resurfaced today, as planners have sought to accommodate the Olympic games and the relocation of the seat of government. See Chapter 4 for further examples of this discussion.

The tenement housing stock of the industrial era was to be abandoned; new residential neighborhoods were to consist of either low density single-family homes, or new apartment blocks surrounded by open plazas. Segregation by function was considered essential: Scharoun's plan envisioned distinct bands of commercial, residential and recreational uses divided by busy through-streets (the Berlin *Kulturforum*, discussed further below, represents the partial realization of this idea).

In the area of transportation planning, the American city served as a model for those planning Berlin in the 1950s and 1960s. The automobile, it was believed, would become the dominant form of urban transportation; the goal of modern planning should be to provide the streets, highways and parking garages to accommodate the expected traffic. Street car lines and elevated subways were criticized as unsightly obstacles to modern redevelopment. Urban renewal planning typically included a redrawn street plan featuring widened avenues radiating from plazas transformed into busy traffic circles. According to an official city publication of 1957, "Those traveling toward a specific destination should go by car; the rest, if they want to walk around, belong in the nearest park" (quoted in Bodenschatz 1990, 49).

During this period Berlin's future was never certain -- would it be the capital? Would its industry be rebuilt? -- giving planners few parameters within which to operate, but this seemed if anything to further inspire the imagination. The visions of the 1940s were not so different from those of the 1920s, with the rejection of 19th century tenement areas and the deification of the auto, but the postwar planners, for at least a brief moment, could imagine that their plans might be implemented. In fact, planning was overtaken by the urgent need to clean up and rebuild. Scharoun's elected successor as the head of the Division of Construction and Housing, Karl Bonatz, came up with a plan far more modest and oriented toward the remaining city layout

(although he continued to press for the separation of work and residence); although he was criticized by Scharoun and his modernist supporters,¹⁷ his plan corresponded to the fact that people were simply repairing their damaged tenements and carrying on. Ultimately, it was the "*Trümmerfrauen*"¹⁸ and not the planners sitting behind their desks who really dominated the building scene" (Bodenschatz 1992b, 68). This would not be the last time that the contradictions between planning theory and the daily lives of residents would become apparent in Berlin's development policies, as is clear when we consider urban renewal and transportation planning.

Housing Development

The primary goal of this period was to create abundant, affordable apartments to replace the thousands destroyed during the war; as much as possible, planners sought to steer housing development so that it was consistent with the goals of land use planning. Although in the 1960s and 1970s planners turned their attention to clearing and building on inner city sites, at the outset peripheral sites were preferred. First, this policy was consistent with the overarching philosophy of dispersing population out of dense inner city neighborhoods to create homogeneous residential zones. Second, undeveloped areas posed fewer property condemnation difficulties than inner city areas, even those in which much of the housing had been destroyed. In many respects the housing policies of the 1950s and 1960s were consistent with those of the 1920s, but carried out on a larger scale and with greater urgency. Whereas the Weimar era planners dotted the city's outlying boroughs with 4-story complexes housing up to 10,000 people, postwar housing policy resulted in high-rise complexes

¹⁷Martin Wagner wrote from the United States: "' Really, Herr colleague Bonatz, your planning methods have slept through 15 year of economic and political development!'" (quoted in von Beyme 1987,157)

¹⁸Literally "rubble women", these were the women who worked to clear the rubble of damaged buildings, which could then be used in the rebuilding effort.

serving 50,000 - 60,000 inhabitants (Hofmeister 1987, 333). In the absence of private capital and a robust real estate sector, the primary instrument of housing development were the limited dividend housing companies¹⁹ that had first been formed by housing reformers earlier in the century as an alternative to the private speculative real estate company. Companies were formed by municipal governments, churches and unions; by the 1920s they had become major developers and owners of rental property throughout Germany. Several large housing providers, including some that were municipally controlled, were active in Berlin, and they produced some 50% of all new housing in Berlin until the 1980s (Bodenschatz 1987, 155). Funds for this housing production came primarily from public sources, loaned out by Berlin's public housing finance agency, the *Wohnungsbau-Kreditanstalt*. In exchange for accepting these funds, housing providers agreed to charge limited rents and choose tenants from among those declared eligible by the municipality. It was not only the limited dividend corporations that took advantage of public programs to provide "social" housing; free-market developers were important providers of subsidized housing as well. While the essential elements of housing policy were similar in West German and Berlin, in the walled city limited-dividend producers and public subsidies played a more important role than elsewhere, where the private market became increasingly dominant. Construction costs for new housing in West Germany were 35% publicly-funded in the 1950s, while 79.7% of Berlin housing funds came from public sources (Bodenschatz 1987, 152).

The development of urban renewal projects for the inner-city *Mietkaserne* districts represent a separate but closely interrelated aspect of Berlin city planning. Although

¹⁹The actual term for these housing companies is *gemeinnützig*, literally "of use to the public". As Wollmann points out (1985, 134), English language literature at times uses the misleading "non-profit" to describe these organizations. In fact they can be profit-making as long as the profits are limited to an agreed-to amount and the rest reinvested in the enterprise. Wollmann describes the *gemeinnützige* companies as "limited-dividend and public regarding"; here, limited dividend will be used.

specific federal legislation was not approved until 1971, urban renewal -- in which low-rent apartment houses and associated commercial entities were demolished and replaced by modern apartment complexes -- was practiced in Berlin, with federal aid, beginning in the 1950s. Since, at least in its early years, planners were confident that the limited-dividend housing companies could produce replacement housing quickly and affordably (although not necessarily in the old neighborhoods) in order to re-house displaced tenants, the assumption was that urban renewal would provide benefits for all those involved. It was not until the 1970s that a worsening economy and a changing political culture caused planners to view these policies as ill-conceived (Karapın 1993, 117).

Berlin's first urban renewal project, undertaken as part of the 1956-57 Internationale Bauausstellung (Interbau) was the southern part of the Hansaviertel.²⁰ This area was not known for its concentration of *Mietkaserne* -- it had been more a lower middle class than a working class neighborhood -- but it had suffered extensive war damage and it was situated near the government and diplomatic quarter and therefore was an appropriate subject for an international architectural competition/exhibition intended to publicize Berlin's continuing claims to capital city status. To carry out the clearing and rebuilding of this area, a private non-profit development company, Hansa AG, was created. Its participants including the Berlin housing company DeGeWo, two housing companies from elsewhere in Germany, and two owners of Hansaviertel property as token participants.

The Hansaviertel renewal has many elements that were prototypical for subsequent projects. The property in question was purchased either through voluntary sale or

²⁰This section is based on Bodenschatz 1987, 164-170.

expropriation of the owners;²¹ these 159 parcels were then regrouped into 80 parcels, 20 of which were large and 60 somewhat smaller. The terms of an architectural competition held for the planned housing more or less determined the nature of the housing that would be built. Participating architects were instructed to alter the street grid with several streets widened and smaller streets eliminated; to demolish remaining buildings, even those not damaged, and to eliminate all non-residential uses. Urban renewal planners even for inner city neighborhoods assumed that automobile ownership would become the norm. The Hansaviertel redevelopment provided sufficient parking so that every third resident could park their car, at a time when, on average, only one out of twenty Berliners owned automobiles (Schneider 1992). Thus did large apartment blocks surrounded by open space and six-lane streets come to dominate the southern Hansaviertel.

Public grants and loans covered virtually all costs. The city (using federal and Marshall Plan money) paid for property acquisition and re-parceling, roads and infrastructure. Hansa AG in principle invested DM 3 million of its own capital, but in fact this equity was loaned to the corporation by the city and needed to be repaid only upon the dissolution of the corporation. Construction capital was borrowed from city and state credit sources, some bearing subsidized interest rates. Even with this subsidy the project demanded rent payments of DM 1.25 - 1.65 per square meter, significantly higher than the average for social housing elsewhere of DM 1.10 per square meter. The higher rents and larger parcels caused the social transformation of tenants as well as property owners. Nonetheless there is no evidence of protest or even low-key dissatisfaction; within the SPD and among planning professionals the removal of the old built environment, the construction of modern, monofunctional

²¹ Of the 159 parcels, only 12 were expropriated. It is very difficult, under German law, to expropriate occupied buildings; vacant land or unusable structures can be somewhat more easily condemned.

residential communities, and the dispersal of "socially weak" populations were all considered desirable.

After the construction of the Wall, Mayor Brandt's government embarked on an ambitious renewal program that was to serve as a model for the federal program created with the passage of the *Städtebauförderungsgesetz* in 1971. Six areas, home to some 140,000 residents, were designated in 1963 for extensive clearance. These were all areas marked by the hated mixture of industry and *Mietkaserne*, and inhabited by the weakest social sectors (which, by the late 1960s, included significant numbers of foreigners in addition to the elderly). Several of the priority areas had lost their central location when the east-west border rendered them peripheral. Early annual reports of the urban renewal program stated clearly the preference for total clearance: "A complete demolition followed by new construction offers the best chance to maximize impact and to remedy existing atrocities" (Cited in Bodenschatz 1987, 173).

Once the decision to embark on a renewal program had been made and money allocated by the city's government, the key actors in the program's implementation became the city-controlled limited-dividend housing development companies. Whereas in other German cities these companies had carried out renewal under contract to the city governments, in Berlin the housing companies were empowered to act on their own behalf. They advised community residents, bought up property, relocated the tenants, carried out demolition and developed replacement housing, all in their own name. Later critics contended that the many roles of the housing developers put them in the position of "medieval feudal lords, who dispose of the weal and woe of entire cities and villages according their whim" (cited in Bodenschatz

1987, 175).²² But contemporaries didn't question this arrangement, convinced that the interests of state, developer, property owner and tenant were congruent (Jahn 1994, 54). Those affected, at least during the first decade, acquiesced without complaint. Ownership of tenement buildings was widely dispersed, leaving property owners poorly positioned to resist the housing developers' sales offers (if indeed they would have wanted to); if tenants were unhappy about leaving their old neighborhoods to move to the new mega-developments on the city's edge, they did not articulate their displeasure (Bodenschatz 1987, 178-9). In sum, a new, Berlin-style growth coalition, made up of Social Democratic politicians and their allies in the publicly-owned housing and banking sector, gained control over urban development in the 1960s.

Challenges to urban renewal, and indeed to the entire governing structure of the city-state, arose in the 1970s, generated by a new style of protest politics, federal legislative intervention, fiscal crisis, and a sea-change in architectural philosophies. Student protest politics altered the political arena in many areas of social policy, including urban planning, after 1968. The first critical voices were heard in the early 1970s. A Young Socialist (*Juso*) group set up shop in the Urban Renewal Area of Kreuzberg-Kottbuser Tor in an effort to mobilize area residents to press for greater involvement in renewal planning; at one point they sponsored bus trips for local residents to the mammoth new housing developments at the city's edge in an effort to provoke long-time Kreuzbergers into protest (Karapin 1993, 127). Architecture students explored alternative forms of neighborhood revitalization, and began to evidence an appreciation for the turn-of-the-century tenements that dominated older neighborhoods. Within planning and architectural circles arose small groups for

²²Bodenschatz has charged that the domination of the housing companies was even more insidious. As developers of the large suburban complexes, they were concerned with filling thousands of new apartments. The destruction of inner city housing ensured an adequate tenant pool.

which the international model to emulate was not slum clearance but "advocacy planning" (Bodenschatz 1987, 186).

These critical perspectives would not have become the new accepted wisdom had not the economic crises of the early 1970s forced the federal government to reduce its commitment to renewal programs, raising the costs of new construction (and hence rents) (Jahn 1994, 75).²³ The housing companies continued to buy out owners and relocate tenants, but often the funds for demolition and construction were not forthcoming. Cleared lots and empty buildings sat idle, leaving remaining residents with a sense of despair. In the words of one resident, "You can't imagine how it feels to look out your second floor window and across the alley see a wrecking ball at eye level. That's what leaves you feeling, 'the last one out -- turn out the lights!'" (quoted in Jahn 1994, 137). Remaining owners, anticipating a sale to the renewal agent, gave up on maintenance. Meanwhile the construction of replacement housing lagged behind schedule: it took seven years to complete the first new apartment in Kreuzberg (Karapin 1993, 137). An early response to the fiscal limits of the state was encourage private capital to pick up the slack. This did not include efforts to promote renovations by building owners; rather, the federal government sweetened the tax benefits available for new housing construction, encouraging private investment funds to join in the urban renewal game. In the light of deteriorating conditions that residents were more willing to question the city's policies, while the more limited funding opportunities from Bonn led city officials to consider alternative, less costly approaches to neighborhood revitalization.

²³Bodenschatz 1987 describes changes in the methods of subsidizing social housing that led inevitably to increasing rent burdens, putting social housing beyond the reach of many of the poorest tenants in the urban renewal areas.

The strongest forces against urban renewal, and therefore the greatest efforts to find alternatives, were in Kreuzberg. Here the cycle of abandonment that was part of the renewal process was at its apex; plans to build a highway through part of the area further depressed property values. The neighborhood became increasingly dominated by foreigners (mainly Turks) and, by the early 1970s, university students.²⁴ West Berlin, with its exemption from the universal military conscription requirements and its two large universities,²⁵ had become a magnet for students, and was the site of much of the early organizing of the groups comprising the loosely organized Extra-Parliamentary Opposition (APO), around which the various student activists (who have come to be called "sixty-eighters" in honor of the year of their most intensive activity) mobilized (Markovits and Gorski 1993, 51). As APO, with its emphasis on the revolutionary potential of intellectuals and Third World politics, lost its momentum, some of its activists began to turn to more local concerns (Markovits and Gorski 1993, 82). The first citizens action groups (*Bürgerinitiativen*) were formed in Kreuzberg, dominated by 68ers (Jahn 1994, 77). In the eastern-most corner of the area, known as SO (Southeast) 36 after its postal designation, an activist Lutheran minister in alliance with 68ers, formed a citizens action group that pushed for alternative redevelopment strategies for their neighborhood, and sponsored a planning competition called "Strategies for Kreuzberg", which invited architects to suggest redevelopment plans that minimized demolition and dislocation; the jury charged with judging the competition entries consisted of a majority of local residents and

²⁴The process of urban renewal itself encouraged landlords to rent to these groups, considered most transient and therefore easiest to dislodge. Bockmeyer 1994 (216-226) offers an analysis of the evolution of Kreuzberg's student protest "scene".

²⁵West Berlin was home to the Technical University (TU) and the Free University (FU). The latter had been founded after the city's division, as the city's older Humboldt University was located in East Berlin. Organized with the support of the US, the FU became known as one of the more progressive in Germany in the 1960s-70s (Markovits and Gorski 1993, 51).

community workers (Jahn 1994, 87).²⁶ The proposed approach not only called for a new architectural perspective, but for a new planning process as well, including extensive tenant participation, which would require the creation of entire community-based institutional networks of social workers, tenant counselors and the like; the *Senat* supported these efforts by financing the citizen's group and allocating 22 public employment lines to their effort.²⁷

If alternative projects in Kreuzberg had an impact on policy it was in part because they were increasingly able to find sympathetic listeners within the *Bezirk* and *Senat* administrations. The Department of Construction was, after 1975, headed by Harry Ristock, a member of the SPD's left wing, and gradually some of the 68er's who had chosen to fight the system from within were making their presence felt within the bureaucracy. Nonetheless the large and rigid apparatus that had grown within the Department and the housing companies over the course of a generation made innovation difficult; Ristock therefore sought to orchestrate an end run around his agency with the creation of a more flexible, alternative neighborhood renewal arm. He reactivated a moribund program for an International Building Exhibition (*Internationale Bauausstellung*), or IBA, that had been initiated by his predecessor. Under this designation a team of architects and planners was assembled to carry out various aspects of revitalization with its focus on the inner-city districts; its goal was to complete its work in 1984 (later extended to 1987). The hope of Ristock and other Senators was to mobilize the talents of young, creative architects and to leverage more money from the federal government. IBA became an important actor in the area's institutional landscape, emerging as what Karapın calls a "weak" insider -- one

²⁶This is in contrast to the usual architectural/planning competition procedure, in which "experts" (usually architects) make up a majority of the judges. The competition model is discussed further in Chapter five.

²⁷As Jahn (1994, 86) notes, this approach also created a dynamic labor market for the socially-conscious professionals who were dominant among community activists.

marginalized from the center of state authority but nonetheless enjoying routine access to decision-makers. (Karapin 1993, 41). The progressive orientation of the professionals who joined IBA's staff gave them a natural affinity to the neighborhoods and their various protest cultures, and their mandate -- to carry out unspecified planning tasks in consultation with neighborhood residents -- further increased the potential for alliance building (Karapin 1993, 170). The creation of IBA did not, however, eliminate the power of the Construction bureaucracy. IBA was not empowered to make planning law; their schemes required the approval of *Bezirk* and *Land* officials who were at best ambivalent about these young, comparatively well-paid challengers who could leverage federal funds and command the ear of the Senator (Sack and Ditzen 1984). At times *Bezirk* officials found it to their advantage to work with IBA staff in order to benefit from these resources: "We call IBA the 'one-armed bandit', said a *Bezirk* official. You just give a tug, and the money flows" (quoted in Sack and Ditzen 1984). In Kreuzberg this tactical alliance had stronger roots, as the district's left-wing SPD-AL leadership was sympathetic to the goals of IBA and cooperated with them and local reform groups even when it put them in conflict with *Land* bureaucrats (Bodenschatz 1987, 206).

The future of IBA and of reformed housing policies appeared uncertain when a CDU-led government was elected in 1981, but the new Construction Senator soon realized that it could also be to his advantage to work through this parallel agency and he renewed his support for the effort, although with the goal of privatizing the organization. In fact, the CDU, in spite of its right-wing law and order platform, found some common ground with urban renewal protesters: they too condemned the powers of the SPD-client housing corporations and hoped to encourage more of a self-help approach to neighborhood revitalization. At the same time the alternative efforts in Kreuzberg were helped by the growing electoral strength of the Alternative

List; this party had succeeded in capturing seats in both the state and the district parliaments in 1981, and could use their position to provide support for neighborhood protesters.

Parallel to the development of alternative urban renewal policies emerged a more radical form of neighborhood protest epitomized by the squatters movement that at its peak in 1981 had occupied 168 buildings, most of them in Kreuzberg (Jahn 1994, 90). Even as "careful" renovation plans slowly emerged, the Construction bureaucracy still managed to anger neighborhood residents with occasional heavy-handed tactics, and the overall housing conditions in parts of Kreuzberg continued to deteriorate. The citizens action group in SO 36 at first conceived of and encouraged squatting as a way to force political leaders into more extensive negotiations. These initial actions received favorable press coverage and the support of some *Bezirk* and party officials,²⁸ forcing SPD and housing company officials to offer leases to the squatters (Karapin 1993, 156). The SPD government seemed unsure how to deal with these actions. Toleration encouraged further squatting, but forcible eviction of squatters led to violent protests; recently discredited by extensive building scandals the SPD leadership was not willing to spark additional unrest (Karapin 1993, 161). The state policy toward squatters became one of the most politically polarizing issues in the city. Although newspapers covered the squatters with sympathy, and many academics and liberal professionals found their cause persuasive,²⁹ a poll taken just

²⁸The local and national press wrote about the failures of urban renewal and deteriorated conditions of Kreuzberg, giving legitimacy to the motivations of the squatters (Nawrocki 1981a; 1981b).

²⁹In anticipation of a CDU crack-down on squatting just after the 1981 election various groups (including the Protestant church, SPD-affiliated organizations, union groups, and academics) became sponsors or "godparents" of squatted buildings; the goal was to make a sweeping eviction policy more difficult. Karapin 1993, 174.

before the 1981 election showed that only 17% of all Berliners approved of the squatters, with striking polarization along partisan and generational lines.³⁰

As this movement developed its own momentum its divergence from other urban renewal protests became clear. Squatters were often more interested in finding the space to explore alternative living arrangements than in city planning policies; in the words of one observers, they focused less on the fate of the society ("*Gesellschaft*") than on the well-being of the immediate neighborhood ("*Kiez*") (Hofman 1981). Nonetheless the alliance between the alternatives and the leftist housing policy advocates offered many mutual benefits. The policy advocates were adept at generating favorable publicity and appealing for support beyond the immediate neighborhood; the pressure brought by the squatting actions improved the bargaining position of the more mainstream groups with government agencies (Karapin 1993, 167-8). Eventually a more anti-establishment, anarchist strain became prominent in the squatters movement, consisting of young people more interested in waging a perpetual battle against the state than in negotiating to gain control over their living quarters. This led to splits not only among the squatters themselves, but among their supporters, many of whom disapproved of some of the more violent tactics but were reluctant to condemn them publicly. In the early 1980s and again toward the end of the decade violent clashes between police and rock-throwing young radicals called *Autonomen* have become regular features of Kreuzberg's May 1 celebration, taking on a ritualized quality.

³⁰This contrasts with the nationwide approval rate of 36%. The same poll showed that 57% of all Berliners believed that foreigners should "go back where they came from". "Für den 10 Mai droht ein Patt" 1981, 37.

Central city planning³¹

Plans for a new central business district were hampered by West Berlin's uncertain postwar status. Berlin, of course, had had a commercial center stretching from Potsdamer Platz in the west to Alexanderplatz in the east. After World War II most of this area ended up in East Berlin. Promoting the development of a western center might suggest that division was permanent and this was therefore discouraged, but Berlin officials were eager to move forward with plans for the rebuilding of the entire city center, making preparations for the eventual return of the seat of government. Federal officials, far more sensitive to the sensibilities of the occupying allies, were reluctant to encourage such activities in Berlin as the question of the city's legal and military status lay unresolved. As a result, planning policies for the city's center emerged later than those for its residential districts.

Commercial development did, however, occur. A modern commercial center had already begun to emerge around the Zoologische Garten train station and along the Kurfürstendamm in the West even before the city's division. Built as an upper class residential neighborhood just before the turn of the century, this area had become a favored location for service professionals and by the 1930s had begun to attract cafes and theaters (Heineberg 1987, 288). After the city's division, and especially after 1970, the concentration of business and entertainment services in this district further intensified, and it became the de facto "downtown" for West Berlin (Heineberg 1987, 292-3).

³¹In this discussion, "center" refers to the hub of commercial and civic activity rather than a geographic location. The area that was considered the "center" of West Berlin was actually situated in West Berlin's east.

In contrast to residential renewal plans, central city planning in the 1940s and 50s took shape mostly under private auspices. A private group organized a planning competition called "Around the Zoo" in the late 1940s, and some private development, led by banks and insurance companies, began to fill in the empty spaces left by wartime destruction (or, just as often, to demolish surviving 19th century buildings to create larger building sites). Growth around the Zoo was therefore (compared to the rest of the city) relatively market-driven, and the attention of city planning officials did turn to the center until well into the 1980s,³² by which time dull, modern office buildings had come to dominate the area.³³ Public intervention was then aimed at making the Zoo area and the adjoining Kurfürstendamm, supposed to be the defining signature boulevard of West Berlin, a little less down-at-the-heels. At the urging of business and tourism groups, the CDU government proposed various regulations designed to discourage peep shows and fast food kiosks and regulate signage; street lighting and benches were installed to give the area a more sophisticated feel ("Senat will für mehr Niveau am Kurfürstendamm sorgen" 1982; "Weniger Werbung und mehr Grün für den Kurfürstendamm" 1985). In contrast to more commercially vibrant cities like Frankfurt there was no support for the expansion of the CBD into residential areas, as *Bezirk* and *Land* officials sought to protect adjoining residential areas (Hofmeister 1987, 338). Given the softness of the commercial real estate market and the decentralized nature of commercial activity, expansion pressures on the CBD were not overwhelming.

³²All private development in the center was, however, like development elsewhere, heavily subsidized through the BFG. Investment grants, low-interest loans and accelerated depreciation made such development profitable.

³³Siedler (1993), a long-time critic of modernist architecture, points out that the transformation of the Kurfürstendamm (never an architectural jewel to begin with) was not the aberrant work of third-rate architects but was carried out by those considered most prominent in Berlin's professional circles at that time, with at least the tacit approval of city officials.

Planning officials did increasingly focus their energies on the city center, but their focus was on the former government center, now largely empty and lacking purpose, and their goal was to fill it with cultural, not commercial uses. The first major attempt to plan the city's center was the international architectural competition and exhibit (Interbau) organized by the Senat and the federal government in 1957-8. Entitled "Capital City (*Hauptstadt*) Berlin", the competition somewhat presumptuously asked architects to propose plans for the entire city center, including those parts in East Berlin, thereby asserting the West's claim to the entire city.³⁴ The goal of Interbau, other than to assert ideological supremacy, was to bring the perspective of modernist architecture to bear on the city's center; the hope was to begin rebuilding the center without creating barriers to eventual reunification, and the return of capital city functions.

The planning for the *Kulturforum*, a cultural district of museums, concert halls and academic institutions lying at the edge of the Tiergarten near Potsdamer Platz and the former border, grew out of the convergence of the modernist architectural ideals and Cold War political competition. Hans Scharoun's 1948 plan for the city had envisioned a band of cultural institutions sitting in splendid isolation along the Spree River. As the *Senat* turned its attention to the empty central spaces in the late 1950s, the idea of creating a seat of culture, one that would compete with the Museum Island in the east, be visible to East Germans, and lay claim to the areas abutting the border, had great appeal (Presse- und Informationsamt 1992, 690). When the Berlin Philharmonic chose Hans Scharoun to design its new concert hall, the *Senat* decided to move its proposed location to the edge of the Tiergarten. Over the next 20 years

³⁴Because Berlin's status was sensitive to the western allies as well as the GDR and USSR, the Bonn government would not let Berlin officials hold the competition until Germany had been accepted in NATO (Hein, 1993). In response, the governments of the GDR and of East Berlin together announced their own architectural competition in 1958: "A planning competition for the remolding of the center of Berlin, capital of the GDR and the future capital of a peace-loving democratic Germany." Out of this effort came the redesign of Alexanderplatz.

the *Senat* and the Prussian Cultural Foundation, the quasi-public authority in charge of the city's museums and main library, sponsored several competitions to further plan what was to be a major European cultural center: the enormous state library, several museums and two research institutes were all built. In spite of all the money and time that went into crafting this architecturally and politically significant center, the results have been the subject of controversy. The several buildings are not architecturally consistent and there are no features to tie the area together. In keeping with the Scharoun conception, the area contains nothing but cultural institutions; it therefore seems strangely empty, as concert goers are bused in and then immediately out after performances. The *Senat* held an additional competition in the 1980s to try to improve the area, but the prize-winning entry became the object of criticism from other architects, and the Scharoun society sued to stop the plans from being realized, claiming they jeopardized the principles of Scharoun's original concept, which was still the legally-binding plan for the area ("Scharoun-Gesellschaft fordert neues Planungsverfahren für Kulturforum" 1985). After the Wall fell and the planning of the now-central Potsdamer Platz was underway, the Prussian Cultural Foundation and its Kulturforum once again became important actors in the city's planning, as they've opposed many aspects of the proposed plans for the Sony and Daimler Benz headquarters that touch on their own expansion plans .

Conclusion

Berlin's development has always been driven by a growth coalition that has included parts public and parts private initiative. In the late 19th and early twentieth century city, expansion and development was pushed by property owners (who also, thanks to Prussia's voting laws, dominated local government) and involved banks, insurance

companies and transportation entrepreneurs. The state, with its interest in maintaining order, set parameters within which development could occur, but played no more than a reactive role. There was nonetheless a constituency for more ordered planning principles: this included the Crown and various architectural groups, and reformers from the socialist and the bourgeois camps (Ladd 1990).

During the Weimar years a socialist government began experimenting with alternatives to capitalist development, such as limited dividend, quasi-public housing companies. In matters of central city planning, however, property ownership rights continued to define permissible state action. Downtown businessmen worked with city officials in an effort to revalorize central land: such urban renewal projects satisfied business interests for improved property values, and state interests to remove embarrassing slums and at the same time introduce a new, modernist architectural aesthetic. Even so formidable a coalition could only partially realize its goals, as German property laws and fiscal constraints stymied efforts to alter the exiting urban landscape.

World War II and its aftermath led to the withdrawal of private capital from the city. Ironically, in the face of such disinvestment arose Berlin's most effective growth coalition. It was dominated by local politicians, especially those of the SPD, who were dependent on federal aid but nonetheless retained a great deal of autonomy in their policy decisions. Included were an array of public, quasi-public and private agencies, all of which benefited from policies of state-financed growth. Indeed, the lines between public and private were often quite blurred. Publicly-owned companies operated under the same principles as those in private hands; private companies benefited from state subsidies; public officials sat on Boards of Directors of private firms while private entrepreneurs were active in political parties and served on public

advisory boards. For years consensus reigned among the most important actors in Berlin politics that continued growth was in the immediate interest of Berlin's population and served the broader ideological purpose of holding out against Soviet and East German pressure.

Only the rise of the citizens movements, accompanied by a dramatic shift in the accepted tenets of urban planning and architecture professions, began to challenge this view, leading to a more complex political climate and more diverse planning policies. Although such critical voices were first heard in protest against an inaccessible local bureaucracy, some of their agenda became part of official city policy with astounding rapidity -- by 1986 a CDU Construction Senator was referring to earlier urban renewal policies as a "scandal" (Bodenschatz 1987, 214). This supports Karapin's argument (Karapin 1993, 1994) that the German state is not as impermeable as early analysis had suggested. Of course, other aspects of Berlin's planning and development policies remained less subject to influence. Even while new strategies were under discussion in Kreuzberg the usual urban renewal practices were continuing in the more quiescent district of Wedding (Jahn 1994, 80), and the Internal Affairs Department continued to treat protest as a threat to state interests. Some analysts (e.g. Mayer 1992) have seen the local state as pursuing a dual strategy, in which "legitimate" dissent has been co-opted (leading to some genuine reforms in state policy) and more radical protest repressed. Such an interpretation may credit local government with more logic than it possesses. Perhaps it would be more accurate to note that different parts of the state are more permeable than others, or under particular circumstances different interests can come to wield greater influence. District governments, for instance, are subject to influence by popular local movements and may use their (limited) powers to further the goals of protesters; the top of the Construction administration became open to alternative strategies when

factional rifts within the SPD gave key party elites incentive to discredit the policies of their predecessors.

Although many of the conditions that shaped Cold-War era planning in West Berlin have changed, the legacy of this period continues to have resonance today. The leadership void at the center of Berlin politics today can be understood only in light of the decline of the SPD-led growth coalition in the 1980s, and the failure of other parties and interest groups to define a new approach to urban development. More concretely, housing and central city development approaches today are all products of West Berlin's earlier experiences, in spite of the city's changed environment. The institutionalization of some branches of the protest movements has resulted in the incorporation of former urban renewal opponents in political parties and bureaucracies; they have ensured that the approaches to urban development perfected in 1980s West Berlin are now adopted in the united city.

Chapter 4: German Reunification as Local Politics: the urban development implications of post-socialism and capital city planning

Just as cold war divisions had so tangibly rent the city fabric, so has reunification had a more concrete impact on Berlin than elsewhere. The actual fact of reunification, after the dramatic breaching of the Wall in November 1989, was fairly anti-climactic. The government of Lothar de Maziere, elected by East Germans in March of 1990, negotiated the details of legal and economic union with the government of Helmut Kohl. On July 1 West German currency replaced the Ost-Mark; on October 1 the laws of West Germany were applied to the united nation. Within Berlin, the laws and governing authorities of West Berlin became effective in the East as well; *Bezirk* administrations in the East adopted the structures of the *Bezirke* in the West. All-Berlin elections were held simultaneous with national elections, producing a "Grand Coalition" of the two major parties, the Christian Democratic Union and the Social Democratic Party.

Addressing the tasks of urban planning and development in a reunited Berlin has, however, not been that simple. Although West Berlin planners had taken pains not to create physical barriers to the city's eventual reunification (East Berlin planners, in contrast, had erected structures designed to drive home the permanence of the division), the built environment had accommodated itself to the 44 year-old border. The process of re-connecting roads and bridges, re-routing bus lines, and reopening subway stations has only recently been completed. Bringing schools, health facilities and social service regulations into conformity has also been a lengthy process. An especially daunting task has been drawing up land use plans for the whole city and its (until now cut off) environs. A plan for the whole city was finally adopted by the

Chamber of Deputies in the summer of 1994; further negotiations with the surrounding state of Brandenburg are needed to finalize regional plans¹.

German reunification has had several immediate effects on the city of Berlin, all of which have influenced private investment decisions and shaped both the planning tools and the political will of public officials. First, the absorption of East Berlin, with its socialist state apparatus and built environment, has added a number of economic and legal wrinkles to the usual story of capitalist-led urban development. Secondly, plans to make Berlin the true seat of government include the relocation of dozens of federal agencies and the federal parliament. Capital planning has implications for the city beyond the government district: the impending move has intensified private interest in the capital and, at the same time, limited the scope of local planning officials as federal planners slowly stake out their claims.

Part 1: Berlin as a Case of Post-Socialist Restructuring

Nearly half of the city that is now Berlin was, for forty-five years, a socialist capital, shaped by economic and political imperatives quite different than those of the western world. Whereas urban planning even in the most *dirigist* capitalist nations involves intricate negotiation between public authority and economic power, in the socialist world land and building materials were essentially a state monopoly; only the scarcity of resources stood between state officials and the realization of their plans.

¹Regional planning has been complicated as Berlin and Brandenburg have negotiated their eventual merger (see chapter two).

Although unification has eliminated the legal structure on which GDR urban development rested and the officials who had carried out socialist planning policies, the legacy of GDR planning and urban governance remains more than an historical footnote for those concerned with contemporary Berlin. First, the morphology of the city's East, which happens to include many of the most significant central sites, has been shaped by the building decisions of the GDR regime. Even in light of the ambitions of capital planners from Bonn and capitalist planners from all over, the East Berlin built environment will not be razed so quickly. Secondly, East Berlin and its residents have been forced into a rapid transformation process that includes both the abstract (political processes, legal codes) and the concrete (restructuring of built landmarks); the unfolding of this process shapes many aspects of the city's development today.

The following discussion covers several seemingly disparate points in an effort to understand the transition from socialism to capitalism, one of the stories of contemporary Berlin. First, a brief overview of urban governance and planning in the GDR and specifically in East Berlin is offered. This serves as a starting point for exploring the transformation of administrative and political systems since reunification. The discussion continues to delve into some of the legal and economic aspects of unification, especially as they affect urban property development. This includes the role of the Treuhandanstalt, Germany's privatization agency, and the impact of rules governing the restitution of socialized property to previous owners. Finally, some of the psycho-social aspects of post-Socialist Berlin are discussed, including the treatment of GDR monuments and landmarks.

Politics, Governance and Urban Planning

Local administration and planning principles in the GDR

Unlike the FRG, where decentralization and local autonomy remained important policy principles, the GDR was a fully centralized system. Although the country's 1949 constitution included *Land* governments, which had marginal powers, 1952 reforms eliminated the *Land* in favor of purely administrative districts. Cities and communes remained as independent entities, but gradually their main functions were eliminated and their budgetary powers curtailed. It was the tight central controls on spending, which allocated funds to subnational governments only for carefully specified tasks, rather than any specific laws, that robbed local governments of autonomy (Melzer 1991, 214). Local officials were in fact elected, and in theory were subject to a "double subordination", responsible to the citizens who elected them (and therefore assumed to respect local conditions) as well as to the higher state officials who set policy. "In practice, the vertical level proved to be the more important control as the standards of higher-level authorities were decisive, even to the extent of subjective interpretation and arbitrary intervention" (König 1993, 140).

In any event, most traditional municipal functions were attended to by the *Kombinate*, the massive conglomerates into which virtually all East German industry had been organized. The *Kombinate* built vacation homes, ran day-care centers, provided housing, even built roads; the leading role of these highly centralized, state-owned economic units was consistent with the commitment to a "unity of social and economic policy" (Lüders 1991, 203). Conglomerate directors, and not local officials, ultimately determined which services were available; the central role played

by the conglomerate in the life of GDR communities has been compared to that of the feudal noble in the medieval town (Häußermann 1995).

Urban and regional planning policies were, in light of the marginalized position of local government, primarily functions of central government. In 1950 "Sixteen Principles of City Building" were promulgated. Emphasizing the importance of the city as the "economically and culturally richest settlement form for the collective existence of men", and calling for multi-functional city centers as the meeting point for citizens, they demonstrated the influence of Soviet city planning (Häußermann 1995; Flierl 1991, 51). In contrast to the western affection for suburbanization, suburbs and garden cities were rejected in the strongest possible terms. In the words of the GDR's first construction minister, "It's not surprising that the garden city is the ideal of every American and British police chief; because their goal is to turn every working man into a breeder of rabbits or a grower of cauliflower and to prevent him from participating in political demonstrations"(quoted in von Beyme 1987, 283).

The earliest policies on regional development emphasized the primacy of industrial rebuilding, with housing and other urban amenities considered less essential. Government policy makers sought a radical break with the past, a break dramatized by the creation of entirely new, socialist cities centered around newly created industrial conglomerates, such as Eisenhüttenstadt and the new Halle city. New city development was, by the 1960s, abandoned in favor of further concentration in existing urban areas (Schöller 1986). An initial respect for the urban heritage -- and the initial openness of debate between supporters of different schools -- soon gave way to the imperative to build quickly and cheaply. Concentration was therefore facilitated not by renovating the deteriorating urban centers, but by creating new, high-rise housing settlements on city edges. These housing developments were often

built under the auspices of the state-owned industrial conglomerates for their workers; their construction relied on newly developed industrial building techniques. They thus exemplified one of the cornerstone of GDR development policies: "' The cities will be constructed by Industry for Industry'"(quoted in von Beyme 1987, 282). Throughout East Germany the housing stock of older urban neighborhoods and rural communities, most remaining in private hands, was allowed to deteriorate.

GDR planning policies are not merely interesting in explaining the morphology of contemporary eastern Germany. Critics of GDR urban development policies contend that the physical deterioration of historic city fabrics, as well as the loss of identity resulting from the devaluation of urban communities, were important contributors to the 1989 unrest that led to Germany's reunification (Flierl 1991; Hunger 1991, 37-38). Hunger maintains there was a clear correlation in each city between "the length of the demonstration marches and the degree of urban deterioration." Indeed, policies of the 1980s already indicated a move away, at least at the margins, from the no-frills satellite city model of the previous decades. Very limited production of single family housing was begun in the 1970s, and the popular small garden plots, earlier condemned as bourgeois, were once again tolerated (Schöller 1986). *Architektur der DDR*, the official organ of the GDR planning and building sector, began to write favorably about preservation efforts, and historic preservation was accorded high priority in preparation for Berlin's 750th anniversary celebration in 1987. In moving from a model that emphasized demolition and new construction to a more post-modern aesthetic, GDR planners seemed to be following in the path of their FRG counterparts. Whereas new policy initiatives in the FRG accompanied a reorientation of implementation strategies with additional possibility for citizen input, however, policy-making in the GDR remained insulated from social pressures and left little room for local governments to act as interest intermediaries. Local government's lack

of identity quite likely contributed to the rapid and complete collapse of the GDR and the subsequent regeneration difficulties : as the legitimacy of the national state crumbled, there was no sense of local citizenship to take its place (Lüders 1991).

Planning and Development in East Berlin

Planning and resource allocation policies were explicitly intended to create a hierarchy of regional centers culminating in the national capital. At the top of this pyramid was Berlin, whose local development needs received priority over all others. East Berlin and the Berlin region are therefore heavily marked by the economic and spatial policies of the GDR. The main organs of government and of the SED were located here, as were the headquarters of virtually every mass organization and the most important educational and cultural organizations. Many of the *Kombinate* into which all East German industry was organized were headquartered in the capital, and an increasing volume of industrial production took place in Berlin as well. To maintain this standard as the showcase of socialism the city regularly received more than its share of resources; when special festivals were planned, or major projects undertaken, other regions simply had to do without (Grundmann 1991).

Most of Berlin's traditional center was in eastern *Bezirk* of Mitte, and the organs of the socialist capital were established within, around and in place of the buildings of former regimes. Throughout most of the GDR period the forging of the socialist capital was carried out as a bold challenge to the city's built environment and to developments to the west, a kind of "in your face" approach to city building that included the construction of an imposing fortress of high rise apartment buildings along a central border with West Berlin, and the erection of an enormous television tower at Alexanderplatz that can't be missed from any vantage point in Berlin's flat, low-rise landscape (Häußermann and Strom 1994, 339). In contrast to most capitalist

cities, where the value of central land relegates open space to the periphery, East Berlin's center includes wide boulevards and generous plazas, which also served the purposes of a state in which parades and other controlled mass events were important legitimization instruments. The regime's most dramatic action was the demolition of the war-damaged City Palace (*Stadtschloß*) that had been both the symbolic and geographic center of the capital for centuries, replacing it in 1974 with their own modernist creation, the Palast der Republik, whose current fate is discussed further below. The Palast is adjoined by several other new government office buildings, and is near the Alexanderplatz with its television tower and wall of high-rise offices and apartments. These new developments, and the abandonment of the western center to border and security functions, had the effect of moving central city activities eastward.

The development of East Berlin's housing stock has some parallels with that of the West. As in the west, renovation of existing tenement neighborhoods was long rejected in favor of new construction of modern high-rise settlements. In the absence of the price pressures imposed by commercial real estate development GDR planners had no trouble carrying out housing development throughout the government center, but most housing construction took place on the city's eastern edge, creating entire new urban settlements in the districts of Marzahn, Hellersdorf and Hohenschönhausen. Those turn-of-the-century tenements blocks in the inner ring that were not demolished to make room for new high-rises were neglected entirely, a situation reminiscent of West Berlin just prior to the urban renewal policy changes in the mid-1970s. Although toward the end of the GDR there was more emphasis on historic preservation, a serious effort to revitalize older areas, like the one in West Berlin, hadn't materialized. The older housing stock, a good deal of which remained

in private ownership,² today stands as if in sorry tribute to pre-war Berlin; basic amenities such as central heating are lacking, and the structures are badly deteriorated. Some older neighborhoods, such as Prenzlauer Berg or Spandauer Vorstadt, gained a special political significance in the period just before and after reunification. As those more successful within the system moved out to the new developments, the tenement neighborhoods became a refuge for the artists and intellectuals who later emerged as the backbone of the protest movements that defined the early stages of East Germany's "revolution". Today their large, high-ceilinged apartments and proximity to the city center make them, like Kreuzberg in the west, magnets for alternative groups and squatters as well as real estate developers. Although these areas have thus far not developed the kind of organizational infrastructure that characterized Kreuzberg in the 1970s-1980s, one notes the potential for a similar political dynamic.

Administrative Restructuring

The large, top-heavy administrative apparatus of the German Democratic Republic could not simply be absorbed into that of the Federal Republic. Employing over two million people (or 12% of the total population of 17 million) mostly in central government functions, it did not serve as a ready complement to the more decentralized and efficient West German bureaucracy.³ The GDR, like other socialist countries, had rejected the notion of public administration with its assumption of a division of labor between political and administrative tasks (König 1993, 137). The civil service had been abolished by the Soviet military authorities in 1945, and the

²Private ownership of rental housing existed throughout the GDR, but rents were controlled at extraordinarily low levels and building materials were scarce, making the upkeep of such housing nearly impossible.

³West Germany's bureaucracy was itself large relative to the workforce, employing 7% of all West Germans (König 1993, 145).

new apparatus was to function according party ideology. Although technical expertise wasn't inconsequential for East German bureaucrats, political-ideological compatibility was of equal or greater importance (König 1993, 144). "The notion of the neutral executive of office, like the overarching concept of *Rechtsstaat*, was alien to the communist system, while loyalty to the party and the explicit partisanship of 'the masses' was the ultimate imperative" (Derlien 1993, 324).

This conception of the state produced officials who did not fit the mold of the West German bureaucracy. One significant task following reunification was therefore to weed out those civil servants who were either too thoroughly compromised by their loyalty to the former regime, or too deficient in technical expertise, to adjust to the requirements of the FRG. This process has been compared to the denazification of the bureaucracy following World War II, but in some ways the task has posed greater practical difficulties (if fewer moral ones) since unlike the Third Reich the GDR had abandoned all notions of a meritocratic civil service (Derlien 1993, 324). Since unification there has been a gradual shrinking of the public sector in the eastern states. Lay-offs and early retirements⁴ have greatly reduced the ranks of the civil service; some former central state employees have been absorbed into the newly formed regional state (*Land*) governments. There has also been a slow but continual political purging of the civil service as the East German state police files are gradually processed.⁵ Political purges and dismissals on grounds of incompetence have, as might be expected, been the source of considerable east-west tension.

⁴East Germans may, and in some cases must, retire at 55 (for men) or 50 (for women), ten years earlier than their western counterparts.

⁵Not everyone associated with the SED was automatically considered "politically tainted." Grounds for dismissal were association with the State Security Service (Stasi), or a high-ranking position within the SED. Local leaders enjoyed some discretion over political firings; some have been more tolerant than others.

Finding qualified replacements for those whose careers had been dependent on the *cadre* system has not been simple, especially since many of those with oppositional tendencies had been excluded from specialized training. In many cases higher level positions have been filled by West Germans either temporarily or permanently "on loan" from other public or private sector agencies; one source estimates that 15 - 20,000 West German civil servants were working in the East, with the highest concentrations in the areas of justice and the economy. Because the percentage of westerners grows as one moves up the bureaucratic hierarchy, and in some new states the administrative elite is dominated by westerners, the significance of this personnel transfer is greater than the overall numbers suggest (König 1993, 147). For West German administrators the opening of the East has offered the possibility of accelerated career advancement; financial incentives have also been extended to westerners willing to work temporarily in eastern offices (a particularly galling point to some East German public servants, whose base pay is still well below that of their western colleagues).

East Berlin has experienced less administrative upheaval than the other new states. The eastern districts simply became part of a functioning state government. There was no movement to draw up a new state constitution, establish a new governing apparatus or even build new party organizations; those of West Berlin simply became all-inclusive. Some employees of the East Berlin city government found positions within the post-unification government, but most were either purged for political reasons, retired, or found redundant. Therefore the most significant local administrative transition processes have been at the district level.

The only source of institutional continuity within East Berlin have been the *Bezirke*. *Bezirke* with their current boundaries had existed throughout GDR, and since 1985

had comprised elected assemblies as well as administrators charged with local service delivery. Not surprisingly given the highly centralized nature of administration in the GDR they lacked any real authority not only over controversial issues but even over local administrative problems; seldom, until the turbulent of Fall of 1989, did the elected assemblies entertain actual discussions, and virtually all votes were unanimous (Beckers 1991, 24). Nevertheless, their names and borders are familiar, which may give them greater psychological importance to residents buffeted by the rapidly changing political landscape. When the legitimacy of the ruling SED began to crumble, it was at the *Bezirk* level that many so-called "round tables", representing the panorama of local interests, were organized to make local decisions until open municipal elections could be held.

Once communal elections were held (in May 1990) and *Bezirk* governments constituted, the task of forming new administrative structures for the city of East Berlin and for the districts was begun. The knowledge that reunification was imminent led participants to adopt structures and practices as near as possible to those of West Berlin. Paired a with "sister" *Bezirk* from the West, each district created comparable departments charged with similar tasks. There was a great deal of confusion as local bureaucracies attempted to cast off some of the functions they would no longer perform (such as the management of drug stores and health clinics), and accommodate themselves to new ones. Responsibility for land use and property disposition were especially unclear during the transition period. The East Berlin Economics Minister claimed that the *Bezirke* were responsible for disposing of property, and sent businesses to them in search of commercial space. But in reality, the conglomerate responsible for all housing (and the storefronts and offices included in residential buildings), in the process of being privatized, retained responsibility for much commercial real estate (Beckers 1991, 61).

Efforts to build a competent apparatus on the *Bezirk* level during the transition period were hampered by the need to reduce overstaffed agencies in the midst of a municipal fiscal squeeze, and by the simultaneous shortage of workers with skills appropriate to the tasks at hand. Local bureaucracies were filled with exactly the kinds of employees least likely to be helpful to this transition. Outgoing, pre-*Wende* district administrators had tried to protect themselves and their colleagues by loading the bureaucracy with new positions (Beckers 1991, 59), and local administrations had in some cases become havens for the 85,000 Berlin-based State Security (Stasi) officers who were thrown out of work after their agency closed in January 1990 (Beckers 1991, 67). "Most employees", according to one participant, "had totally different training than that now demanded....we have plenty of doctors of philosophy and political economy. I can't stick them in the building department" (quoted in Beckers 1991, 71).

Hiring skilled administrators was not simple. First, prior to unification, the East Berlin municipal government had imposed a hiring freeze during which *Bezirk* department heads could replace their personnel only from the lists of those laid off elsewhere. Even after reunification was official and the employment freeze over, hiring qualified personnel was not easy. Public service salaries in the East were to remain, according to the terms of the unification contract, at 60-70% of those in the West for several years. Few westerners were willing to accept a pay cut for crossing the former border; technically qualified easterners were attracted to private sector jobs in the briefly booming West. Many of those who remained learned on the job, with West Berlin state and *Bezirk* bureaucrats helping out.

The lack of trained personnel in *Bezirk* administration has proven particularly problematic in centrally-located districts like Mitte and Prenzlauer Berg. Here, where property values have increased most rapidly, district planning offices have been inundated with building applications, creating pressures that would be daunting to even the most adept western bureaucrat. To those in the east, who are just now mastering German planning laws as well as the principles of the private real estate market, the workload is truly overwhelming. Eastern district officials have pleaded for larger staffs (Interview), but in the midst of Berlin budget anxieties new salary lines are unlikely. The adjustment problems in the east have given the Construction Senator more leverage in his battle to wrest greater control over the planning process from the *Bezirke*. Allegedly responding to investor complaints about delays, Nagel has taken measures to limit district government discretion on large projects (Bauschke 1993). Although these measures are taken in the name of increased efficiency, there is also a degree of political strategy involved, as some of the eastern *Bezirke*, especially their building departments, have been critical of the attack on GDR monuments, the plans for the new capital, and the sale of key sites to property developers.

Political Transformation

Although the earliest stages of the East German "revolution" were led by reform elements within the SED and by citizens protest groups who organized themselves into loose political parties, by the time the first elections were held in March 1990 East German electoral competition chiefly featured the eastern incarnations of the three major West German parties, the CDU, SDP and FDP. This section looks at the emergence of voting patterns in the eastern districts of Berlin, and suggests how party politics may affect planning policies.

As the SED state crumbled, the three major western parties organized quickly in East Germany. The FDP and the CDU could build on sister parties that had existed, albeit in highly compromised form, in the GDR. In addition, two East German parties emerged to participate in elections. Bündnis 90 was a coalition of reform groups that had been at the vanguard of protest activities in late 1989 and early 1990; they united to contest elections in 1990, and shortly after reunification merged with the West German Greens (and in Berlin the Alternative List). The Party of Democratic Socialism was the name given the re-vamped successor to the ruling Socialist Unity Party.

A comparison of party membership rolls in East and West Berlin, and between East Berlin and the remainder of Eastern Germany reveals several interesting electoral developments (See tables 4.1 - 4.4). First, the Berlin SPD and CDU had little success in recruiting new members in the eastern districts; in 1992, only 9% of SPD members and 15.6% of CDU members came from the eastern half of the city. In contrast, 41.6% of FDP members in 1992 -- 1,773 people -- were residents of the east; and this figure already represented substantial losses from 1990, when some 5,000 East Berliners joined the FDP (Søe 1994). The popularity of the FDP was apparent throughout eastern Germany, where membership reached 136,000 just prior to reunification, thereby tripling the party's size. PDS membership dwarfs that of other parties, but the 24,000 local members in 1992 represents a substantial drop; just two years earlier there had been 42,222 PDS members in Berlin, and no doubt a year earlier the membership of the SED had been substantially higher.

A look at election results in East Berlin reveals several patterns, some consistent with other East German states and some unique to Berlin. Tables 4.2 and 4.3 report

elections returns for December 1990 when both statewide and national elections were held, and table 4.4 contrasts East Berliners with other voters. East Berliners are clearly among the most left-leaning voters in Germany. They were more likely to cast their votes for parties on the left, including the SPD, the PDS, and the various alternative parties, than voters in West Berlin or in the other eastern states. The CDU has been unable to win more than one-quarter of their votes (whereas West Berliners gave them 49% of their votes in local elections, and eastern Germans 41.8% in national elections.) East Berliners have instead supported the SPD, which received more votes than any other party in 1990. The FDP only won modest numbers of voters, in spite of its success in enrolling members. East Berliners were far less enamored of this center-liberal party than other East Germans, who overall gave close to 13% of their second ballot votes to the FDP in 1990, leading to one of the party's best election returns ever (Søe 1994).⁶

East Berlin voters have remained further to the left than West Berliners or other eastern Germans; Perhaps most striking has been the support given by East Berliners to Bündnis 90, both before and after their merger with the Alternative List/Greens, and to the PDS. This is not surprising, as the city is the birthplace of both parties. Bündnis 90 has suffered the usual turmoil of protest groups that transform themselves into parties. Their merger with the Green/Alternative parties of the West has made it possible for them to survive but perhaps robbed them of some of their unique identity as the alternative voice of the East. In Berlin district politics they've been able to use their position within *Bezirk* governments and as part of the opposition in the *Abgeordnetenhaus* to lead the movement against the Olympic games.

⁶The success of the FDP in the east has in part been explained by the popularity of Hans-Dietrich Genscher, who held the position of Foreign Minister as well as head of the Free Democratic Party at the time of German unification. A native of the east German state of Sachsen, he was credited by many East Germans with pushing for rapid reunification. After he retired from politics, and the post-unification euphoria had worn off, the FDP's enrollments and electoral successes subsided.

Table 4.1

Party Membership in East Berlin, 1992

	SPD	CDU	PDS	B90/AL	FDP	REP
Mitte	165	312	2833	43	199	21
Prenzlauer Berg	280	377	2263	70	270	24
Friedrichshain	190	162	2415	33	237	30
Köpenick	284	197	2060	29	155	24
Lichtenberg	293	259	4350	50	178	17
Weißensee	157	211	686	28	97	19
Pankow	288	287	2331	68	101	28
Marzahn	192	172	2142	40	110	22
Hohenschön- hausen	120	108	1668	17	47	33
Hellersdorf	156	216	880	17	169	18
East Berlin (Total)	2417	2490	24249	443	1773	247

Source: Statistisches Landesamt Berlin

Table 4.2

Berlin Parliamentary Elections, 1990: Second ballot results for Eastern Districts
(in %)

	SPD	CDU	PDS	B90/AL	FDP	Other
Mitte	27.6	22.2	29.4	13.6	4.8	2.4
Prenzlauer Berg	32.7	25.6	18.3	15.5	5.4	2.5
Fried'hain	31.9	23.4	25.0	12.6	4.6	2.5
Köpenick	36.0	25.5	18.0	11.3	7.0	2.2
Lichtenberg	31.7	22.6	28.1	9.9	5.4	2.2
Weißensee	35.8	30.3	14.8	10.1	6.7	2.4
Pankow	33.3	26.6	19.3	12.2	6.4	2.2
Marzahn	29.4	25.8	27.3	9.6	5.4	2.5
Hohenschönhausen	29.4	24.2	29.6	9.6	4.9	2.3
Hellersdorf	30.4	26.1	24.3	10.9	5.8	2.3
East Berlin (Total)	32.1	25.0	23.6	11.5	5.6	2.3
Berlin (Total)	30.4	40.4	9.2	9.4	7.1	3.6

Source: Statistisches Landesamt Berlin, own calculations

Table 4.3

German Bundestag Elections, 1990: Second Ballot results for East Berlin electoral districts (in %)

Election district	SPD	CDU	PDS	B90/AL	FDP	Other
257	31.0	24.2	23.3	11.1	7.1	3.2
258	31.1	25.5	23.9	8.1	8.1	3.0
259	32.2	23.1	25.7	8.6	7.3	3.1
260	32.6	23.9	23.8	8.2	8.6	3.0
261	29.5	24.8	27.3	7.7	7.6	3.0
East Berlin (Total)	31.3	24.3	24.8	8.7	7.6	3.1

Source: Statistisches Landesamt Berlin, own calculations

Table 4.4

German Bundestag Elections, 1990: East Berlin in comparison to Berlin, East Germany and Germany (in %)

	SPD	CDU	PDS	B90/AL	FDP	Other
East Berlin	31.1	24.3	24.8	8.7	7.6	3.1
Berlin	30.6	39.4	9.7	3.3	9.1	3.9
East Germany	24.3	41.8	11.1	6.1	12.9	3.8
Germany	33.5	43.8	2.4	5.1	11.0	4.2

Source: Statistisches Landesamt Berlin, own calculations

The Party of Democratic Socialism has had important successes East Berlin. They took nearly one-quarter of eastern votes in 1990 state elections, and thereby winning 23 seats in the *Abgeordnetenhaus*. The 24.8% of second ballot Berlin votes they received in the national elections was more than double the rate for the rest of East Germany. In the most recent (1994) national elections, the PDS surprised political analysts, gaining entry to the Bundestag by winning four electoral districts: all were in and around East Berlin (table 4.5). Their second ballot returns for the eastern Berlin electoral districts indicate that they are the most popular party in East Berlin. The continued, or perhaps growing popularity of the successor to the SED has baffled the other parties, leading to endless speculation in the media about the motivations of PDS voters; one journalist called the PDS "the most analyzed party in Germany" (Hartung 1994). There's no question that the party has capitalized on the resentments felt by many in the east for whom unification has been a disappointment. This would include those who had never lost faith with the old system, as well as those who had expected more from capitalism and from democracy. There is speculation, for instance, that disenchanted Bündnis 90 voters have switched to the PDS, which now stands as the only truly "east German" party (Hartung 1994). Among the most likely to choose the PDS are those who were most privileged under the old regime, which includes not just high party functionaries but also a broader strata of elite -- the GDR intelligentsia -- who may indeed enjoy better material conditions today, but who nonetheless have experienced a loss of prestige, security and purpose.⁷ The concentration of such an elite in Berlin would explain the strength of the party in this city.

⁷In fact, the PDS did best in those East Berlin districts with the highest per capital income; it was the SPD that capitalized on the discontent of those, in both the east and west, who were economically weakest ("Wo bin ick nu jelandet?" 1994).

Table 4.5

German Bundestag Elections, 1994: Second Ballot results for East Berlin electoral districts (in %)

Electoral District #	SPD	CDU	PDS	B90/AL	FDP	Other	Direct mandate
249	32.2	17.3	33.2	11.7	1.8	3.8	PDS
258	31.3	18.3	37.8	7.0	1.8	3.8	PDS
259	36.2	21.2	30.9	5.7	2.1	3.8	SPD
260	32.3	19.4	37.7	4.5	1.7	4.3	PDS
261	33.5	21.1	33.3	6.0	2.1	4.1	PDS
Total, East Berlin	33.1	19.5	34.7	6.9	1.9	3.2	

Source: German Information Office, unpublished data; own calculations

Analysts of PDS voters have, however, in their hurry to ascribe motivations to the party's followers, neglected the real skill with which party leaders have sought to position themselves within the landscape of German party politics. Like the most experienced campaign hands they have identified the most resonant issues and promoted leaders with real intelligence and charisma. They give the impression of having a clear program, one that emphasizes social justice and redresses some of the alleged wrongs of reunification, but at the same time they have adopted the practice of western catch-all parties, appealing to a vaguer sense of identity that makes program unimportant. They boldly ran a prominent GDR writer, the 81-year-old Stefan Heym, as a candidate in the Prenzlauer Berg district held by favorite son and SPD success story Wolfgang Thierse, and won the district.⁸ It is a mistake to dismiss their support as GDR nostalgia, or the last gasp of a Stalinist apparatus (had there

⁸That is was Heym's popularity as much as the PDS platform that swayed some Prenzlauer Berg voters was clear. Heym supposedly showed up for an interview session with the daily *Berliner Zeitung* saying "I have many goals, and they're very good, but I left the list at home." Quoted in Hartung, 1994.

truly been as many loyal communists in late 1989 as there were PDS votes in 1994, the *Wende* might have turned out much differently); the PDS has managed, through clever politics, to win over voters who believe the party can best serve their interests in a united Germany.⁹

The PDS is a presence in local politics as well. In addition to their 23 seats in the city parliament, the PDS is the largest party in five of the ten eastern *Bezirke* and has large fractions in the other five. The party played an especially important role in the transitional period leading up to reunification. When *Bezirk* governments were first elected in the East, along with municipal elections throughout East Germany in May, 1990, most of those elected on the slates of other parties were political novices with little experience in government, people who "six months earlier would never have dreamed that they would some day be engaged in politics"(quoted in Beckers 1991, 39). Whereas these newcomers seemed "to confuse democracy with anarchy", shifting allegiances on every issues, the PDS was able to work effectively to at least upset the intentions of *Bezirk* governments, making them look weak and ineffective, even if they might have fallen short in putting forth policies of their own (Beckers 1991, 40). Even those opposed to the PDS grudgingly acknowledged that real work could not be accomplished without their expertise. One SPD BVV member from the eastern *Bezirk* of Friedrichshain considered himself "lucky" that his committee included so many PDS members, since they were so much better at getting things done: "They were all educated people, some of whom were still active in the party leadership. They had technical expertise, and they could call upon the help of those who had previously run the local bureaucracy. In contrast, our people were simply those who got caught in the spirit of the *Wende*. And since our membership was so

⁹A *Der Spiegel* feature on voters in East Berlin's Treptow neighborhood offers anecdotal confirmation of this view. Several PDS voters were interviewed who had never been SED members; in fact, one had spent three years in GDR prison after a failed attempt to flee the country in the 1960s. "'Wo bin ick nu jelandet?'" 1994.

small, nearly every member quickly received some kind of official function"(quoted in Beckers 1991, 43).

The strength of the PDS in Berlin has implications for national and local politics. Berlin voters have single-handedly allowed the PDS to gain entrance to the *Bundestag*; although other parties have shied away from formally coalescing with them, the Green/Bündnis 90 fraction may begin to find them valuable allies in furthering their opposition work. Most importantly, the PDS's presence in the Berlin parliament and the *Bezirk* offices has provided organizational resources for the battles over many local planning issues with particular resonance for those still connected to their GDR heritage. In the struggle against dismantling of GDR monuments, including the Palast der Republik (discussed below) only the PDS has been able to mobilize an effective opposition, leading demonstrations, publicizing their viewpoint through their allied newspaper as well as mainstream newspapers, and holding public hearings at which proposals are noisily denounced.

The transition to a capitalist property market

Privatization of real property and the role of the Treuhand

Private ownership had existed in the GDR: individuals owned homes and even multi-family apartment buildings; a few businesses even remained in private hands, although after the consolidation policy of the 1970s these were quite rare. Although ownership of existing housing was tolerated it was hardly encouraged: rents were controlled to the point at which a building owner could barely meet expenses, and building materials were difficult to obtain. The buying and selling of property was severely limited. An increasing percentage of the housing stock was found in newly constructed apartment complexes owned and managed by state-run housing companies. Commercial property was almost entirely in the hands of the state, one of

its official organs, or a state-controlled production conglomerate. In sum, at the time of unification, the lion's share of real property was publicly owned. Political decisions taken by the outgoing GDR regime prior to unification and others negotiated in the unification contract thus determined the legal parameters within which public real property would be handled and private property rights would be reasserted in eastern Germany, decisions that have come to have tremendous significance to planning and development policies in Berlin.

It was actually prior to reunification, during the interim regime of Hans Modrow, that the question of disposition of state property was first raised. During its brief life the Round Table, which featured remaining members of the ruling SED as well as other parties and citizens groups, grappled with a variety of ownership schemes. Wrote one participant, "It was well known how to convert private into public ownership. For the reverse process there was, within the socialist countries, no know-how and no model" (Luft 1992, 20). The Modrow era Round Table was interested in exploring various means of decentralizing ownership but was anxious to prevent the "peoples' property" from being plundered. They came up with the idea for a large, public holding company, called the *Treuhandanstalt* (THA). The THA was first established in March 1990 less with the goal of privatizing East German industry, than with the intention of preserving it from being dismantled by the in-coming, elected GDR government or by West German policy makers following unification.

The Treuhand never pursued the path foreseen by its founders; even before currency union and reunification the agency's directorship had been passed to a western business executive, and privatization of state-owned enterprise -- a portfolio including 8,500 businesses employing 4.1 million people -- became the overriding policy

goal.¹⁰ The only GDR organ to be incorporated without change into the Federal Republic after unification, this quasi-public agency became an official agent of the Federal Republic on October 4, 1990, but was to act independently, accountable to a Board of Directors drawn largely from West German private industry. The agency was required to review bids from prospective buyers with the goal of maximizing job retention and new investment, although there was never a standard formula by which projects were evaluated.¹¹ Upon completing their work at the end of December, 1994, they had succeeded in privatizing 14,000 businesses,¹² with about one-quarter of the original work-force still employed; their outstanding debt stands at DM230 billion. Because their task is so unprecedented, it's hard to say whether this final balance represents success or failure (Neubauer 1994).

A full analysis of the record of the Treuhandanstalt is beyond the scope of this study. Of note here is the significance of the agency and the entire privatization process it oversaw to central Berlin as part of a post-socialist transition. Certainly the dismantling of industry was an important issue for East Berlin as for the other eastern states. East Berlin had been the site of a considerable number of production facilities in addition to its government and service functions; its manufacturing workforce was reduced 60%, from 115,000 to 46,000 workers, as East German industry was dismantled between 1991 and 1992 (Deutsches Institut für Wirtschaftsforschung 1994a). No one had recognized the poor condition of East German industry, which

¹⁰Several schemes for distributing stock shares throughout the East German population had circulated during the Spring of 1990; the campaigning GDR SPD suggested that each East German should receive Ostmark 40,000 worth of shares by way of reparation for 29 years of "Wall-Imprisonment" (Luft, 1992: 45.) By June 1990 the poor condition of East German industry was clear; share distribution was abandoned as a road to privatization.

¹¹That the process was (by the standards of German bureaucracy) relatively subjective led to numerous complaints of unfairness. There were charges that well-placed West German industry, especially those represented on the agency's Board, were able to grab up the best firms, and foreign companies claimed that they were disadvantaged against German companies (Neubauer 1994).

¹²The total is higher than the number they started with because so many large conglomerates had to be broken into smaller firms before sale.

was exacerbated after currency union, when traditional markets in Eastern Europe were lost. In most cases, sale of inefficient enterprises to new buyers was possible only after extensive, Treuhand-led restructuring, which was usually accompanied by at least a 50% reduction in the workforce. The THA thus became a target of frustration for the many in Eastern Germany who faced unemployment.

Demonstrations were held, blaming the agency for lost jobs; local politicians complained of the agency's high-handed, undemocratic style. Although THA officials tried to address some of these complaints by improving communications with state and local elected officials, they were a target of criticism through the end. The agency thus served as a convenient buffer for national political leaders, who could maintain some distance from the painful results of policies they had endorsed.

More directly linked to the issue of central city planning and development than the fate of industrial production, however, has been the disposition of real property. Indeed, real estate issues are connected to the problem of industrial restructuring: Some centrally-located industrial sites were bought by firms more interested in their real estate value than their productive capacity; these cases were widely criticized and led to changes in THA policy.¹³ Moreover, the inefficient allocation of property in the GDR meant that many businesses had real estate holdings not related to or needed for production. While there was good reason to sell off industry as quickly as possible in order to bring in capital and keep people working, the sale of surplus real

¹³One case receiving particular attention involved the Narva Lamp company, located just beyond the central city. The Company was sold to a West Berlin property developer, which hired a manager of questionable competence to run the operations for a required few years before turning the site into a commercial mall. Since a Japanese lamp producer had also sought to buy (and preserve) this company, its sale to real estate interests produced local outrage ("Spielregeln geändert" 1991). In another case a part of a carpentry workshop on the edge of Berlin was to be sold to several small businesses, but the entire firm and its property was suddenly sold to a West German developer. When it was revealed that the property was sold for a token DM1, and that the responsible THA manager was a personal friend of the purchaser, the transaction was further scrutinized in the press ("Die wollen uns weghaben" 1991).

estate all at once would result in depressed property markets and incentive to speculate.

Understanding that real estate privatization required a different set of considerations, the THA established a special real estate subsidiary, called the Treuhand Liegenschaftsgesellschaft (TLG), in March 1991. It has acted as a brokerage agency, financed by the THA; land remains THA property, dealt with by TLG at their behest. The TLG established a national model for dealing with surplus property with its work in Berlin. In response to concerns about speculative real estate dealings, THA and later TLG real property managers convened regular meetings with those interests most affected by sales activity. Called the *Berliner Modell*, these meetings included *Senat* and *Bezirk* officials, representatives of the business chambers, and real estate professionals from the West. Together, they made decisions on which property should be offered for sale under which conditions, and chose among investment proposals. This model is discussed further in chapter five.

This has not addressed all problems of real estate privatization. The TLG and the *Berliner Modell* operate only for what has been designated surplus property (and for property of the SED that does not belong to the PDS, itself a controversial issue). THA functionaries can be somewhat stingy, however, in their definition of surplus property, hoping to retain as much real estate as possible with the firms in order put together a more attractive sales package. There is therefore still a great deal of property in central Berlin that has been sold directly by the THA in the absence of any consultation, including much of the real estate along Alexanderplatz. Some of the commercial property sold by either the THA or the TLG had long been used for other purposes, and there are many stories of kindergarten groups or youth

organizations told that they are not the legal owners of the buildings they have been using, or that their long-term GDR leases are no longer valid (Lautenschläger 1991).

Further complicating the privatization of East German property is the handling of claims raised by its former owners, those whose rights were expropriated by the Soviet occupation forces or by the GDR government itself. How such claims would be handled was a major point in the negotiations between East and West German officials as the legal ramifications of unification were hammered out (Schäuble 1992). The position of West German officials, consistent with the strong backing for private property that is part of the FRG's Basic Law, and in light of the political influence of the many West German citizens with such property claims, was to allow former owners to reclaim their property. Only in those cases where restitution was impossible would compensation be offered as a substitute. Although the SPD favored merely compensating former owners, the ruling FDP and CDU made the principle of property restitution a fundamental component of the negotiation process, claiming that any other course of action was both morally and, according to German law, legally untenable. Thus were former owners of GDR property granted the right of restitution in the Unity Contract. The number of exceptions to this rule, however, speaks to the complicated legal situation of the various property condemnations during the GDR, and the pressing needs of the new states today.

The first, and most significant exception to the restitution principle concerns the property seized between the years 1945-1949, the years before the creation of the GDR, when the Soviet Military Authority was the highest power. During these years an estimated one-third of all GDR territory was taken. All property belonging to "Nazis and War Criminals", a category defined by the occupation authorities, was confiscated. In addition, in a move intended to destroy the last vestiges of the *Junker*

class, the state carried out the forced transfer of all properties (specifically agricultural lands) of over 100 hectares (approximately 250 acres) from their owners to manual laborers, displaced persons, and others generally unprepared to work them efficiently; their dismal results justified the collectivization of agriculture several years later (Doyle 1992).

According to the Unity Treaty, those whose property was taken during the Soviet occupation have no claim for either restitution or compensation.¹⁴ Both the treaty writers and the German Constitutional Court, which upheld this policy in an April, 1991 decision, put forward involved legal arguments justifying this treatment of 1945-49 property expropriations.¹⁵ It seems clear, however, that exclusion of this property from the restitution and compensation laws was made on pragmatic grounds. First, the Soviet Union felt strongly that its actions during the occupation should not be retracted. As the approval of the USSR was needed for German unification to be carried out, and as thousands of Soviet soldiers continued to occupy East Berlin and its outskirts as the unification negotiations took place, antagonizing the Soviet authorities did not appear to be in anyone's interest. Secondly, the above-mentioned scale of the 1945-49 expropriations no doubt left many West German policy makers relieved to have an excuse not to have to take on the burden of giving it all back.

Further exceptions also complicate the situation. If a property is occupied by someone who has acquired it fairly under the laws of the GDR, former owners are entitled to compensation but not restitution. In anticipation of such a provision, there was a

¹⁴The Treaty does require the Bundestag to provide some kind of "burden sharing" (*Lastenausgleich*) to those dispossessed during this period, but there is no requirement for this compensation to reflect the value of confiscated property; nor could the state reasonably be expected to underwrite the hundreds of billions of marks that would be required to pay each claimant market value.

¹⁵Doyle, 1992 includes a thorough analysis of the Constitutional Court decision and its dubious legal foundations.

flurry of sales activity in the last months of the GDR, as long-time occupants sought to become legal owners.¹⁶

To make the issue of property restitution more complicated and emotionally charged, property claims can be made back to 1933, allowing those who lost property under the Nazi regime to sue for its return. This provision, which merely extends West German policy into the East, primarily affects former Jewish owners. In practice, this often leads to a number of competing claims for a given site, especially one located in a city center: as the Germans say, one will find a Jewish owner, a "brown" (Nazi period) owner, and a "red" (GDR) owner all with claims to a parcel. An agency, called the Office for Open Property Questions, has been established to decide between competing claims based on the validity of claimants' legal documents.

The restoration of Jewish property claims has become among the more morally and politically complicated issues of unification. Few former Jewish owners are alive to make their claims and few of their heirs live in Germany. This property has therefore been claimed either by heirs living abroad, or by the Jewish Claims Conference, an agency set up specifically to receive and sell off the property of Jewish families without heirs (not uncommon given the wide swath cut by Nazi persecution) and use the proceeds to benefit Holocaust victims. Seldom do the heirs of Jewish owners actually wish to use or develop their property; rather, the goal of the Claims Conference and most Jewish heirs is to sell their holdings as quickly as possible. Restored Jewish property has thus been part of the first wave of privatized commercial and residential buildings sold to property developers and is therefore at

¹⁶There was, and is, much controversy about this run on the property registration agency, with some claiming it represented "regular people" trying to ensure their security on the eve of a difficult transformation, and others claiming it represented the last effort of party officials, taking advantage of their remaining privileges to ensure themselves some advantages under the new regime. Most likely both are true.

the vanguard of post-unification property speculation. Community activists, especially in the tenement neighborhoods of East Berlin that had been the center of the pre-Holocaust Jewish community, now find themselves in the awkward position of battling Jewish claimants in order to assert the rights of current tenants to remain in affordable apartments. Thus is Germany's troubled modern history a key actor even in seemingly arcane discussions of ownership rights (Häußermann 1995).

The impact of this complex legal situation on the development of the property market has been formidable. Only the property taken during the 1945-49 period is *not* subject to restitution claims (and that was clear only after the Constitutional Court ruling); otherwise potential investors enter into projects without guarantee that they are acquiring clear title.¹⁷ As of the end of 1992, the deadline for filing restitution claims, some 1.8 million applications had been submitted to the property office, representing approximately 15% of the housing stock of the former East Germany. The impact of property restitution has not been even across the new states; claims tend to be concentrated in those areas that had had a dense, urban character before the war. Thus in some central Berlin areas, up to 90% of all property is subject to property claims (Häußermann 1995).

Some investors have attempted to circumvent these problems by identifying claimants and forming investment partnerships with them; there are lawyers in Berlin who specialize in just such "matchmaking" services. To prevent such uncertainties from hindering investment, the initial agreements on property restitution included a provision offering a sort of "fast-track" to potential investors. Continually expanded and strengthened as the property quagmire has proven more inscrutable and the dearth

¹⁷Property ownership in Germany has been registered in an official Property Book with the communal government; whoever is entered as the owner is recognized as such. Just recently several companies have begun offering a form of title insurance, a common policy in the US, to indemnify new owners against potential claims; such reassurance had not previously been necessary (Rosskamp 1990).

of investment in the east more alarming, this law (the *Investitionsvorranggesetz*, or Investment Priority Act) allows potential investors to acquire properties even where former owners have legitimate claims. Investors must submit plans showing how much capital they plan to invest and how many jobs they will create or retain. The former owner can match this proposal, or accept compensation instead. The city or county officials must process and evaluate these applications, which can sometimes create a bottleneck that reduces the effectiveness of the law. The impact of restitution practices and the Investment Priority Act on central city development are further explored in chapters five and six.

Dismantling the Socialist Built Environment

The disposition of the built legacy of socialism has emerged as a political flashpoint in the years after reunification. Berlin, which has served as the capital of so many notoriously failed regimes, has several times in modern history been the site of the construction and destruction of the built symbols. There exists in Germany a powerful awareness of the potency of physical symbols: when in 1990 workmen discovered a bunker previously used for storage by SS drivers, it was quickly sealed lest it become a rallying point for Nazi groups, both old and new (Ward 1993, 7). As first socialist, then Nazi, and today communist rulers have been purged from the political scene, Berlin planners have had to address the question of whether buildings and monuments can be so imbued with the ethos of their creators that they too must be "purged" in order to assure the new regime a fresh start. Germans refer to state officials who are thoroughly identified with a discredited regime as politically *belastet*, or "burdened". Can buildings also be politically *belastet*?

The ideological potency of the built environment was never lost on planners in East or West Berlin where, as described in chapter three, planning and building were favored methods with which to express Cold War competition. Certainly the decision of GDR leaders in 1950 to blow up the remains of the damaged *Stadtschloß* was not made on engineering grounds alone: to all observers this act represented an intentional and dramatic break with Germany's history. By the mid-1980s GDR officials were despairing of creating a national identity based on socialist ideals, and tried to gain legitimacy by emphasizing continuity with Germany's past: this new policy line was accompanied by a renewed appreciation for older neighborhoods and buildings, and the first efforts to restore many war-damaged landmarks in Berlin and other city centers.

The fall of the GDR and the decision to move the capital of united Germany to Berlin once more prompted discussion of the political significance of the urban landscape. Immediately following the fall of the SED some of the most suspect symbols of the party's domination (such as markers and street-names honoring those responsible for the forced merger of the SPD and KPD in 1946, or to those involved in building the Wall) were removed (Ward 1993, 10). During 1989-1990 international press reports favored photos of the unceremonious dismantling of the outsized Lenin statues that had been a staple of Soviet bloc urban design. But soon after reunification it became clear that removing the SED legacy was not so simple a task. First, the East Berlin public was ambivalent about some of the changes, especially given the large number of old regime supporters living in Berlin. When the *Senat* decided to remove one centrally located Lenin statue some local opponents circulated petitions and went to court to try to stop them (Ward 1993, 11). There has also been a surprising degree of local opposition in the community of Prenzlauer Berg to the removal of a towering, belligerent, 13-meter high statue of Ernst Thälmann, KPD leader during its period of

Stalinist militancy during the Weimar Republic. "The residents ... may never have accepted the SED deceit that Ernst Thälmann had any special significance for their district...but they have made his monument a point of resistance to any further (arbitrary) change in a public space they have come to see as their own. As a result, Thälmann is probably more popular now than he ever was in the GDR" (Ward 1993, 14) .

Secondly, some of those honored through SED memorials were communists known for their anti-fascist activities in the 1920s and 1930s; debate arose even in the West over whether these names should continue to be honored. Such controversy is apparent in the debate over the proper address of the Berlin parliament. The parliament recently renovated and occupied the former Prussian parliament building, in East Berlin, on a street named by GDR officials for Käthe Niederkirchner, an anti-Nazi communist who died in the Ravensbrück concentration camp. CDU officials have pressed to rename the street, while others have fought to continue to honor Niederkirchner. In the meantime, the CDU official who holds the position of parliamentary president has simply declared the correct address for the parliament to be "Am Preußischen Landtag", or "at the Prussian Parliament" thus avoiding the use of the offending street name without requiring *Bezirk* support for a name change. As the recording and interpretation of history is no small matter in Germany (this is, after all, the nation that has coined a word, *Vergangenheitsbewältigung*, that means "the struggle to come to terms with one's past"), the *Senat* set up a commission of noted historians to determine the fate of East Berlin monuments.

What of buildings not directly linked with discredited Communists, but merely considered unattractive or built to less than western standards? In this category are the apartment complexes, many built on the city's eastern edge, known as *Plattenbau*

developments after the pre-fabricated concrete slabs, or *Platten*, that comprise the buildings' walls. There are an estimated 250,000 such apartments in East Berlin, housing the majority of East Berliners. Three large developments in the otherwise lightly developed eastern districts of Marzahn, Hellersdorf and Hohenschönhausen alone are home to 350,000 people, or 27% of all East Berliners (Stimmann 1993, 7). To western critics they represent all that went wrong in the GDR, and indeed when anti-refugee riots broke out in parts of the former East Germany shortly after reunification, observers pointed to the depressing housing complexes in which rioters lived as an explanation for their frustration.

In fact, East Berliners considered themselves quite fortunate to land an apartment in one of these complexes (no doubt as much a reflection on the quality of other housing options as a vote of confidence in the new developments); Berlin-based companies and state agencies held them as rewards for loyal employees and as inducements to attract skilled workers from other parts of the country. In the words of one resident, "We were all 'privileged' in the socialist sense: we shared equally a modest well-being, high social security... 120 DM all-inclusive monthly rent and finally a real dry, warm apartment for the family" (Hain 1992, 532).¹⁸ Levels of satisfaction remained high even after the *Wende*, in spite of the negative reactions to these developments the West,¹⁹ although the social dislocations of the *Wende* did have a negative impact on Marzahn and the other settlements (Hain 1992, 540).²⁰

¹⁸ The author goes on to describe her mounting disappointment, however, as planned improvements to the wasteland surrounding the projects failed to materialize.

¹⁹ According to a survey conducted in 1990, the majority felt content with their neighborhoods, with only those living in the one-room apartments complaining about lack of space. (Smidt 1991).

²⁰ As Hain points out, newspaper articles took note of the growing amount of graffiti and increased crime and claimed that Marzahn was becoming like the Bronx, the favored image of urban decay in Germany. Steady post-unification improvements in residents' per capita income, however, suggest that these developments are not becoming slums.

Berlin authorities face several interrelated dilemmas concerning these apartment complexes. They need to come up with renewal plans for these buildings, which lack amenities or landscaping, are in some respects not built to western standards (e.g. they lack insulation), and are reaching an age at which many basic repairs are required. There are also concerns about deficits of public infrastructure and commercial facilities, complaints that had been heard before the *Wende* as well.

The various renewal plans for these massive projects require considerable capital, however, and that is simply not available. Rents remain controlled at levels that most likely barely cover operating costs, making it difficult for the housing companies to borrow funds for repairs, and the Berlin fiscal situation limits the city's ability to undertake subsidized renovation. In addition, most of the housing projects carry with them enormous construction debts. Berlin planners consider these projects an unfortunate legacy of socialist housing policy, but given the city fiscal problems and its eternal housing shortage they have little choice but to continue to rely on them as the primary means of housing in the city's east. So far some low-cost planning interventions have been attempted to improve the living conditions in these settlements. The need for accessible commercial development has in part been addressed through public-private cooperation. Investors were quickly invited to submit proposals to build neighborhood shopping centers, and in some *Bezirke* the centers have already been completed.²¹ The new housing settlements are not subject to restitution claims, as the federal restitution policies have exempted such complex developments. There is currently discussion of further privatization, with apartments to be sold to tenants; but surveys indicate that few have the interest or the capital to purchase their apartments (Häußermann 1995).

²¹A West Berlin builder, awarded the right to build one such center, noted with pleasure that the project had been one of the most enjoyable he had ever built due to the enthusiastic cooperation from *Bezirk* and other eastern housing officials (Interview).

In the central city, a significant source of controversy has been the Palast der Republik, an enormous glass and stone civic center rushed to completion by the Honecker government in time for the Socialist Unity Party's Ninth Party Congress in May, 1976. Built in part on the site of the destroyed *Stadtschloß* (City Palace), the Palast served both practical and symbolic functions. It was the main conference and exhibition center of the GDR; its restaurants (subsidized two-thirds by the state), bowling alley and concert halls were also an important source of recreation in East Berlin. The first freely elected GDR Parliament met there until it was disbanded by unification. The location of this building, its looming size and aggressive modernity, not to mention its name, are all indicative of its symbolism to GDR planners. Its weightiness was not lost on observers from the West. In response to the opening of the Palast a member of the West German Bundestag announced, "This building now emphasizes the usurpation of Capital City functions by East Berlin. This demonstration of the East Berlin's illegal Capital City claims should not be silently accepted" (quoted in Heinke 1993).

In the Fall of 1990, just prior to the day of unification, significant levels of asbestos contamination were found, and the Palast closed. Its fate became tied to the emerging plans for the new government center. The Foreign Minister was determined to build his ministry in that area, and the government claimed that the costs and technical difficulties of ridding the Palast of asbestos would be prohibitive. Therefore in March 1993 it was announced that the building would be razed, replaced with a new government complex. These plans produced vocal criticism from both sides of Berlin. Many Berliners, including representatives of architecture and planning associations, were opposed to the idea of building the security-intensive foreign ministry at what had traditionally been an important center of civic life (Schweitzer

1993b). To residents of East Berlin, the demolition decision was just another example of federal high-handedness when dealing with GDR landmarks. "East Berliners identify with the building, therefore they say it must go" and "You can't just wipe out everything of the GDR!" were indicative of the comments recorded in newspaper interviews and expressed in public meetings ("Nicht alles platt machen, was DDR war" 1993). Federal planners tried to keep the Palast debate focused on the technical issue of asbestos contamination, but many in the East questioned whether clean-up estimates were accurate, and whether a greater effort would not be made to save a similarly contaminated structure in the West. In fact, in 1994 significant levels of asbestos were indeed discovered in the International Congress Center, the enormous West Berlin convention hall built with much fanfare and federal aid in the late 1970s. Since then, there has been less talk about demolishing the Palast, and more discussion of innovative asbestos removal techniques that might make the clean-up of both the Palast and the International Congress Center more cost-effective than had previously been allowed ("Bis aufs Skelett 1994; Lautenschläger 1994).

Further complicating the debate over the Palast has been an initiative calling for the rebuilding of the former City Palace (*Stadtschloß*), damaged by World War II bombs and finally demolished by SED renewal policies, in its original spot, or at least for the reconstruction of its baroque facade (Fest 1991). Some *Stadtschloß* advocates have based their arguments on historic preservation grounds, claiming that the city fabric misses its historic central point. More frequently these preservationists mix city planning with ideological arguments, claiming that the demolition of the Palast to restore the *Stadtschloß* would represent a dramatic dismissal of socialism, just as the demolition of the *Stadtschloß* and later construction of the Palast had been intended as a gesture of disrespect for earlier German regimes. To conservative author and architectural critic Wolf Jobst Siedler, Berlin without the traditional palace was a city

without a point of orientation, and the rebuilding of the *Stadtschloß* is a "national obligation...a question of this nature should never be decided with an adding machine!" (Kuhlbrodt 1993).

To try to win Berliners over to this idea, its advocates erected 100 meter wide and 31 meter high Palace facade, painted on canvas and draped over a steel frame, with a large adjoining mirror to give the facade the appearance of being as large as the original *Stadtschloß*. Erected in the summer of 1993, the DM 4 million costs were underwritten by corporate sponsors, including several local newspapers. An exhibit on the area's history inside the tent-like structure was intended to inform the public as well as raise funds to help defray the costs. The project's sponsors were not above departing from historical accuracy in order to win more support: although the facade of the original *Stadtschloß* was the same dull gray of most Berlin buildings, the imitation facade was a striking gold-yellow, chosen because it was an attractive summer color. The construction of the facade was certainly an imaginative way to shape a debate that was otherwise too abstract to capture the imagination of anyone but the experts, but it's not clear whether the project actually won any converts to the *Stadtschloß* cause. Although Urban Development Senator Hassemer declared himself impressed with the pro-Palace activists, the Bundestag member most involved in the capital city plans worried that the rebuilding plans would make Germans an international laughing stock as they sought to return to the "good old days" of Prussian authoritarianism (Kuhlbrodt 1993).

Conflict over the fate of the historic central site of Berlin has thus emerged as a highly charged debate between competing political ideologies and interpretations of the past. The threatened demolition of the Palast has angered some East Berliners, who see an attack on the building's legitimacy and its aesthetic merits as an attack on the legacy

of the GDR. The Party of Democratic Socialism, with its very strong base in Berlin, has mobilized around the threatened demolition, organizing protests and using slogans such as "What has been built by the peoples' hands should belong to the people" to highlight the undemocratic way in which planning decisions were made ("Mehr als zweitausend Berliner demonstrieren für den Palast" 1993). They have been joined by the *Verein Stadtzentrum e. V.*, an association of citizens groups representing inner city neighborhoods. Informational meetings and panels held in the ensuing months all revealed widespread unhappiness with the planned demolition, at least among those in attendance.²²

Alexanderplatz, further discussed in chapter six, represents another important GDR architectural legacy. The catalyst for the post-socialist restructuring of "Alex" is not Capital, but capitalist planning. But the reaction of area residents to the current redevelopment plans, and the mobilization against dramatic changes to the Alexanderplatz area, suggest that, as in the case of the Palast, current plans are seen as an unwarranted attack on the socialist city.²³ A survey in Spring 1993 indicated that only 12% of East Berliners supported the Palast demolition, and 2,000 people demonstrated in favor of renovating the doomed structure. The public hearings on the Alexanderplatz redevelopment have attracted hundreds of people, all of whom (at least the vocal ones) appear to be critical of current plans. Some 800 people voluntarily filled out questionnaires about the competition entries; 62% disliked the plans chosen by the jury (Senatsverwaltung für Stadtentwicklung und Umweltschutz 1993b). The Party of Democratic Socialism has highlighted the symbolic importance of both the Palast and Alex in organizing local people against their destruction.

²²"PDS und City-Verein gegen Palast Abriß" (1993) notes that "at all the public sessions to discuss this theme, there was clear support for the preservation of the Palast and its use for public purposes."

²³There are also many "Wessis" opposed to these two initiatives. Many with little affection for the Palast are still opposed to plans to locate the Foreign Ministry at this site, and there are opponents of both the planning process and its results at Alex who never lived in East Germany.

Ambivalence is probably the term that best captures the attitudes of most East Berliners to many socialist landmarks. On the one hand, even East Berliners who can look critically at the GDR legacy resent having their landmarks discredited by West Berliners whose city is hardly known for its architectural significance. For instance, at one of the many public fora held in spring and summer of 1993 as plans for the Palast demolition and Alex rebuilding were made known, the architectural critic Dieter Hoffmann-Axthelm raised his complaints about the poor design of Alexanderplatz, prompting the Mayor of *Bezirk Mitte* to list the many poorly conceived points of West Berlin. "How lively is Ernst Reuter Platz?", he asked. "You just can't claim that all the sins are on our side."²⁴

On the other hand, few care to claim that these landmarks are without flaws. Although the PDS today celebrates the Palast as a "peoples" building, at the time it was constructed it was greeted with some skepticism, as construction workers and materials from all over the GDR were diverted and all but emergency repairs delayed in order to complete the building in time for the Party congress. And while East Berliners proudly took visitors, including those from the West, to the Palast's restaurants, bowling alleys and art galleries the long waiting lists for all of these offerings made spontaneous enjoyment impossible (Heinke 1993). Only 9% of those responding to the Alexanderplatz questionnaire mentioned the area's significance as a symbol of the GDR as justification for its preservation, and those opposing the demolition of the Palast generally describe memories of concerts or family gatherings rather than political identification with its builders. Nonetheless even those with weak attachment to the former GDR authorities are unsettled by the rapid changes

²⁴Comments recorded by author at conference entitled, "Wem gehört die Mitte der Stadt?", 9 May 1993, Humboldt University, Berlin.

proposed to their built environment. There are complaints about a planning process that fails to consult those who live and work in the area, (although the GDR was hardly known for its participatory urban policies); in the case of Alexanderplatz, many residents can't understand why private investors should play a role in determining what gets built ("Krone im Osten" 1994). Opposition to the transformation of the socialist built environment is, however, most fueled by the resentment felt by many East Germans over the heavy-handed way in which West German planners have dismissed their symbols as second-rate and unworthy of preservation. The unfolding of these confrontations highlight the emotional and political difficulties of both reunification and "post socialism".

Part 2: Planning the Capital City

One of the several forces shaping Berlin's planning politics is the anticipated move of the national seat of government to the city. To call Berlin Germany's new capital would not be historically accurate: Berlin has been the capital city, first of Prussia and then of Germany, from the beginning. During the Cold War period East Berlin remained the capital of the German Democratic Republic, while the position of West Berlin within West Germany was more obscure: Berlin was never officially abandoned as the national capital even as the government was seated in Bonn. A 1949 Bundestag statement made it clear that Bonn was merely a provisional government seat, declaring "The leading organs of the Republic will relocate to the capital Berlin as soon as general, free, fair, secret and direct elections are implemented in Berlin and in the Soviet Occupation Zone."

Debate Over the Capital

But forty years passed before such free elections were held and unification was completed. As unification became a reality and the issue of where to seat the national government arose, strong constituencies in favor of keeping the capital in Bonn, as well as those promoting a move to Berlin, emerged. East and West German negotiators skirted the issue in the course of drawing up the unification treaty, stating "The capital of Germany is Berlin -- the question of the seat of government will be decided after unification." It was thus left to the first post-unification parliament to determine the location of the official capital.

The debates surrounding this question addressed issues both symbolic and mundane. (Häußermann and Siebel 1991; Häußermann and Strom 1994). Bonn supporters were likely to point out that the most unhappy chapters of German history have been played out in Berlin. Since, in spite of the vast amounts of building planned for the organs of government, buildings of the Kaiser Reich, the Third Reich and the German Democratic Republic will be among those accommodating national civil servants, the legacy of these former regimes will have a concrete presence. Bonn was a symbolic *tabula rasa* when the government settled there in 1949; its main historical association is as the home of Germany's first successful democratic government. Why, ask Bonn's supporters, tamper with success?

But Berlin supporters had their historical claims as well. West Berlin is the city that held out during a 14 month Soviet blockade, and that kept the faith on the front lines of the Cold War. Berlin's historical negatives are seen as positives by some of the city's supporters. Not all former GDR citizens consider their socialist past as something to be cast off. Even those East Germans with little sympathy for their former rulers feel some sense of identification with the built environment of the socialist capital. Finally there are many Germans who don't believe that the failures

of past regimes are avoided by retreating to neutral ground. Supporters of Berlin claimed that a cosmopolitan environment better nurtures the political culture, emphasizing Berlin's cultural richness and social diversity, and its attractiveness to the elite of all sectors (von Beyme 1991b). Social diversity, of course, is not universally recognized as an advantage: some of Berlin's neighborhoods have a foreign, exotic feel that to some makes the city inappropriate as the symbol of Germany and to others makes it the ideal capital. Since the days of the student movement of 1968, moreover, Berlin has been the home of various radical groups, epitomized today in a left-anarchist "scene". For many West Germans Berlin is typified by the annual May 1 demonstrations that routinely result in a cloud of flying rocks and tear gas. Some have argued that the presence of this diversity will put political elites more in touch with everyday life. It seems just as likely, however, that the heightened security and higher rents of the Hauptstadt will raise the cost of dissent, thus diminishing the city's diversity.

Although discussions of historical legacies and urban ambiance dominated the press during this period, in fact at the heart of the Bonn-Berlin contest was nothing more than traditional regional politics played out on a national stage. Bonn officials estimate that some 100,000 jobs are directly generated by the seat of government (Stadt Bonn, 1990), and the usual place-based interests -- public officials, property owners, retailers and unions-- from the two regions have fought hard for this prize. Officials from the Bonn region have predicted a structural catastrophe should the government seat relocate; Berlin advocates claim that the move would be a much-needed boost for the depressed economy of the country's east.

Such regional interests, along with generational splits best explain Berlin's 18 vote victory over Bonn in the June 1991 parliamentary vote. The major parties took the

unusual step of releasing their members to vote as they wished on this issue, giving non-party considerations greater weight than they would ordinarily have. The representatives from the populous state of Nordrhein Westphalen, in which Bonn is situated, naturally favored the status quo, and representatives of some of the smaller western states joined them either out of cost concerns or to avoid an eastward shift of the political center of gravity. On the other hand, newly elected eastern delegates from all parties favored Berlin. The majority of younger Bundestag members, who had grown up with Bonn as the capital, voted against Berlin, while their older colleagues voted for the move. Since a narrow majority of members of the West German parties voted for Bonn, one can credit the PDS fraction, in parliament only because the usual five percent requirement had been suspended, with providing the votes for Berlin.

The vote did not end discussion; it simply shifted the contest to a different arena, as opponents of the move focused on the many practical reasons to delay implementation of the decision. The enormous expenses involved in moving a capital are daunting, and when the Federal Building Ministry published cost estimates of DM 20 billion just in development costs (Sebald, 1994) at a time when taxes were increasing and public services threatened with reductions, many Germans otherwise neutral on this question quickly turned into Bonn supporters. Publicizing these staggering figures has, of course, been one of the tactics of the move's opponents. The federal bureaucrats planning the move are by and large not neutral functionaries; rather they are people who have lived in Bonn for many years, who have raised families and bought homes in the area, and whose union is one of the most outspoken lobby groups against the move. Delay was seen as a clever political strategy: if firm building commitments in Berlin could have been avoided before the 1994 national

elections, a newly elected Bundestag might have been persuaded to reconsider the issue.

Sensing their vulnerability, Berlin supporters, especially those with large investments in the city, went on the offensive. Many foreign investors came to Berlin anticipating the demand for offices expected to be generated by the many organizations and business service firms associated with the federal government. As the implementation of the move appeared to stall, investors became restive. Sony put off the planned groundbreaking for its European headquarters at Potsdamer Platz for several years, grumbling that without the capital functions Berlin is "really just a provincial town", and the American developers of an office complex at the former Checkpoint Charlie have threatened to sue the federal government for breach of contract if the move is not carried out in the originally announced time frame. Berlin-based businesses and property developers also joined forces to expedite the move of the capital. Forming the "Berlin 1998" initiative, named for the year in which the parliament was initially supposed to complete its move, they used lobbying and publicity tactics to make their case. Thirty-five large businesses signed an open letter to Chancellor Kohl and took out a full-page ad in major national newspapers seeking more "clarity, unequivocalness, and commitment" in expediting plans for the new capital ("Berlin: Spirale nach unten" 1993). A German developer challenged the cost assumptions that were the justification for delaying the move, claiming that he could build the needed facilities for half of the 17,000 DM per square meter budgeted by the Federal Building Ministry, and a construction company offered to provide cranes for the replacement of the Reichstag roof, all with the goal of reducing cost estimates and hence speeding up the move (Lambrecht 1993b).

The Berlin media were hardly neutral in this debate; both publicly-owned television and radio stations and privately owned newspapers had much to gain from the move of the seat of government. They reported regularly on decisions regarding the capital relocation, seeking to portray the Bonn bureaucrats as self-serving nay-sayers hiding behind inflated numbers as they worked quietly to circumvent the will of the majority, a portrayal that served to obscure the real discord among political elites. The *Berliner Zeitung*, for instance, gave front-page coverage to a proposed relocation benefits package for the 7-8,000 highest-ranking federal officials. The package included five year's worth of rent subsidies, travel reimbursements, and even private tutoring for children that totaled DM 160,750 per employee ("Bonn plant Luxus-Umzug" 1993). The next week an embarrassed Domestic Affairs Ministry spokesman said the proposal had been dropped until a more precise date for the move was agreed on.

Not until early 1994 did the governing parties clearly state their intention carry out the relocation of the capital by 1998-2000, several years behind the schedule they had originally set in 1991. By Spring 1995 the relocation plans were firm enough to prompt a number of foreign governments to begin plans for their new embassies (many build on the sites of their former, pre-Cold War embassies) and trade associations to consider sites for their national headquarters (Nawrocki 1995).

The Planning Process

Although the drawn-out planning process for the government's relocation is in part due to the ambivalence of Bonn bureaucrats, the difficulties of coordinating many decision-making bodies at different levels of government contributed to delays as well. On the federal level the Building Ministry was the lead agency responsible for

physical planning and construction in Berlin, but its work was dependent on the Internal Affairs Ministry (responsible for personnel matters) and the Finance Ministry, which pays the bills. Moreover, each federal ministry slated for relocation had some say in determining its new quarters. Within the Bundestag there were committees involved in planning the areas set aside for the parliament, and of course committees on personnel and budgetary matters were responsible for setting legislative guidelines on their areas. Conflicts were apparent between all these entities, in some cases because leading decision-makers were in favor of staying in Bonn and hoped to delay relocation, and in other cases due to other sources of conflict.

Within the Berlin administration there was consensus over the desirability of the move, but this did not always assure cooperation between agencies as the usual rivalries prevailed. Physical planning for capital facilities was divided between senators in the same manner as other planning tasks. The Senator for Urban Development was responsible for preparing fundamental, long-term guidelines, but it was the Construction Department that prepared the special Development Area regulations for the government center area, as discussed below. Each of these agencies has created a capital planning unit to carry out its work.²⁵ Then, of course, the departments of finance, transportation, culture, and intergovernmental affairs all play a role. Finally, the *Senat* Chancellery, which is the official office of the *Senat* and under the control of the Mayor, has opened its own Capital City office; its head has convened an inter-agency working group to coordinate planning activities, but in so doing he has also inserted himself into the complex decision-making process. As

²⁵The relationship between these agencies is marked by both conflict and cooperation. No doubt many of the planners most involved in this effort have forged productive working relationships, but there signs of conflict between higher officials. A newspaper report claimed that the top bureaucrat in the Urban Development department was suing the Building Department in administrative court over their approval of a Capital City Information Pavillion at Pariser Platz. The official was bringing this suit not in his official capacity, but as a member of a citizen's group. (Schweitzer 1994a).

one federal official complained, "If the Construction Senator offers us a site, the next day we will read in the newspaper that the Finance Senator has sold it or that the Transportation Senator has planned to build a tunnel through it" (quoted in Schweitzer 1994a).

Key decisions about the capital are to be made jointly by the federal government and the city; how this cooperation is to take place is regulated by a contract signed in August 1992 by the Chancellor and the Mayor of Berlin. This contract establishes a Joint Commission (*Gemeinsam Ausschuß*) consisting of equal representation from the Land and the federal government; the Joint Commission meets twice a year and is the ultimate authority in determining general physical planning guidelines. Two aspects of the contract have alarmed those Berliners who fear a loss of local autonomy. First, although the two sides are equally represented in the decision-making body, in cases of conflict it is the federal government's interests that will prevail. In reality, every attempt is made to reach consensus before decisions are announced, and in any case dissensus *within* each government has been great enough on most issues to prevent tense stand-offs between city and federal representatives. According to one Berlin staff member involved in capital city planning, there's an understanding that a federal ministry retains the right to determine its space needs without interference from Berlin, but not to appropriate a specific site unilaterally (Interview). Frequently, when the Joint Committee reaches an impasse, discussions are put on hold while conflicts are resolved on a political level, an effort no doubt facilitated by the shared party membership of the Chancellor and the Mayor, and then staff-level discussions resume.

Secondly, the contract removes the *Bezirke*, which would ordinarily be responsible for final approval of all building plans, from the planning process, and it overrides the

usual process, spelled out in both national and local planning laws, through which citizens participate in building decisions (made possible through special revisions of the *BauGB* and of Berlin's local codes). These changes were carried out both to expedite the process, and to prevent the planning of the national capital from being held hostage to the interests of a particular district (especially a district as politically suspect as *Bezirk Mitte*, discussed in chapter six). When these provisions of the contract were announced the local opposition parties and a CDU association of communal interests spoke out against it, while the Berlin Chamber of Commerce applauded it as an "important signal" that Berlin was serious about promoting more effective organization (Zawatka-Gerlach 1992b).

Certainly the special capital planning rules circumscribe the ability of local interests to shape the planning process. The *Bezirke*, generally the most effective intermediaries for local concerns, no longer have veto or even delaying power, and the threat of appeal to administrative courts has been removed. Even the ability of Berliners to use formal channels of government to influence policy has been diluted, as the *Senat* now represents only half (and the weaker half, officially) of the last instance decision-making body. It would nonetheless be a mistaken to assume that local interests will play no role in determining outcomes. The city's Construction Department has contracted with a coalition of citizens groups to provide ongoing information and consultation services to the residents of the districts most affected by capital planning, and presumably to facilitate their participation as decisions affecting their neighborhoods are made. In each of three specially designated Development Areas a local council has been elected, which has the right to acquire information relating to their area and to voice their concerns within the planning process (although as of this writing these groups don't appear to have been very active). District officials are consulted both informally and formally, and district mayors have been

included in the many architectural competition juries that have chosen designs for capital development sites. Indeed, as plans are now finalized it appears that most of those Bonn-initiated plans most irksome to Berliners have been eliminated -- perhaps more due to fiscal concerns than out of respect for local sensibilities. To claim that districts and organized citizens groups will have absolutely no voice in planning the capital because they've been written out of the legal process is to ignore the realities of the city's politics. But without the legally mandated instruments that have been used to facilitate citizen participation, and without the right to appeal decisions through the administrative court system, the influence possibilities for districts and citizens groups are greatly curtailed (Haüßermann and Strom 1994).

The city has designated the three areas in which government activity will be concentrated as "Development Areas" (*Entwicklungsbereich*) and designated adjacent neighborhoods "Adjustment Areas". These legal designations, like that of urban renewal area, offer the public sector greater planning authority vis a vis private owners. Property sales, major renovations, and long-term contracts require special approval; property values are frozen for a set number of years and a portion of profits recaptured by the city after that time. Condemnation of property not willingly sold by current owners is facilitated. The goal of these measures is to increase the public's leverage in shaping an area that will play a key role in future development, and to prevent private owners from gaining speculative profits as a result of public development measures (Schoen 1992). A private firm has been hired to coordinate the development preparation activities, and a private company has been formed by the federal government to oversee the actual construction work.

The Location of Capital Functions

The *Hauptstadt* functions in Berlin will be housed primarily in three development nodes within the city center, all of which have been sites of central government activity in the past. The area around the Reichstag, today an unimpressive mixture of used car lots, warehouses and open space, will one day be the most symbolically and politically significant. A competition in which 835 architects participated resulted in land use plans for an area that will include a new Chancellor's office and a meeting hall for the Bundesrat, along with offices for Bundestag members and the press. Housing for federal officials may adjoin this area. Subsequent competitions have been held to choose plans for the renovation of the Reichstag (although there is still uncertainty about whether a glass cupola will top the building), the construction of the Chancellor's office, and the construction of Bundestag offices. This is the area in which the most new construction will take place. To the southeast is the second concentration of federal uses, adjoining the rapidly redeveloping business district along Friedrichstraße. Here several ministries will take up residence,²⁶ mostly in existing government buildings. This area has the fewest planning controversies but the most residents: 6,280 people live in newly constructed apartments built in the last days of the GDR.

At the eastern end of the center, just south of Alexanderplatz, is the Spree Island, former location of the City Palace and currently occupied by the Palast der Republik and as well as the GDR Foreign Ministry and Cabinet Building. This area is to become home to the large Foreign and Internal Affairs Ministries, with an associated conference center. This is the area in which conflicts have been most acute. It housed

²⁶Currently 8 of the 20 federal ministries are scheduled to remain in Bonn, part of the effort to minimize the negative impact of the move on that city. These eight will have some presence in Berlin. The fear of Bonn advocates is that once the main organs of government have moved, even those remaining agencies will shift as much of their operations to Berlin as well, since no one will want to be located away from the center of decision-making.

the government center of the GDR, and therefore today features conflicts over the retention of official GDR buildings. Secondly, the ministries slated to locate here have the highest security needs. Whereas local residents are most likely to see this area as part of the city's public realm, Bonn planners are here most concerned with isolating governmental from urban functions.

An open competition was held to solicit plan for this area under perhaps impossible conditions. Unable to arrive at political solutions for the acknowledged traditional city center, federal and city officials hoped that some of the competing architects would come up with technical solutions that would somehow bring together the many conflicting visions. The competition guidelines specified the demolition of the Palast and made optional the demolition of other GDR-era government buildings; architects were to create new buildings for the Foreign and Internal Affairs ministries and other public facilities and infrastructure as needed. The guidelines were frustratingly vague on how to deal with some of the most contentious parts of the area. For instance the instructions for the Marx-Engels Forum, a popular park area adjoining the Palast, were "This significant area should not be the exclusive province of any one party, whether they represent residents, politicians or cultural uses. All should be included here" (Quoted in Reinsch 1994, 16).

It's not surprising, given these unrealistic expectations, that critics would be disappointed with the results of this large event in which 1105 architects ultimately participated (Reinsch 1994, 16). Furthermore, virtually all the conditions under which the competition had taken place were changing as it occurred, rendering even the winning plans mostly obsolete before they were even displayed. In the winter of 1994, as the competition finalists were submitting their detailed plans, federal budget planners were persuading the various federal ministries to reduce their estimated

space needs; it was agreed that total costs for the move would be kept within DM 20 billion, of which DM 7 billion was set aside for construction costs. Ministries found that they could be comfortably relocated in existing buildings, and neither federal nor local planners remained convinced that the demolition of the Palast, which would have been an expensive undertaking, was necessary.

As things currently stand, federal functions will now be relocated to existing government buildings throughout the city, but concentrated in the center. The only new construction will be for Bundestag offices and the Chancellor's office, with more renovations and building extensions contemplated for some ministries. The planning for the *Hauptstadt* concerns neighborhoods beyond the city center as well. A few agencies will be located beyond these officially designated areas, and transportation plans to facilitate movement into the center have over-regional importance. Sites for housing are being sought throughout the city, and the thousands of apartments vacated by departing allied troops are being held for relocating Bonn officials, to the displeasure of housing-strapped Berliners.

Who will the *Hauptstadt* serve? Ongoing controversies of capital city planning

Beyond the world of politicians and investors, Berliners seem to be ambivalent about the plans for the capital. Perhaps the prospect of becoming the world's largest construction site for the next ten years is daunting; perhaps the disappointment over the results of unification, felt by both West and East Berliners, has made it clear that the winning of the seat of government brings burdens as well as benefits. West Berlin had, after all, attracted people who didn't want to live in the economic mainstream; the attitudes of East Berliners are even more complex. On the one hand there was strong support for Berlin as capital city among those in the east. Berlin had always

been their capital, and for the national government to move east gave former GDR citizens, for whom unification had meant adopting western practices in every aspect of their lives, some sense of efficacy. On the other hand, the actual planning for the capital has led to the planned demolition or discrediting of important GDR landmarks, leading some East Germans to resent the "colonization" of their city by West Germany.

Shared by Berliners on both sides of the former wall is the concern that their city, once given over to the needs of *Hauptstadt* planners, will no longer be livable. The ideal city from the point of view of government security and efficiency looks quite different than the ideal of a city resident. Berlin's representatives, in particular its Urban Development and Construction Senators, insist that a vibrant urban center can co-exist with government functions, and use Paris as an example of a capital in which official function and ordinary city activity live happily together.

This is not the vision articulated by the planners in Bonn. They have practical objections: the mixing of uses would be a nightmare for security. But federal officials have also expressed their sense that the major organs of the national government should be set apart from the daily lives of regular people, that their importance requires an appropriately rarefied and dignified setting. The former Federal Building Minister asks rhetorically, "Should the Chancellor govern from atop hat shops and pizzerias?" ("Ein Kapitaler Selbstbetrug" 1993, 48). Chancellor Kohl and his associates have consistently favored the most elaborate (and expensive) designs to symbolize their weightiness and dignity of purpose ²⁷("Wir geben da nicht

²⁷In the competition to choose a renovation scheme for the Reichstag, the winning submissions were among the most dramatic and costly, with cost estimates of nearly 1 billion DM. When asked whether a more modest scheme wouldn't be preferable, a federal official pointed out that the Berlin city council had budgeted 120 million D-marks to repair their new facility, and it would be inappropriate for the national government, in comparison, to do a second-rate job (Hartung, 1993). This yearning for grandeur is not, of course, shared by all government officials, some of whom are far more concerned with its affect on the budget. The CDU's building expert has blamed architects, who hold a majority of

mehr hin", 1992), and have criticized the winning plan for the Reichstag area, much praised for its success in integrating official and unofficial uses, saying "We maintain that the Chancellor's Office, as an organ of the constitution, should receive an appropriate [architectural] emphasis"(Lambrecht, 1993a). Ultimately the area's plans were revised to make the Chancellor's Office more prominent.

The placement of the Foreign Ministry on the site of the Palast der Republik has been a source of particular dismay for many Berliners, even those who favor the Palast's demolition. Requiring 72,000 square meters and constant security, this agency's presence could have a deadening affect on the city's center. The Foreign Minister was very outspoken in demanding a new building in a central location. In the face of criticism of the planned placement of his ministry he announced, "I won't be treated like a doormat!" and threatened to withdraw his support for the move altogether: "If you in Berlin can't deal with our security needs, then we'll just stay in Bonn" (Schweitzer 1993b).

The newest, scaled-down plans for the new seat of government have rendered many of these contests moot. Although much remains to be decided about how security and urban residential needs will be met, most of the demolition and new construction proposals of the earliest government center plans have been shelved; the Foreign Ministry, for instance, will move into existing buildings that are set off from the Palast/Schloß area with a smaller new central building as an addition.

the seats on the competition juries, for favoring plans that will make architectural history without any regard to costs (Kröter, 1993).

Conclusion

This chapter has set down two sets of circumstances that have great impact on urban development and regime formation in Berlin. As the only state to include territory of the former East and West Germanys, Berlin's political life has also been influenced by the course of German reunification. The re-joining of the two Berlins (as well as the two Germanys) resembled the takeover of a bankrupt firm more than the formation of a partnership; nonetheless the legacy of the GDR and its capital city continue to play a role in local policy formation. The treatment of property claims has been among the most significant factors determining the nature of central city development, a point further explored in the following chapter. East Berliners remain politically distinct from their western neighbors (and, interestingly, from other East Germans), and at times they are using their political voice to support the preservation of the built environment of the socialist capital and to question the legitimacy of the capitalist development imperative.

Whether distinctive east and west sensibilities will continue to inform local politics remains to be seen. While on the one hand support for the PDS, with its appeal to a GDR identity, has risen, most in the east have supported western parties, and increasingly one finds east Berliners commuting to jobs and university slots in the west, while westerners seek affordable housing in the east. Visitors to Berlin already comment that it's difficult to discern where the Wall had once been; it's possible that in ten years it will be hard to find evidence of division in the city's political landscape as well.

Whatever the lasting impact of this post-socialist transition, it has raised issues in Berlin that can't be understood as part of the usual dynamic of urban politics, captured

in theories of political economy. The same can be said for the planning for the seat of government. One can analyze the conflicts over the capital as examples of typical local boosterism: certainly local officials and businesses have used traditional means to push their interests, just as they might to attract a large investor or some other kind of federal installation. But the politics of capital planning have included other elements -- from questions of how to confront a nation's history to mundane conflicts among federal ministers -- that must be considered as well. Having won the battle for the seat of government, Berlin's politics and built environment will in the future be shaped by its role as capital: its physical fabric will be altered (although not as dramatically as planners had first envisioned) and its social and political life will be increasingly shaped by those drawn to its capital functions.

Chapter 5:

Capitalist Pressures and Political Responses in the Central City

Although private property owners and real estate professionals had been important actors in shaping Berlin during the *Gründerzeit* and beyond, Cold War Berlin was a city in which the private real estate market was not a driving force on either side of the Wall. The revalorization of Berlin real estate following the breaching of the Wall has been one of the major factors underlying changes in the urban fabric. The competition for central city land has brought new actors into the arena of Berlin planning policy, and redefined relationships among traditional actors.

In this chapter I first describe the new fiscal pressures under which the city operates. The reduction in federal aid at a time of mounting service burdens has led to a sort of austerity politics familiar to residents of cities like New York but unknown to Berliners accustomed to public largesse. The need to balance the city budget with less outside support has led to some immediate, concrete changes in public policy and also challenged an administrative structure and planning politics previously only marginally concerned with the bottom line. The next section reports on the extent of real estate demand in post-1990 Berlin, examining market and public policy factors that have shaped contemporary central city real estate. Part three discusses the builders and developers who have worked in Berlin both before and after the *Wende*, and how they have organized to influence public officials. The final section develops analyzes the forms of conflict and cooperation that characterize Berlin's uncertain, fledgling "public-private partnership." These issues are further explored in chapter six, which presents three case studies of major central city developments.

Part 1: The New Fiscal Crisis

Federal aid had sheltered city officials from recurring fiscal crises, but the structural weaknesses of public finance have become more troubling since reunification. In spite of the short-lived economic boom following the July 1990 currency union, the West Berlin economy has not picked up sufficiently to compensate for the phase-out of federal subsidies, which began soon after reunification. The costs of absorbing East Berlin create an extraordinary strain. Although the federal government must bear the direct costs of unemployment and industrial restructuring in the east, it is the city-state that is responsible for improving the deteriorated infrastructure, absorbing cultural and educational institutions, and supporting the heavily-subsidized housing bureaucracy,¹ just to name a few of its obligations. Eastern districts will continue to incur enormous costs but aren't expected to generate compensating tax revenue in the near future; one projection estimated that the eastern districts would represent a growing burden on the city's fisc reaching 10 billion DM in 1995 (Vesper 1992, 186).

As the drag on the city-state's budget becomes more severe, the uniquely generous federal revenue sharing from which West Berlin had long benefited is disappearing. Following reunification, national officials announced the gradual phasing out of special federal aid. Direct federal aid to Berlin had surpassed DM 15 billion per year in the mid-1980s, representing well over 50% of the budget. The 1994 subsidy of DM 6.1 billion represented just 15% of a much larger budget and in fact the federal government's own fiscal squeeze led to a further trimming of Berlin subsidies by over half a million marks last year. Some of the shortfall has been compensated

¹ German cities are responsible for housing subsidies, and nearly every East German lives in subsidized housing. Basic welfare is also the responsibility of local governments, but most easterners are eligible for unemployment compensation that is the responsibility of the federal government. It's possible that local social service costs in the east will actual rise over the next year or two as people exhaust their federal unemployment benefits and turn to locally supported welfare programs.

through the German Unity Fund, a revenue sharing program encompassing all the new federal states that is supporting approximately 23% of the city's expenditures ("Drastische Kürzung des Bundeshilfe zwingt Berlin zu Ausgabensperre" 1994). 1994 is the last year of both special Berlin budget subsidies and the German Unity Fund; beginning in 1995 Berlin and the rest of the new states will become part of the national fiscal equalization system. Berlin's leaders have postponed feeling the full impact of their reduced means with record borrowing. Public debt tripled between 1989 and 1994 to DM 32 billion, representing DM 12,000 (or \$7,800) per capita ("Drastische Kürzung..." 1994).

This presents an unfamiliar challenge to Berlin's leaders. During the years of division their response to budget problems had been a few symbolic cost-cutting measures and intensive lobbying in Bonn for more aid; now they must seriously consider ways to cut back large bureaucracies and many subsidized social, cultural and educational programs that have become entrenched. Because of its years of division the city now duplicates many cultural and educational functions, but efforts to reduce funding for universities or consolidate theaters and opera houses are very unpopular.

Administrative reform is seen as an important component of budgetary politics: plans to merge with Brandenburg, reduce the number and size of district governments and reduce the size of the *Senat* and Chamber of Deputies have all been proposed as cost-cutting measures. Missing thus far from the budget debate have been the kinds of austerity measures familiar in American cities: there have not been massive lay-offs, although trends toward privatization of some services have continued. Debates about local taxes have not figured in the discussion of the budget, perhaps because a number of taxes or tax rates are nationally determined. Although development projects featuring large local subsidies are no longer seen as feasible, there is no movement toward selling off the holdings of the many quasi-public companies, nor does anyone

endorse massive sale of publicly-owned land to raise money. This is partly a feature of the divided control over public real estate, but it also reflects an unwillingness to make planning policies entirely a function of fiscal exigency.

Part 2: The Berlin Real Estate Market

Real Estate in the Divided City

Real estate development in West Berlin little resembled development in other German or other western capitalist cities. First, West Berlin had, in essence, lost its downtown, as the civic and business centers between Potsdamer Platz and Alexanderplatz were cut off by the division of the city. Berlin had also retained a polycentric character, the legacy of its recent history of annexing surrounding communities. Although the Zoo-Kurfürstendamm area did become a sort of ersatz downtown, the loss of the city's traditional center fed the tendency toward a dispersal of investment and led to fairly uniform land values across the city. This dispersal was abetted by the diffusion of city and federal agencies into clusters throughout the city.

That West Berlin lacked true real estate development hubs was not merely a result of Cold War geographic quirk. As discussed in chapter two, Berlin's economy suffered several simultaneous blows when, in 1945, it lost its capital functions and its hinterland. Subventions supported and ultimately shaped every conceivable economic activity. Developed in the 1960s, when primary (manufacturing) employment was still assumed to be the backbone of any region's economy, the Berlin subsidies were most beneficial to firms turning out light manufactured goods,

such as processed foods and cigarettes, for transport back to West Germany (Campbell 1990).

The Berlin subsidies largely sheltered the city from the shedding of manufacturing activity going on in other advanced metropolitan areas. At the same time, the advanced service sector that has come to lead in other urban economies never took root. Only one of Germany's top corporations remained headquartered in Berlin after the Wall was erected. Others may have kept production facilities in the former capital but their command and control activities, along with the demand for business services these activities generate, were moved elsewhere. As a result, on the eve of reunification the city had an employment structure different than other similarly sized German conurbations (see table 5.1). Business services were relatively underdeveloped in Berlin; the remaining private sector service workers were primarily providers of consumer services. A higher percentage of service workers in Berlin were employed by not-for-profit organizations than in Frankfurt, Hamburg or Munich (Pfeiffer et al 1991).

Table 5.1

Employees in selected economic sectors, per thousand residents, 1987²

	Trade	Transport /Commun- ications	Banking/ Insurance	Services
West Berlin	72	42	8	70
Hamburg	105	60	34	159
Frankfurt	103	52	45	176
Munich	127	125	85	205

²Source: Pfeiffer et al 1991, 40.

With demand so limited, Berlin experienced little of the office construction boom that has, for better or worse, transformed Frankfurt, London, and New York (Dangschat 1993).

Private property ownership was a marginal factor in East Berlin; the state and its agencies enjoyed a near monopoly over non-residential property. As discussed in chapter four, the manner in which this property is administered and disposed of constitutes a major determinant of current planning policies.

In sum, post-unification central city development in the eastern part of Berlin has been influenced by those legacies of socialism that cannot be easily shaped to conform to western, capitalist standards. First, Berlin's eastern "downtown" lacks the infrastructure for a service-based office economy even more dramatically than that of the west. Second, central city real estate at the time of reunification was predominantly in public hands, making public sector land policies a dominant force in inner city development.

After the Wall: Real Estate Development in the new *Hauptstadt*

The Roots of Real Estate Demand

The demand for East Berlin real estate, especially in the city center, manifested itself even before currency union and reunification provided a firm legal basis for real estate transactions. Westerners negotiated lease and intent-to-purchase agreements with private owners, housing company managers, communal officials and SED functionaries -- anyone who might have the authority to lease or sell property --

throughout 1990. (Some transactions were later declared invalid). West Berlin prime rents rose exponentially; property owners saw their portfolio values double overnight ("Das kam für uns goldrichtig" 1992). The intensity of rental demand, especially for prime office space, led observers to refer to a real estate "gold rush" (Müller 1991) in 1990-91. It's harder to get reliable averages for real estate sales prices since there are far fewer transactions and more conditioning variables, but they were also rapidly increasing. According to the *Ring Deutscher Makler*, a real estate industry group, prime industrial land prices rose from DM460 per square meter in 1989 to 1050 in 1992 before falling again to 550 in 1993; prime office land in the Western center is thought to have doubled in value between 1988 and 1992, from DM12,000 - 24,000 per square meter (Jones Lang Wooten 1993).

Table 5. 2

Prime Commerical Rents in West Berlin/Berlin by Sector, 1988-1993³
(DM per square meter per month)

	1988	1989	1990	1991	1992	1993
office	25	40	60	83	80	60
retail	170	230	260	320	320	260
industrial ⁴	---	---	10	11	11	14

The explosive property market that greeted reunification was driven by several kinds of demand. The entire West German economy improved in anticipation of and following reunification, but nowhere as dramatically as in West Berlin. The opening of the Wall alone led to a surge in West Berlin's economic prospects: On November 10, 1989, just hours after the dramatic late-night opening of Berlin border crossings,

³Source: Weatherall Green & Smith 1994.

⁴Prior to 1990 West Berlin industrial properties were almost all owner occupied.

the value of Berliner Bank shares rose 7% and of West Berlin's largest brewery 14% (Schmoll 1990, 676). After the currency union of July 1990, East Germans with Deutschmarks pushed consumer demand, and the employment data for West Berlin through 1992 show net employment gains in all sectors. Manufacturing employment, which had declined steadily through the 1970s and 1980s, surged briefly, and service employment increased significantly on both sides of the city. These gains helped dampen the job losses in the crumbling eastern manufacturing economy, as an estimated 200,000 workers from East Berlin and surrounding Brandenburg commuted to jobs in the west (Neubauer 1995a). ⁵ Even those in the east who were unable to find employment were still participating in the consumer economy: in 1992 there were some 75,000 people receiving stipends for retraining or participating in public works projects, and another 98,000 were receiving federal unemployment benefits (see table 5.3).

⁵ By March 1995, unemployment rates in western districts were higher than those in the east. This is in part a result of the strong safety net of employment programs that continued to keep easterners out of official unemployment statistics. In addition, western employers expressed a preference for eastern workers. One may speculate that Berlin's large foreign worker population was the biggest loser; their employment rates declined faster than those of other West Berliners.

Table 5.3

Employment in East and West Berlin, 1990-1993⁶

	1990		1991		1992		1993	
	East	West	East	West	East	West	East	West
Total employed (in 000s)	762.0	974.8	627.8	1039.5	525.5	1065.7	541.7	1060.4
% Manuf.	31.5	30.1	29.6	29.2	25.9	28.2	24.1	26.5
% Trade & Transport	21.6	19.4	23.7	20.0	20.1	20.3	19.1	20.5
% Services	14.7	22.7	18.6	23.9	22.1	25.1	23.6	26.4
% Public and nonprofit	31.9	27.2	27.6	26.3	31.5	25.7	32.7	25.9
Forced part-time ⁷	NA	3,047	70,186	3,462	11,116	6,582	5,091	10,107
ABM ⁸	NA	6,202	6,942	6,431	27,226	6,400	20,087	4,598
Retraining ⁹	NA	11,982	68,491	11,941	48,912	9,570	14,855	8,719
Unemployed	NA	90,193	87,045	92,908	98,022	109,037	83,040	120,884

⁶Source: Statistisches Landesamt Berlin, *Der kleine Berlin Statistik 1992, 1993, 1994*; author's calculations.

⁷*Kurzarbeiter* are officially those involuntarily working less than full-time. In reality, especially in East Germany, many so-called *Kurzarbeiter* actually aren't working at all; they are put in this category, which carries with it government unemployment benefits, as a way to prolong their eligibility for federal assistance.

⁸*Arbeitsbeschäftigungsmaßnahmen* (ABM) are public work positions, in government agencies and nonprofit organizations, created to provide temporary employment.

⁹Refers to people engaged in official, federally supported retraining programs.

In light of this economic surge Berlin businesses were growing, leading to new demand for real estate. According to one real estate analyst, 40% of the demand for office space in Berlin came from local companies looking to expand (Müller 1991). In addition, a Berlin location appeared attractive to all kinds of businesses never before interested in the walled city. Firms from West Germany and beyond, particularly those providing consumer and business services, sought Berlin offices. The major German banks, previously excluded from doing business in West Berlin, were quick to establish a presence, and some 50 international banks, according to a banking specialist in the city's Department of Economics and Technology, opened offices in the city, the prelude to establishing official branches under German law (Interview). The Berlin Economic Development Corporation, the city-state's economic development agency, reported that 119 new businesses with over 8,000 employees settled in Berlin just in the first half of 1992; two-thirds of these businesses were in the service sector ("Ausländer haben mehr Interesse an Berlin" 1992).¹⁰ The expected real estate boom itself generated demand, as international legal and brokerage firms specializing in property transactions also required office accommodations. Some companies decided to locate regional or divisional headquarters in Berlin, which often involved buying land and building new office space, as current supply was inadequate. Most prominently, Daimler Benz decided to locate their new service division, Debis, in Berlin, and Sony to build a new European headquarters next door. Both firms were sold large pieces of the now centrally-located Potsdamer Platz at below-market prices to realize their goal.

Finally, a demand emerged for speculatively developed office and retail space.

Speculative development was new for Berlin, where only an estimated 40,000 square

¹⁰ The BEDC concedes, however, that not all of these firms represent new employment, since take-overs of existing firms, such as those marketed by the Treuhand, are counted as well.

meters of speculative office space was developed each year in the late 1980s (compared to 250,000 square meters in the much smaller city of Frankfurt) (Interview). Indeed, speculative development has been less common throughout Germany than in the US and the UK. German real estate, compared to Anglo-American practice, had remained conservative for several reasons. First, owner occupancy has in the past been the rule for larger German firms; even today 44% of office space in Germany is owner-occupied (Grillo 1991). Real estate professionals note the preference of German businesses for owning their own space as a cultural peculiarity, but in fact depreciation allowances make ownership financially attractive. Second, the German finance system has discouraged speculative building. Banks typically demand loan-to-value ratios of 60%, thus requiring substantial equity contributions, and lenders have legal recourse to the borrower, which means that a speculative developer could be ruined if a single project were to fail (Goodman and Nienaber 1992). Finally, the structure of the German real estate and banking industries makes speculation less common: there are far fewer developers than in the US or the UK and they are unlikely to raise money through public offerings. The situation that pushes speculative building in these other countries -- cash rich real estate professionals who need to keep working -- is largely absent in Germany. Banks have longer-term and closer relationships with their clients, at times taking an equity position themselves in projects;¹¹ there's less chance that banks will be caught throwing money at shaky projects given their familiarity with the market.¹²

¹¹This practice characterizes all of German industry, and is well described in Hall 1986.

¹²The bankruptcy of the Schneider real estate firm last year (and the disappearance of its owner, who was discovered in Miami where he is now fighting extradition) reveals that even close cooperation between developers and bankers can't assure sound real estate investment practices. Schneider's major creditor, Deutsche Bank, claims that the developer duped the bank with falsified cost projections, while others claim that Deutsche Bank's long relationship with Schneider lulled them into negligence, allowing questionable projects to go forward. No doubt the repercussions of this spectacular failure will make banks even more cautious ("Immer Volle Pulle" 1994).

The "gold rush" mentality, however, has made speculative development a key component of Berlin's transformation. The early euphoria of reunification attracted many French, American and British investors and developers who had never been active in Germany before, as well as large investment funds from West Germany. They have been willing to pay exorbitant prices for the prestige of building in the center of the new capital. Local builders have been either unwilling or unable to compete in such a high-stakes market. As a result, the eastern center of Berlin is dominated by foreign, speculative developers, a situation not found in any other German city, where German investors are in the majority (Interview). In part the attraction of foreign investors to Berlin can be explained by the downturn in other real estate markets in the early 1990s: Berlin blossomed just as other investment opportunities soured. But there must also be a psychological component to this attraction: foreign investors unfamiliar with Germany's polycentric system of cities were drawn to what they hoped would quickly become a real capital.

Moreover, the lines between own-use builders and speculative developers have been blurred, as companies constructing their own headquarters are adding additional rental space. The three conglomerates building at Potsdamer Platz -- Daimler-Benz, Sony and Asea Brown Boveri -- have all formed development subsidiaries: Sony has teamed up with American-based developer Gerald Hines and ABB with the West German Roland Ernst to develop and rent out their speculative projects.

As a result of this building boom the supply of office space today exceeds demand. A 1993 government report found 9.7 million square meters of planned office space on record, although only 2 million square meters had received approvals; most projects were still early in the conception stage, with expected completion dates toward the end of the decade (Senatsverwaltung für Stadtentwicklung und Umweltschutz 1993a).

In the meantime, the euphoric projections of 1991-2 have proven false. Germany has been in the throes of deep recession, with the eastern states, whose growth is essential for the future of Berlin, suffering double-digit unemployment. (See table 5.3 for figures on Berlin unemployment). Even with the move of the capital preceding according to schedule, a recent economic study claims that Berlin will not reach the level of service employment found in other large German cities before 2010 (Schönball 1994). This doesn't bode well for the many office projects scheduled to reach the market in the next four or five years. With the take-up for office space is not expected to exceed 250,000 square meters a year (Weatherall Green & Smith 1994), experts predict a glut of prime office space and continued decline in rental rates, which may lead to bankruptcies for those projects built on very expensive land or in marginal locations. The same newspaper and magazine columns that had reported the unlimited boom of Berlin real estate in 1992 were using equally dramatic figures to describe the collapse of demand by 1995. Recent surveys report that average office rents in Berlin fell an additional 30% from 1993-1994 ("Büromieten: Trendwende in den Großstädten" 1995), as 300,000 square meters of office space sat vacant (Hamm 1995).

Public Policy and Real Estate Demand

The initial rush to locate in Berlin was in part driven by the desire of firms to participate in what would become a growing market for consumer and business services; Berlin was well-positioned to serve not only eastern Germany but the rest of Eastern Europe as well. No doubt for many firms, however, public policy decisions were important considerations as well. To increase investment in Eastern Germany, the federal government offered an array of subsidies. Most significant for the real estate sector is the 50% tax write-off for investment costs on any commercial or

residential development, a benefit available through 1996 (Senatsverwaltung für Wirtschaft und Technologie 1993). This tax allowance has increased the popularity of investment funds through which high-income individuals can reduce their tax burden by investing in real estate projects throughout the former East Germany and Berlin -- an estimated DM4 billion was invested in 1992 and DM 9 billion in 1994 through such funds (Hamm 1995, 99). These generous tax write-offs, which top any similar tax subsidy programs offered by the Federal Republic, have contributed to the speculative building boom in the new states. Critics maintain that too many projects built with these funds are over-priced and poorly conceived, as their developers and investors are more intent on benefiting from the tax breaks than designing marketable projects ("Die Gier frisst das Hirn" 1994). As projects throughout the eastern states fail to meet rent projections in a slumping market, many investors are finding themselves in financial difficulty (Hamm 1995, 102).

Of even greater interest to many corporate planners and real estate investors than public subsidies was the question of the location of the national capital (see chapter four). Not only would government ministries themselves occupy some 800,000 square meters of space: capital cities are the logical gathering points for political parties, interest groups and trade associations for which contact with the government is essential, an estimated 100,000 office jobs (Stadt Bonn 1990). For example, the peak association of German industry, the BDI, announced their plans to move to Berlin just weeks after the Bundestag vote was taken, saying "we follow the government"; it thus became likely that associations representing each of the industrial sectors would move as well.¹³ It was in anticipation of this demand that

¹³Not all industrial groups, however, are located in the capital; those with regionally concentrated memberships tend to locate near production facilities, such as the Chemical Industry Association situated in Frankfurt near the major chemical firms (Stimpel 1991).

many developers came to Berlin, and they have engaged in informal and formal lobbying efforts to accelerate the move of key government organs.

Part 3: Organization of Real Estate Development

Berlin's increased attractiveness as an investment site created conditions for new forms of urban development. Whether and how this development would in fact take place was dependent on the organization and capacity of those public and private sector entities ultimately responsible for raising capital, making and approving building plans, and erecting buildings. This section examines the Berlin building sector to clarify its role in the physical restructuring of central city Berlin, and more broadly to understand its participation in the politics of development.

Berlin Builders

The West Berlin development sector was shaped by several decades of subsidy and shelter from market winds. There was a building industry in West Berlin, but it was oriented toward the construction of a subsidized product under conditions of low competition. Speculative commercial development undertaken by well-capitalized and internationally renown developers was not a feature of this landscape. Housing construction was the mainstay of the Berlin building industry, and the lion's share of all new housing was subsidized. Benefiting from federal tax write-offs as well as generous local incentives, the construction of social housing offered a relatively risk-free opportunity for those with the patience and connections to secure the necessary public approvals.¹⁴ Builders were adept at using their party ties to insure good access to the decision-makers who gave out lucrative housing construction opportunities. A

¹⁴ As an example of the economics of social housing production, a 1980 project produced rents of DM 28 per square meter; this was subsidized down to DM 5.24 ("Durchlöcherter Schlange" 1980, 265).

recent newspaper profile, reporting glowingly on the career of local real estate developer Gert Ellinghaus, offers some insight into the nature of the Berlin development community. The article treats Ellinghaus' rapid ascension to prominence in the Berlin building sector as the story of a pioneering entrepreneur who left a comfortable job with the state-owned television station to seek his fortune. It is clear, however, that this CDU party member received a number of safe and lucrative public contracts: the *Senat* hired him to build housing for refugees and then awarded him contracts for social housing projects, thus assuring him access to credit and enabling him to develop a track record that allowed him to tackle riskier projects (van Lessen 1994). It was Ellinghaus, in fact, who hired former mayor and SPD leader Walter Momper after his 1990 electoral defeat, thus ensuring the firm entree into Social Democratic circles as well.

Even the modest amount of commercial space that was produced before reunification, most of it near the Zoo, benefited from public loans and loan guarantees and generous depreciation provisions. Under these circumstances it's not surprising that construction costs in Berlin have traditionally been 15 - 25% higher than elsewhere in Germany (Hohensee 1993), a differential only partially explained by the city's physical isolation, and one that has barely begun to erode now that the Wall has fallen. No Berlin builder failed to exhaust the maximum construction budget allowed under the publicly-funded housing construction program, and the Housing Credit Agency (Wohnungsbau-Kreditanstalt, or WBK), a public agency that acted as a conduit for subsidy funds and was notoriously lax in scrutinizing builders' spread sheets, in part explaining the high costs found in Berlin ("Brisanter Brief an Diepgen über Baupraxis in Berlin" 1986).

As described in chapter two, the close ties between builders, credit institutions and politicians spilled over into numerous, politically debilitating scandals, which almost always centered around building projects. One is less likely to find the "revolving door", in which public officials move on to jobs with private development interests, in Berlin than in US cities (although the occasional former building official can be found among local builders, and, as mentioned above, the last Social Democratic mayor was hired by the Ellinghaus firm). Rather, connections between public and private in the area of development are more institutionally grounded, in part cemented by party ties and in part bolstered by the numerous quasi-public institutions that offer a smooth link between profit-oriented investor and public official. Indeed, in many areas the lines between public and private actors is so blurred that talk of a "partnership" between the two sectors understates the degree of cooperation. The alphabet soup of limited-dividend housing companies, some owned by the state and some by nonprofit organizations, in practice behave just like the private housing developers, all relying on the same sources of finance (including subsidized capital processed through the above-mentioned WBK) and forming successful political alliances on most policy issues.¹⁵ Berlin banks ranged from the wholly state-owned (e.g. Landesbank Berlin) to the officially private but in reality majority state-owned (the Berliner Bank). The boards of directors of these institutions consisted of public officials, party leaders and local business people, leading to a further blending of public and private interests.

With little outside investment pressure it was easy for the Berlin building community to develop strong internal ties, with connections at the informal, "*Stammtisch*" level as well as the more institutionalized interest group level. The major political parties all have special working groups in various policy areas; those of the CDU, FDP and SPD

¹⁵The city-owned companies received more favored treatment under SPD regimes, and one of the points of contention between the SPD and the CDU has been whether city-owned land should be allocated exclusively to public housing developers.

dealing with housing and building became meeting places for members of the building sector. Like all Berlin businesses they were members of the IHK; the Chamber's Committee on City Development consists of real estate professionals, who can benefit from the IHK's quasi-insider status in many policy discussions. Both before and after the *Wende* Berlin's builders have been represented by the 200-member State Association of Independent Housing Developers (Landesverband Freier Wohnungsunternehmen, or LFW), the Berlin (and now Berlin/Brandenburg) chapter of a national interest group. Although one member, whose portfolio includes several commercial projects, cautioned that the group's name was misleading, in fact it is apt that Berlin's development interests should be organized into a housing group, since housing construction has so dominated their work. The LFW has acted as a typical lobbying group, able to count on its members' good ties to the three mainstream parties to increase its leverage. The group has also sponsored several publicity campaigns aimed at improving the overall building climate in the city during times when environmental protection and anti-growth sentiments were especially prominent. One such campaign is currently underway, designed to highlight the importance of new development and counteract Berliner's weariness with construction inconveniences. In most of its initiatives the LFW's closest ally has been their nonprofit counterpart, the association representing the interests of the major limited dividend (mostly publicly-owned) housing developers (Interview). The close working relationship between these two associations is further indication of the continuum between private, quasi public and public that marked the politics of development in Berlin.

The Newcomers: West German and Foreign Developers

Local Berlin builders probably enjoy better relations today with their nonprofit counterparts than they do with the large, international investors who came to the city after 1990. It's perhaps inevitable that those who had monopolized the Berlin building scene for so long should feel a bit resentful of their new, heavy-hitting competitors. "It's only natural that the home team seeks to preserve its advantage" notes one observer (Interview); if the Berlin builders were once the proverbial big fish in an artificially contained pond, they suddenly find themselves swimming in open waters, although no doubt consoled by the fact that the new environment is a far more profitable one for everyone. In fact, the paths of the old and new seldom cross: to long-time Berliners the city's center remains the Kurfürstendamm, and in the early years after reunification few local builders could be found in the hottest areas east of the former border.¹⁶ International observers see this reticence as indication that the local builders were too small to become players in a genuinely competitive environment (Interview). Berlin developers insist that they're merely clever enough to avoid wildly overvalued properties and are patiently waiting to pick up more reasonably-priced properties when the parvenus flee the inevitably falling market (Interviews). On only rare occasions does one note an overt clash of interests. For example, as commercially-oriented newcomers have fought to reduce or eliminate bothersome city housing requirements, the LFW has publicly supported minimum housing requirements in the central city and questioned newcomer claims that such mixed use projects are technically problematic (Volger 1993).

¹⁶There are notable exceptions: The Klingbeil Group, having purchased the East German Interhotel chain, became owner of some prime East Berlin real estate. Berlin builders were among those chosen by the East Berlin *Magistrat* to develop shopping centers in the *Plattenbau* settlements of Marzahn and Hellersdorf, and they have also won development rights for new housing districts on the city's northeast edge.

The newcomers to Berlin development, with their stress on speculative office development, thus represent new forms of real estate activity as well as a different business philosophy. These rifts are further reflected in political organization. Newcomers have largely shunned the chief professional organs of the old Berlin elite. Although the director of the LFW claims that their membership includes a number of new, West German and foreign builders (Interview), none of the Potsdamer Platz, Friedrichstadt or Alexanderplatz investors interviewed were members, nor were they active in the IHK or the local party working groups.¹⁷ Thus far no peak organization has emerged to represent new Berlin developers. Instead, they have formed small, geographically-focused associations: there are now *Interessengemeinschaften* (IGs), or interest societies, for the investors of Alexanderplatz, of Potsdamer Platz and along a small section of the Friedrichstraße, among others. The organization and goals of each vary, according to the status of the area's development. While the Potsdamer Platz investors have a formal arrangement, including state participation, in order to oversee the complex infrastructure and logistical engineering of their construction site, groups at Friedrichstraße and Alexanderplatz perform more traditional lobbying functions. Along Friedrichstraße the primary role of the IG has been to push the city to complete promised subway and street repairs before some of the earlier projects are scheduled to open, whereas at Alexanderplatz collective activities have focused on the architectural competition and are now turning to pre-construction issues of infrastructure provision. Thus far none of these narrowly-focused groups has emerged as an important political agent, and those developers interviewed concede that direct contact with public agencies, rather than IG intervention, remains their most effective political tool.

¹⁷Such corporations as Daimler and Sony would, of course, be important IHK members, but there's no evidence that they've been active in the IHK's land use and development committee.

That newcomers to Berlin have elected to participate in very narrowly-focused policy activities reveals their disinterest in larger Berlin politics. Although those interviewed expressed views on the current state of planning and development politics in the city, these views tended to be very general (e.g., "The city could do a better job marketing itself") and gave little indication that these actors intended, at least in the short run, to become important players in the planning politics of the city-state. The only broader issue that has attracted more extensive involvement of the newcomers has been the timing of the move of the national capital from Bonn to Berlin. Many of the newcomers joined together to form an initiative called Berlin 1998, aimed at pushing national decision makers to commit themselves to a firm moving date. This was one issue on which they found common ground with groups like the LFW, which, along with West German developer Roland Ernst, questioned the cost estimates published by federal building bureaucrats. But even on this common issue there were different strategies. One American developer caused a stir by threatening to sue the federal government for breach of contract if it failed to carry out its move within the announced time frame. Germans were likely to dismiss this as a typically American, attention-grabbing ploy that had no basis in German jurisprudence; one prominent Berlin builder pointed out scornfully that newcomers needed to resort to such cheap devices because they lacked his more effective insider access to decision makers (Interview).

Part 4: Developers and the State: Factors Shaping Berlin's Public-Private Partnership since Reunification

Through the 1970s the West Berlin governing coalition had centered around an SPD-led party state supported by an array of quasi-public and private housing and development institutions. The foundations of this coalition were weakened by the decline of the SPD, the increasing strength of the CDU and the AL, and by a more

participatory planning environment. The new terms of political cooperation between groups had barely been worked out when the Wall fell, the city's political arena was enlarged, and new actors appeared. Under conditions of continual change, new relationships consistent with the post-unification environment remain to be established. In some cases, especially in the western districts, vestiges of the old system still reign as long-time Berlin builders have continued to erect housing and modest commercial complexes, relying on their usual financing sources and ties to familiar *Bezirk* officials. Newcomers, operating in the city's east or west, have not yet institutionalized their relations with policy makers, as indicated by their tendency to negotiate each issue individually, and by the frequency with which tensions are publicly aired (see case studies below). Even if working relationships have been forged to facilitate the completion of specific projects, lasting modes of cooperation have yet to be established. Such institutionalized partnerships may not be possible at present, as many of the key environmental variables that will ultimately condition local planning politics are still in flux. The merger of Berlin with Brandenburg is under consideration and the move of the national capital to Berlin has been agreed to, but neither will actually take place for several more years. Both are likely to influence patterns of development in unforeseen ways, rendering this entire decade one lengthy transition period.

The preceding section examined the local development community to understand its role in shaping Berlin's built environment and its potential to emerge as part of an institutionalized governing coalition. This section considers the public side of the public-private partnership. The capacity of public officials to shape private investment is a product of those policy tools at their disposal. Such tools can be imbedded in national or local legal structures which award public officials gate-keeper powers over building approvals or sanctions against undesirable private

investment behavior. They may also include less clear-cut legal levers, aspects of the political structure or political culture that make public officials more or less vulnerable to land owners and other growth proponents.

The capacity of the local state in Berlin to regulate development has been uneven, due to both external constraints and internal conflicts. On the one hand, the city-state controls a great deal of public land, which can give local authorities a major voice in determining what gets built, even with private capital. In addition the state controls planning and building approvals, giving it leverage over land use and building design even when private land and capital are employed. On the other hand, Berlin must share all these powers with other government authorities, complicating the task of forging a coordinated approach to private investment; the significance of federal agencies has indeed been enhanced by post-socialist transition policies and the move of the capital. Moreover, conflicts and fragmentation within local government further constrain the public sector. These structural problems are exacerbated by some of the administrative difficulties-- poor coordination, lack of experience in the area of private development, e.g. -- described in chapter two.

The Public Role in Central City Development

Property Privatization and Development

Chapter four outlined the legal position of formerly socialized property in East Berlin. A privatization agency, the THA, and its real estate subsidiary, the TLG, were established to sell off publicly-owned property as quickly as possible. In the meantime, however, the Bundestag also agreed to return property to former private owners under certain conditions, establishing a law that allowed contested property to be sold for investment purposes. All of these factors -- privatization policies,

restitution practices and interpretation of the *Investitionsvorrangsgesetz* (Investment Priority Act) have shaped the (East) Berlin real estate market and influenced the relationship between private investors and public officials.

First, the vagaries of property restitution created a bottleneck in the land disposition and development process. Much of downtown real estate was caught in a legal limbo. Until the claims of private ownership were adjudicated, property couldn't be made available for disposition through public channels, but neither did private owners enjoy unrestricted exchange rights until the validity of their claims could be confirmed. The small number of properties that could be freely exchanged commanded exorbitant prices. Considering the dismal physical condition and obsolete infrastructure in even the commercial center of Friedrichstraße, the office rents and property prices, in comparison to West Berlin and other German cities, were high.¹⁸ Only the acute shortage of exploitable land, largely due to property uncertainties, can explain the market in this case. The passage of the Investment Priority Act was intended to expedite the sales process, and indeed many properties were sold under this law that might otherwise have been held up for years, but uncertainties and loopholes still prevented a quick resolution of many property claims.

The public sector capacity to shape the future city center through land allocation policies has been diminished as former owners have either demanded the return of their land, or have held up larger investment proposals as their claims are resolved. Throughout East Germany the passage of restitution laws raised fears that West Germans and foreigners would be showing up at homes across the East, grandma's deed in hand, demanding that the family in residence begin paying them rent, or

¹⁸In Frankfurt, for instance, top rents in 1991 were 80 - 85 DM per month; some properties in East Berlin, on the other hand, were getting 90 - 100 DM at that time (Müller 1991; Weatherall Green & Smith 1994)

leave. And there were indeed anecdotes confirming these fears: even the Minister President of Brandenburg was forced to negotiate a rental payment agreement with former owners of his house, which he thought he had legally purchased in 1990 ("Alles meins" 1991). Claimants were most likely to assert their property rights, and tensions were therefore highest, in the former villa colonies dotting Berlin's suburbs, where increasing property values made it difficult to arrive at compromises. In reality, strengthened legal protections for current residents have prevented massive displacement of easterners from their homes, although many cases remain unresolved (Neubauer 1995b).

Commercial districts were spared the kinds of personal confrontations reported in residential communities. For several reasons it has been rare that a former owner of centrally located commercial property has sought to reclaim his or her property in order to use it for its former purpose. Firstly, as discussed in chapter four, a large percentage of central city Berlin property owners were Jews whose property was taken in the 1930s; few of them are still alive and few of their heirs are truly interested in returning to Berlin to run a department store or manage an office building.

Secondly, patterns of commercial property ownership have changed considerably over the past half century. Central Berlin of the 1930s consisted of modest-sized plots, often several dozen to a block. Trends throughout industrial cities since that period have been toward large, multi-block developments with a far higher concentration of ownership. This was as true in the GDR, where those areas developed by the SED regime feature large-scale complexes, as it was in postwar West Berlin. As a result, few individual property claimants control parcels of a size that would be considered useful for contemporary development. Although there have

been a few cases in which former owners of small sites have tried to win their property back in order to restore an old business (Ludwig 1993), most of those with property claims can realize greater benefits by selling their claims to those with the resources to accumulate larger development sites.

Commercial areas have therefore been shaped less by former owners hoping to reconstruct their ancestor's old office, than by those former owners who have either sold their property claims to, or formed nominal partnerships with lawyers or developers interesting in assembling larger sites. The possession of such a claim gives a developer an instant advantage; it's far easier for the state to award a property to someone with a legal claim than to use the legal channels of the Investment Priority Act to override him or her. Some lawyers have been especially aggressive in seeking out property claimants for these purpose. Friedrichstraße, for instance, the prewar commercial center, is lined with projects under development by partnerships featuring well-capitalized developers and claimants to the underlying real estate; the details are discussed further in chapter six. With legal property claims in hand, German and foreign investors have been able to insure the acquisition of development rights for the most central parcels, even when local officials have favored other projects.

Property restitution laws may have had some impact on demand for Berlin real estate. Some investors, particularly those from outside Germany, have found the complicated requirements daunting, or have been put off by the behind-the-scenes dealing in property claims, and have been reluctant to invest. Largely anecdotal information must suffice to support this claim, since it's difficult to survey those who did *not* invest in East Germany. A survey of 17 Japanese companies in Berlin offered unclear property rights as a primary reason they and other Japanese have not invested further in Berlin and the new states. The many developers and corporations who sent out

"scouts" or established small presences in Berlin just after the fall of the Wall may have lost enthusiasm when it became clear what was involved in acquiring land (Japan Berlin Study Group 1993).

Land Disposition

Property claims aside, the disposition of land in East Berlin is far from straightforward. Control over formerly socialist holdings has been divided between several national and state entities under the terms of unification agreements. Property that had previously belonged to the state-controlled conglomerates and the ruling Socialist Unity Party is under the jurisdiction of the quasi-private national holding company, the Treuhandsantalt. The THA has determined which real property is essential to the functioning of the business; that property is sold as a package to an investor. Surplus real estate is turned over to the Treuhand subsidiary, the Treuhand Liegenschaftsgesellschaft (TLG) for development and disposition. Real estate that had belonged to the central state organs, including the military, is under the control of the federal government through its Financial Directorate (*Oberfinanzdirektion*). The *Land* Berlin is considered the legal successor to the city of East Berlin as well as to the property within the city once owned by the state of Prussia, and thus controls substantial amounts of property in the east in addition to its various holdings in the west. The final legal player is the Deutsche Reichsbahn, the long-distance train company from pre-war Germany as well as the DDR. Recently merged with the West German Bundesbahn and privatized, it controls property throughout the city.

The properties controlled by these different entities are not found in discrete areas; rather, they are thoroughly intermingled and it is typical to find two or more authorities responsible for properties on a single block. Thus, even if it were desirable for each public agency to simply carry out its own development policy it would not be feasible: too often prospective development sites include properties

administered by different authorities. Confusion is perhaps inevitable when so many public agencies must find ways to share responsibility: it is intensified when these agencies pursue different, often conflicting goals.

The *Oberfinanzdirektion* has, ever since the decision to move the seat of government to Berlin, been primarily concerned with securing properties for federal government use, and secondarily with defusing the speculative pressures that would make later acquisition of further parcels prohibitively expensive.¹⁹ In contrast the TLG, responsible for many key sites in downtown Berlin, had been set up to liquidate its holdings as quickly as possible for the highest possible returns. In pursuit of this goal the agency, according to critics, has acted without consulting local authorities (a practice that proved counterproductive when local authorities withheld planning approvals from new owners, motivating THA managers to work more closely with local governments), and has driven up real estate prices by setting high starting prices for properties offered at auction. This has put the agency at odds with virtually all other actors involved in land use and economic development who would prefer that sales price play a secondary role, with investment concept and job creation having first priority.

The TLG refutes these allegations, countering that strong demand and limited supply of land in 1991 and 1992 led inevitably to higher prices, and that the TLG was legally bound to sell property for at least the appraised market value (*Verkehrswert*) (Himstedt 1995). According to the TLG's statistics, they sold or transferred to municipal ownership 677 Berlin properties between 1991 - 1993, with an average square meter price of around DM 700. As the *Ring Deutscher Makler* reported that

¹⁹As described in chapter four, the areas around the new government center have in 1993 been named "Development Area", a legal designation that gives local authorities leverage over property transactions and allows any speculative gains to be claimed by the public authorities.

average prices for industrial land were DM 400 - 550 per square meter in 1993, and some of the TLG's properties in the city center have gotten much higher prices, their transactions don't seem to be unusually high. Of course, given the extent of their holdings -- an estimated 15% of the property on the market in East Germany (Liegenschaftsgesellschaft der Treuhandanstalt mbH 1992) -- they are undoubtedly influencing the rest of the market. The price structure of privatized properties has also been influenced by the TLG's decision to favor the highest bidder in cases where several investors are interested in a site. The agency's director defends this practice as the only way to insure that the selection process is objective (Himstedt 1995).²⁰

Whatever their influence on price, the Treuhand's decision to sell off large parcels in a short time frame is not necessarily in the interests of *Land* Berlin. In areas like Friedrichstraße and Alexanderplatz, where *Bezirk* officials and some within the city's two planning agencies might have chosen to promote gradual, small-scale growth, the sale of block-sized parcels to well-financed developers has all but determined the future shape of these areas. The TLG doesn't see this as problematic, viewing the prevalence of large developers as an inevitable market trend. In the words of the TLG director, "What was the alternative? Should we have just left everything as it was in order to usher in a one hundred year long development process?" He also warned against promoting urban redevelopment based on "romantic notions of the baker who lives above his shop", claiming that this is simply not the way that twentieth century European cities have grown (Himstedt 1995).

Even within the city-state of Berlin there are conflicts about how public holdings should be exploited and there is little consensus about the goals of development

²⁰Himstedt complains that his agency is constantly under pressure from those in city government to favor certain applicants over others.

policy. Promotion of industrial employment conflicts with the need to expand space available for office development; both are at odds with the imperative to construct more housing and to preserve open space. Each policy goal is supported by a different city agency, backed by an array of interest groups. For instance, the Economics Department is long identified with Berlin's industrial firms, and has fought to preserve low-cost industrial land, a policy that puts it at odds with other city departments as well as the profit-maximizing TLG. The Construction Department has emerged as a strong advocate of historic preservation regardless of its economic impact, whereas the Finance Department is most interested in receiving good returns in order to improve the city's fiscal situation. Such conflicts, of course, exist in all cities, but Berlin's political system, with its diffusion of decision-making authority, offers no centripetal force capable of forging a policy consensus.

There are on-going efforts to coordinate inner city development across administrations. The Coordinating Committee for Inner City Investment (*Koordinierungsausschuß innerstädtischer Investition*, or KOAI) has presided over the allocation of land and setting of general planning guidelines in the Eastern business district since its creation in 1991. It was established at the initiative of the Construction and Economics Departments²¹ specifically to deal with the disposition of inner city land that included parcels under the jurisdiction of more than one government agency. The purpose of this group was to provide some kind of coordinated approach to developing this area under conditions of tremendous uncertainty. For an investor to be willing to commit to a site, he or she needs to be certain of three things. First, one must be assured that one is acquiring clear title to the land. Second, one must know which public entity has authority to set guidelines

²¹In interviews members of both departments have taken credit for initiating this committee. Its direction is split between the two agencies, with a representative of the Economics Department serving as Chair, and Section IIIA of the Construction Department performing staff support activities.

for development. Finally, one would want to know what kinds of planning guidelines are applicable to this site, especially if one were building in Germany, where planning law is formalized and not easily subject to revision. In more normal cases of urban development in Germany, ownership can be easily established by consulting the local property books, and it is rare that planning authority would reside anywhere other than with local or county government. Thus the major issue in development is the content of the plans for that particular area, and when development conflicts arise it is over the creation of such planning requirements. Even here, however, towns and cities will commonly have planning guidelines in place before making a site available for development.

In the former east Berlin, ownership, planning authority and planning law were all unclear. This could have acted to suffocate investor interest early on, an outcome deemed undesirable by Berlin officials who sought capital to rebuild their city. Conversely, given the eagerness of the Treuhand and the few private owners in the area to sell off their holdings, it could have led to planning chaos, with sites sold to the highest bidder with little sense of what they would be building. The purpose of the KOAI was to bring together all those agencies that had some role in the sale or planning of land. They were to agree ahead of time what kind of development guidelines they wanted, and they were to work together to choose among competing development proposals. Meeting monthly in closed session, they sought to reach consensus on each project, and were thus able to assure investors that their projects would proceed smoothly through the sales and planning processes.

The KOAI was comprised of representatives of the various Berlin agencies, the THA, federal government and Reichsbahn (to the extent that their properties were involved) also participated and the *Bezirk* had a say as well. In bringing together the relevant

decision makers the committee was intended not only to arrive at sales decisions, but also to set some broad planning guidelines, to agree upon investment priorities and finally to choose between competing proposals for specific sites. The KOAI thus acquired major decision-making authority in determining who would build and what would get built in Berlin's eastern center. Operating well out of the public eye, its existence rarely mentioned in the press and its meetings closed to the public, the KOAI escaped public scrutiny; it's difficult to determine just how key decisions on investment projects have been made (except in those cases in which property claims played a role). Today the KOAI has wider renown, but its tasks are fewer and meetings less frequent as few development sites remain in the inner city (Bodenschatz 1994, 23; Interview).

Another such coordinating effort, called the *Berliner Modell*, has received more public attention but is less crucial for the central city. This model was initiated by the Economics Department, which brought the THA (later the TLG) and other agencies together into "round table" sessions in an effort to reach some consensus on property disposition outside the central city. *Bezirk* officials as well as representatives of the IHK and Trade Chamber were eventually brought into a steering committee. Its goal was to mobilize real estate sector expertise, to gain wider political legitimacy, and to insure that sales decisions would not be thwarted by city or *Bezirk* planning officials. The participation of these actors was intended to compensate for the lack of market certainty and effective planning law in East Berlin. The committee, which became more formalized after the TLG was created in 1991 to handle THA's surplus real estate, dealt with questions of planning law, set the terms under which investment proposals were solicited, and finally chose between investor proposals. The cooperation of these various interests was especially important since there was neither a real property market nor applicable planning regulations that could

help guide THA decisions. This model has been used primarily outside the inner city, in East Berlin's many industrial areas and in the creation of new commercial centers. For example, the *Berliner Modell* was used to privatize the shopping centers built in to the high-rise housing developments throughout the city's eastern fringes. A private, west German real estate company was employed to offer the properties, and *Bezirk* officials participated in choosing among the proposals. They were able to insist that new owners maintain the existing public facilities, in return for which they are offered reasonable, long-term leases on commercial space (Heidtmann 1992).

Some of the long-standing conflicts about which goals should be primary in awarding investment sites are played out in this forum. Whereas the trade chambers seek to maximize job creation (with a strong bias in favor of manufacturing, rather than service employment) the *Bezirke* may be more concerned with design or infrastructure issues. The TLG, as mentioned above, favors the highest bidder with the strongest financial backing. Compromises are reached through negotiations within the committee, and may at times require broader political intervention (Interview).

The KOAI and the *Berliner Modell* represent two decision-making institutions formed in response to the post-*Wende* crisis in development policy that can be described as "quasi corporatist." It has been noted elsewhere in this dissertation that various multi-interest "round tables", in which key interests within and outside the state are represented, have been formed to make policy adjustments when the traditional bureaucratic practices have proven inadequate. From this perspective, it's not surprising that policy makers have moved to form such institutions to deal with the many uncertainties that mark post-unification planning and development in Berlin. German planning law relies on a well-established legal superstructure, much of which could not be immediately applied to the eastern states. In the absence of

legal guidelines, Berlin's administrators have sought to bring together those who could possibly raise objections in order to gain consensus from the start. The consensus among key interests thus replaces legal mandate as the basis for action in times of rapid change.

The *Berliner Modell* seems more fundamentally corporatist in that it included groups, such as the IHK, that were perceived as having a legitimate interest in policy outcomes although it had no legal role. The KOAI was much more an emergency response to a situation of impending chaos whose goal was to limit input and move quickly and quietly to decisions, thereby avoiding a multi-year deadlock in downtown development. Although its members were all state officials, the KOAI still represented a diversity of interests, as each state agency, the THA and the *Bezirk* all had different priorities and answered to different constituencies. Thus did the KOAI put some conditions on land sales, indicating the most important concerns of *Bezirk* and Construction agency officials: all projects include a housing component, all stay within the block structure and maintain the 22 meter (five or six story) roof line. That properties were sold and development begun with some general agreement on priorities in the absence of clear legal guidelines indicates that both the *Berliner Modell* and the KOAI have been successful. Established to react to development proposals on a case by case basis, however, they have not been effective vehicles for formulating broader development goals or planning policies. This is the responsibility of the Berlin *Senat*, and thus far no clearly articulated development strategy has emerged.

In theory, the extent of public land ownership should have given the public sector enormous leverage in its dealings with private investors. Controlling the one non fungible resource in the development process, public officials could have articulated

clear planning priorities and been able to shape their dealings with potential investors. Both the uncertainties generated by property restitutions and the diffusion of responsibilities among different public authorities, not to mention the lack of consensus within the Berlin government itself, precluded the formulation of overarching policy goals. The complications surrounding property control and disposition have limited land policy as an effective planning tool. This has not necessarily led to a systematic advantage for developers as a class: potential developers have had to learn their way around the maze of responsible agencies and decision-making bodies, making their case for specific sites through whichever channels are most appropriate to that case. But it has robbed city officials of the potential capacity to shape many aspects of development by formulating clear land disposition guidelines, and made it less likely that the city would be able to put forward a vision for its center that would offer an alternative to the piecemeal, capitalist-driven process that emerged.

City Planning Policies

In fact, planning officials in West Berlin have never maximized the potential of land policy as a planning tool. This is in part a result of the lack of investor interest in the walled city; officials saw public land as a means of attracting investors, not as a means of regulating what they did once they were there. National laws regarding the means of appraising and disposing of real property have further limited the local capacity to shape disposition. The BauGB requires that all property be sold for appraised value, making it difficult to use sales price as a bargaining tool or to promote linkage-type arrangements. Finally, the fragmentation of land disposition authority within the city prevented any one agency from developing a comprehensive approach to real estate.

Instead, officials have preferred to rely on use of legal planning requirements to shape the use and appearance of new development. As discussed in chapter two the main tools of German planning law consist of the general land use plan (FNP), which shows appropriate densities and uses for broad sections of the city, and the construction plan, or *Bebauungsplan*, in which details of allowable development are proscribed. German public officials have a great deal of faith in their ability to use these tools to shape private development, especially when coupled with less formal means of enforcing design standards, discussed further below.

Even since the *Wende* period most development in West Berlin took place within this legal planning framework, in which builders would know ahead of time just what could and couldn't be built on certain sites.²² But throughout East Berlin, and even in some former border areas of West Berlin like Potsdamer Platz, such plans either didn't exist or were rendered irrelevant by the fall of the Wall. The process familiar both to public officials and to those builders accustomed to working in Germany was therefore not applicable to development in those parts of the city most sought after by developers. Theoretically this could have led to a total freeze on development, as planners refused to grant any building permits until an FNP and construction plans could be drawn. In practice, however, this was neither legally nor politically feasible. Legally, the BauGB, in its Par. 34, permits development to occur in the absence of planning guidelines providing that such new building is consistent in use, density and appearance with its surroundings. Planners acknowledge that this provision has been included to facilitate the occasional infill building in an already-established community, and was not foreseen as the legal underpinning for planning an entire city neighborhood under development pressure and lacking a planning framework

²²Although, according to interviews with West Berlin developers, most new projects included some kind of variance that opened the door for negotiations, at times strained, with *Bezirk* administrations.

(Bodenschatz 1994, 18). It is nonetheless relevant here because it establishes certain preconditions for public-private negotiations in Berlin's central city. City planners would not have the legal right to hold up development indefinitely, but as local officials are the ones who determine whether proposed development is consistent with its environment, potential investors do have incentives to reach some kind of agreement with public officials. Public leverage includes the formal power of *Bezirk* and city officials to deny building approvals, as well as the implied power to either expedite or impede a given project. As discussed in chapter two, local officials have learned to use such unwritten influence possibilities to enhance their negotiating powers with private investors.

Generally, district and citywide planning officials have chosen to use their formal and informal leverage to influence the physical design of approved projects. The city's Construction Department, led by its Building Director, Hans Stimmann, has become especially assertive in articulating design standards, intended both to guide the various officials charged with building plan approvals and to let potential investors know what kinds of schemes are most likely to be approved. Another indication that essential city planning functions have been privatized, these guidelines have largely evolved through a series of commissioned reports, in which urban historians and architects have discussed the history of particular areas and come up with suggestions for future development.²³ Written by experts known to be sympathetic to the concerns of the Building Director, however, these reports have served to reinforce a view of inner city design that Stimmann has articulated in countless articles and interviews, including those published in the Construction Department's in-house organ *Foyer*, throughout his tenure (Stimmann 1992).

²³Bernhard Strecker and Dieter Hoffmann-Axthelm have written such reports on three key areas of the eastern center: "Pariser Platz -- Kritische Rekonstruktion des Bereichs" (September 1991); "Bahnhof Friedrichstraße -- Städtebaulicher Strukturkonzept (January 1992) and "Städtebaulicher Strukturplan: Kritische Rekonstruktion des Bereichs: Friedrichswerder, Friedrichstadt, Dorotheenstadt."

Stimmann's design preferences, and his efforts to impose them on inner city developments through the planning tools available to the city, have set off a debate on architecture and city planning that has dominated not only professional journals but also the popular press over the past several years. To Stimmann and his supporters, who include many among Berlin's architectural and historic preservation circles, the goal of central city redevelopment must be a "critical reconstruction" of the existing urban fabric rather than the kind radical restructuring that has been favored by modernist architects. Battles between proponents of modern and traditional styles in Germany go back at least to the Weimar period. Then, modernism was associated with progressivism and socialist politics; the physical break with the old city fabric symbolized a psychological break with authoritarian and tradition-bound social relations (Diefendorf 1993, 50). As modernism, divorced from its radical political roots, became the dominant architectural style of the postwar period, the essentially conservative preservationist perspective represented by IBA (see chapter three) arose as a radical challenge to a publicly-led building establishment that ignored the wishes of community residents in order to build profitably and efficiently. A careful, house-by-house renovation process could, in the sheltered environment of West Berlin, be a model for housing renewal in the absence of strong investor pressures. The generation of Berlin planning administrators and architects currently in positions of influence was shaped by these earlier urban renewal struggles; this may explain why the preservationist ethic has such salience to Berliners today, much to the mystification of newcomers to the city.

The Stimmann vision has two essential components. The first concerns the structure of the city, which should be comprised of human-scale components of parcels, blocks and streets. A mixture of housing, business and entertainment uses should be possible

throughout the city center to avoid creating office ghettos that become lifeless after 5pm. This form of urban development is praised as "European", and contrasted to the highway and mega-mall structure of the American city. This critique of the international style, and of American urbanism, is shared by a wide spectrum of Berliners on the left and the right. Second, within this "European" city structure Stimmann has sought to promote an architectural style that is alternately described as "Prussian" or "Berliner": a style that is "disciplined,... restrained, made of stone, more straight than curved" ("Heimatkunde für Neuteutonia" 1994, 54). Using this model, high-rise construction is rejected in favor of keeping Berlin's traditional five- to six story roofline; glass and metal facades are discouraged in favor of stone. To Stimmann and his supporters, this represents a return to roots after the dislocations of wartime destruction and modernist experimentation ("Heimatkunde für Neuteutonia." 1994, 56).

Critics, many of them architects from outside Berlin, have attacked Berlin's preservationist approach. They have questioned whether there is a definable "European" or "Berliner" style and suggested that it is a mark of provincialism to strive for such visual homogeneity (Mönninger 1995). Some critics have scrutinized Stimmann's motives, seeing backward-looking, nativistic, even fascist tendencies behind the desire to promote an indigenous architectural style. After all, the last regime to shun modernism in favor of what was championed as legitimately German was the Nazi regime, and Berlin remains a showplace for a style of architecture favored by Nazi planners that is certainly "disciplined...restrained, made of stone...." Moreover, the stress on homogeneity, on the architect sacrificing his or her creativity in the interests of a state-defined notion of the community welfare, strikes some as dangerously anti-liberal (Oswalt 1994, 79).

Perhaps most stinging have been those criticisms that note how the state preference for certain kinds of architectural style has also meant abundant work for those architects known to practice this style. Stimmann is charged with presiding over an "architect's cartel" consisting of several sympathetic architects (Hoffmann-Axthelm, 1994); as one Berlin architect sarcastically explained, "There's the assumption that there's a clique sitting in the Paris Bar [a Berlin night-spot] gleefully slurping oysters and distributing contracts" ("Foyer-Streitgespräch" 1994, 77). According to Paul Goldberger of the *New York Times*, "To be an architect on Stimmann's good side is to get plenty of work in Berlin; otherwise, you might as well be in Helsinki" (Goldberger 1995, 48). Several young architects known for their provocative modernism have complained loudly that they have been effectively run out of the city. Stimmann points out that there are dozens of architects from different parts of the world, representing different perspectives, building throughout Berlin, and maintains that he has never told a private developer which architect to use. Builders know, however, that certain architects are more likely to come up with plans acceptable to public officials and are drawn to choose from among them; Stimmann doesn't need to actually ban the renegades in order to limit their chances of working in the city. Indeed, Stimmann has no compunctions about rejecting those architects not prepared to accept the city's basic vision. "Some architects obviously dream of a totally different city structure. They don't seek to return to a European building tradition, but say: here is a huge wasteland; let's really let loose!" Such people, he maintains, shouldn't be those charged with the delicate task of redeveloping Berlin ("Heimatkunde.." 1994, 50).

If Stimmann's search for an authentic regional architecture has spurred intense debate, it appears to resonate with the wishes of local professionals and the preferences of Berliners most affected by development. One would have to look hard in Berlin to

find the constituency championing radical urban renewal or dramatic new architectural approaches. This is not only clear from published commentary of experts. When citizens have been given the chance to respond to plans for such areas and Potsdamer Platz and Alexanderplatz they have uniformly preferred low-rise, modest development.²⁴ Even those who might be most expected to call for a loosening of design restrictions are sympathetic to much of the Stimmann agenda. The urban development speaker for the Free Democratic Party, Germany's only classically liberal party and the party most identified as pro-business, spoke critically of the Alexanderplatz plans both due to their dimensions and to the involvement of property owners in the planning process (Interview). An official of the IHK similarly spoke of the danger of American-style development in which space becomes privatized and developers determine what gets built (Interview). Even within the real estate sector there has been little organized opposition to Stimmann's regime. This is in part due to the fragmentation of real estate interests, discussed above; investors such as those at Potsdamer Platz and Alexanderplatz have pressed their cases individually and have been less concerned with influencing planning policy in general. Developers and builders seek clear and consistent guidelines that force everyone to play by the same rules; providing that land prices reflect allowable building densities, and that their plans aren't held up in approvals, they are only marginally concerned with which building materials are preferred and which architects are in favor. And in fact Stimmann has not been a champion of neighborhood or anti-growth advocates; if his efforts to impose design restrictions may rankle international developers and architects accustomed to more laissez-faire environments, they have not prevented the erection of mammoth office complexes condemned as "concrete masses" ("Klötze") by critics. As long as developers can

²⁴"Preservation" is not always consistent with the striving for a "Prussian" style: residents of the Alexanderplatz area are fighting to preserve an environment shaped by the most aggressively modernist of visions. See chapter six.

build to high densities, which they have along Friedrichstraße, they are happy to let public officials and architects fight over design (Sewing 1994, 69).

Even the casual observer of contemporary Berlin can not help but be aware of the controversies surrounding efforts to impose design guidelines on development: in fact architectural debates have largely obscured discussion of any other aspect of development. The focus on physical design issues represents an aspect of the city's planning culture, perhaps stemming from its role as capital, in which a certain physical determinism has long prevailed. But this focus is also the outcome of a planning policy environment in which architects, as individuals and as an organized constituency, have tangible influence. The influence of architects is institutionalized through the opinion-shaping power of professional associations and realized through the many state-mandated planning processes. Planning consultants often work under contract to the city: they in fact do most of the actual planning, from testing alternative development proposals to carrying out the nuts and bolts of the process for a major area like Potsdamer Platz (including the drafting of the responses to citizens who have raised complaints during their official participation period). Blue-ribbon panels, advisory commissions and the like are common features of the political landscape. The City Forum (*Stadtforum*) convened by the Senator for Urban Development (described in chapter two) includes a number of architects and planners. The existence of this group, and the prominence it has been given in the agency's public image, indicate that the senator values the perspective of professionals, and that he finds it useful to make them his allies by showcasing their participation.

Those currently planning Berlin have repeatedly relied on a planning tool that underlines the salience of architects, the architectural or planning competition, as a way to determine central city development pattern. In such competitions, which are

required for all major public buildings and sometimes used for private projects as well, architects are invited to submit plans in accordance with general guidelines set by the public authority (in some cases competitions may be open, in which case anyone can enter; several of the competitions for the government district, sponsored by the federal government and discussed in chapter four, were open processes). Plans are reviewed by jury panels, chosen by the public authority and consisting primarily of architects and public officials: the jury chooses a winning plan, which in principle will be the plan realized. Planning competitions, in which ideas are solicited for planning entire city areas, are usually distinguished from the more detailed architectural competitions, in which full plans for the erection of individual buildings are submitted.

There are examples of competitions for the planning of city neighborhoods or individual buildings as far back as the Renaissance; the design of the American White House, for example was chosen through an architectural competition (Becker 1992). Unique to Germany is the institutionalization of the competition process. In 1868 the national architects and engineers association determined that the profession suffered from unregulated competition for contracts, and promulgated rules to ensure a more orderly and objective process. Although they couldn't guarantee that the public authorities and the occasional private property owner who sponsored these processes would realize the winning design, they could bind their members to playing by the rules. These rules, which have been continually revised but remain consistent in their overall terms, require that competitions be judged by panels on which licensed architects are in the majority. Although architects, like many other interests, lost many of their self-governing powers during the Third Reich, they have otherwise maintained considerable control over the competition process which has become an increasingly standard method for choosing plans and awarding contracts. In 1952 the

Deutsche Städtetag, or Congress of Cities, reached agreement with the national architect's association that made competition rules binding on municipal governments as well; these rules, known as *Grundsätze und Richtlinie für Wettbewerbe* (Principles and Requirements for Competitions), were last amended in 1977 and bear the force of public law (Becker 1992). The local Architect's Chamber has the authority to oversee the competition process; it grants an official registration number to each competition and can withhold registration from those failing to follow the law. The Chamber can sanction any architects who participate in an "unlawful" process, but their most effective tool is public condemnation, which renders a competition illegitimate not only in the eyes of professionals but also in the media and the public, where the claims of the Architect's Chamber to be the guardians of the built environment are taken seriously (Interview).

Competitions fulfill several purposes that have made them especially attractive to policy makers in Berlin. First, they offer a rational method of awarding public contracts to architects. Second, they help focus debate around concrete alternatives, which can be helpful when many parts of the city are on the verge of far-reaching restructuring; they have therefore been used extensively in the many areas of Berlin in which development is anticipated in the absence of approved plans as a way of expediting the planning process. Third, especially important in Berlin today, they provide another means of privatizing the planning of important and controversial urban spaces. Public officials have used competitions to determine plans for nearly every major section of the central city since the fall of the Wall: they thus have the benefit of shifting responsibility for decision-making away from elected officials and on to presumably "neutral" experts.

Competitions are the rule in determining plans for public facilities; they may also be employed as part of the planning process for privately-developed areas. First, a planning competition may be held to solicit ideas for large, previously unplanned areas slated for private development. Theoretically such a process would occur before private investors were ready to build; in Berlin, however, much to the chagrin of those in the architectural sector, the city and the THA have sold off large parcels to developers and only afterwards considered how plans for these areas might be shaped. This upsets purists who see planning as a public task that should be carried out without regard to the concerns of property owners. In the cases of both Potsdamer Platz and Alexanderplatz, however, major developers purchased land with either the tacit understanding or the contractual agreement that they would be able to build to certain densities: competitions were thus held with certain conditions already determined, and with the investors' eagerness to build a factor.

Private builders may also choose to hold competitions to select the plans for their buildings; generally a builder chooses this cumbersome method at the behest of the city government. For instance, Potsdamer Platz investors were required to use the competition method to select designs for their complexes; in several Friedrichstraße developments competitions were either required as part of the sales agreement, or were strongly recommended by city officials to ensure speedier planning approvals. When investors hold competitions for their own sites they have more control over the process; they can choose participants and sit on the selection panel themselves. Nevertheless for the competition to be legitimate the jury must still consist of a majority of architects, and private builders have tended to invite the same local notables to serve as jurors as public authorities have done.

In either case, the competition model has been one of the most important tools shaping the public-private development relationship in Berlin. The planning culture of Berlin has no tolerance for the idea that private ownership bestows the right to determine the city's built environment. The past forty years in East and West Berlin, during which private development pressure was limited, served to reinforce an already present notion that private interests should be marginal to the politics of planning. But today's state leaders can't easily turn their back on the demands of private investors: as subsidies fade they need the tax base, and they lack the tools and political cohesiveness to set authoritative public planning guidelines. Private investment therefore becomes the major shaping force in the central city, while the competition vehicle becomes the favored means of reassuring the architectural community and the public that planning decisions will still be made based on professionally valid criteria. "In the rhetoric, these public sector tools gain the status of guarantors of the public welfare....The public interest, represented by the *Senat* and upheld by the Architect's Chamber assures that ... the investors will be bound to the communal consensus through the objective process of the competition" (Sewing 1994, 60). The architectural profession therefore becomes a kind of lubricant to the development process, smoothing over the friction between public and private interests.

The functions of competitions can be viewed more cynically as well. These processes grant the illusion of public participation while in fact further insulating decision making. In most cases the public is inundated with information when the results of a competition are announced: newspapers will publish winning plans and there will be endless discussion of their relative merits. But most aspects of the competition process, from the selection of the jury members to the discussions of individual submissions, are not subject to public review, giving the public little chance to actually influence the conditions under which the process takes place (Bodenschatz

1994, 17). Indeed, the great fanfare with which competitions are conducted focuses attention on at times arcane debates within the architectural profession and leaves some of the most important decisions of downtown development in obscurity. A surprising number of Berliners could have offered a critique of the winning submission for the highly public Alexanderplatz competition, but few, even among city officials, understood how the land being planned had been sold. The competition is also offers a further way for the alleged "cartel" of building officials and privileged architects to maintain their stylistic hegemony over the city (and at the same time assure work for those in the right circles). Between those architects invited to submit plans and those invited to serve on juries there is a constant demand for architectural labor, and inevitably one finds a core group of professionals who are always involved in one or the other capacity. This leads to a system that can become, according to Paul Goldberger, incestuous: "Today's jury member is inevitably tomorrow's competitor" Goldberger 1995, 49).

Conclusion

In chapter four, factors influencing urban development that cannot be explained by theories of urban restructuring were examined. This chapter describes more familiar development factors, arising from Berlin's changed role within the German and international economic system, but notes how the response to new pressures has grown out of institutional arrangements and historical experiences that are unique to this city. Fiscal pressures color all aspects of government policy, a situation familiar to residents of other cities but new to Berlin. These pressures have led city officials to scale back more ambitious, publicly supported development efforts but have not (yet) led to some of the fiscal crisis politics of American cities, and it would be hard to interpret Berlin's planning policies as part of a coherent austerity strategy. This can

be attributed to local factors, including the nature of local party politics and the fragmentation of executive policy making. It is also in part due to the still important role of federal programs and intergovernmental structures in determining the parameters of local government action: a city like Berlin cannot, and need not, put taxing, spending and planning policies in service of fiscal imperatives.

Nevertheless private development has thus far driven the reshaping of post-*Wende* Berlin, as the city has suddenly found itself the site of international real estate investment of a variety and intensity it had not experienced for half a century. Central city development will therefore be catalyzed by private investors whose final products will be influenced by public authorities. Yet, as the case studies in chapter six will further demonstrate, it would be premature to speak of a growth coalition, or a cohesive public-private partnership as the guiding force behind Berlin's development. To be sure the city's new economic potential, bolstered by its selection as the national capital and further enhanced by national tax and subsidy policies, has drawn new investors, who want to conduct their business in a built environment that has the ambiance and profit potential of similar business districts in other cities. These new investors have, thus far, failed to coalesce with the traditional, subsidy-driven builders active in pre-*Wende* Berlin, nor have they formed effective organizations to influence public policy. Although private capital has therefore been indispensable to current development plans in the city, the investor community does not at present represent a powerful or cohesive enough force to be an essential element of a governing regime.

At the same time Berlin's public sector has not been able to formulate, let alone to implement, a cohesive strategy for central city development. With its control of a sizable amount of central city land, and its command of the planning levers granted by federal law, the public sector could set the terms of investment even if its strained

budget prevents it from acting at the vanguard of development itself. That the national capital will be located alongside private investment nodes could actually strengthen the public hand. Instead, one finds that the public sector is too fragmented to act effectively. Control of land is split between different state organs with disparate interests, and the legal uncertainties following unification have weakened the potency of traditional planning methods. Power over planning decisions has shifted from the legal and legislative arena to the murkier realm of round tables and working groups; conflicts between the competing interests within the public sector can be accommodated only on a case-to-case basis.

In this climate of uncertainty, how is support for, or at least acceptance of capitalist development mobilized? Public focus has settled on questions of architectural style, a focus that has roots in Berlin's planning culture, and that is strengthened by the tangible influence of architects and their allies in the policy process. The importance of design issues and of processes featuring the technical and aesthetic sides of planning as well as the prospects for regime formation in Berlin, are illustrated in the following case studies and further explored in chapter seven.

Chapter Six: Three Central City Areas in Transition

The following three case studies offer empirical evidence of the themes addressed above. The three areas described are all key nodes within Berlin's reforming central city. As such they cannot be said to be "typical" of Berlin's planning politics, most of which concerns residential neighborhoods and their land use concerns. Rather, these sites epitomize the new, post-unification Berlin, with its cast of international investors and highly placed state and federal officials. The goal of this dissertation is to explore the generation of a governing regime in Berlin: I've chosen these exemplary cases with the assumption that these, rather than more routine planning decisions, would be the kinds of activities around which major public and private actors would mobilize and new forms of public-private interaction would be forged.

Although all three cases have been dramatically shaped by developments in the real estate market, the details of each cannot be understood without consideration of the relations that have emerged between public authorities and private developers. These relations have been conditioned by the capacity of public officials, which is a function of their cohesiveness and the policy tools at their disposal. In all three cases land was sold to companies and speculative developers seeking to build as much office space as possible; there's little indication that any other sort of development outcome was ever considered. Although land disposition has been a complex and controversial issue throughout, in all three cases public attention has focused on planning and architectural concerns. In spite of their similarities, the three cases also offer contrast: two are in the former East Berlin and one mostly on the western side of the former border, introducing different models of land disposition and planning law. In addition, the role of citizen participation has varied considerably in the different projects.

Potsdamer Platz

What struck me first in Berlin was not energy by emptiness. This city that is supposed to be the capital of the new Europe begins with a void, with the startling discovery that its center is 17 acres of weeds and debris... It is as if Times Square had been replaced by a chunk of the New Jersey Meadowlands (Goldberger 1995, 45).

Just months after the fall of the Wall and before Germany's official reunification, Daimler Benz announced that it had reached agreement with the *Senat* to purchase a large part of the mostly empty Potsdamer Platz, an area that had hugged the western side of the East-West border for 40 years and was now, with the removal of the Wall, once more the city's geographic heart. The following year an adjacent site was purchased by Japanese electronics giant Sony; additional investors followed. The land sales and subsequent planning controversies dominated Berlin politics off and on for several years; both the projects' critics and its supporters heralded it as the sign of the "New Berlin", one gearing itself for the newly competitive, post-Cold War urban environment. In fact, a closer look at the land and planning policies at Potsdamer Platz suggests something more ambiguous than a new consensus around the politics of growth. Rather, this is the story of the clash of new pressures and old institutions meeting at a volatile point in the city's history.

History

The rise of Potsdamer Platz¹ to importance in the nineteenth century signified the drift of the city's center of gravity from east to west. This had previously been the city's western border, and the plaza was created to accommodate one of the many

¹The area referred to here as "Potsdamer Platz" is actually two adjacent plazas, Potsdamer and Leipziger Platz. Potsdamer Platz, by the 1930s, was more a big intersection with a traffic island than a plaza, whereas Leipziger Platz retained a distinctive octagonal shape. Here, the entire area is simply referred to as Potsdamer Platz.

gates that dotted the city's customs wall. Because this gate faced southwest, toward the royal residence in Potsdam, it was accorded special significance; it was designed by Schinkel, and a proposal for a grand monument to Frederick the Great was under consideration for years.² In 1838 Berlin's first railway station was constructed here, home to the city's first rail line that ran westward toward Potsdam. As rail travel expanded and the metropolitan area grew, this area evolved into a dense commercial district. By the latter half of the century the plaza was surrounded by hotels (the tony Grand Esplanade hotel was known as the favored hang-out of Germany's last Kaiser) and world-renown cafes. The Haus Vaterland, for example, opened in 1928 by hotelier Kempinski, boasted separate rooms each carrying the theme of a different part of Germany or German-speaking Central Europe; the Rheinterrasse cafe actually had simulated rainstorms every hour. Large department stores were found here, and one of Berlin's best examples of modern architecture, Mendelssohn's Columbus Haus, was built here in 1930. The confluence of street cars, carriages and later automobiles gave the Potsdamer Platz its claim to be the "busiest traffic intersection in Europe" (Balfour 1990, chapter two).

An apt symbol of the bustling, commercial Berlin of the 1920s, Potsdamer Platz is also steeped in the darker sides of Germany's twentieth century history. "There's no spot in Germany so encumbered by national symbolism as the emptiness around Potsdamer Platz, a 360 degree open-air panorama of German history" (Sontheimer 1990, 9). A short distance from the Reichstag and just two blocks from the Prussian Parliament (which today houses the Berliner *Abgeordnetenhaus*) its establishments were the sites of all kinds of political confrontations. It was here that Karl Leibknecht denounced the war and the government in 1916 (a careful observer might notice a

²After the defeat of Napoleon plans were changed in favor of a victory monument; financial pressures forced sponsors to reduce the scope of their project. When a victory monument was finally finished, it was installed not at the increasingly central Potsdamer Platz, but on top of the Kreuzberg, Berlin's highest point (Balfour 1990, 29-43).

statue of Leibknecht commemorating this moment hidden amid today's rubble); in 1919 it was a site of frequent street battles between the Spartacists and the Freikorp. During the period of Nazi reign the area became linked to the new rulers. The cafes and stores around the Platz continued to function during the Nazi years, but usually under new ownership as their Jewish proprietors had been forced to abandon their holdings under Germany's aryanization laws. Hitler's center of power, along the Wilhelmstraße, was a few blocks from Potsdamer Platz, and the infamous "Führerbunker" in which he spent his last days, lies just beyond the area now under development. The nearby Prince Albert Palace became Gestapo headquarters, the Kaiser's Grand Esplanade Hotel was taken over for military purposes. Potsdamer Platz's political significance during the Third Reich helps explain why it suffered such extreme damage during the war, first by allied bombs and then in intense ground battles.

In spite of the damage inflicted during the war, the physical substance of Potsdamer Platz might have been salvageable had the area not become the Ground Zero of the Cold War. Early in the postwar period, before tensions between the erstwhile allies had heightened, the area's location at the convergence of the British, American and Russian sectors was an asset, as black market street-trading flourished. Currency reform and the creation of two separate states transformed the area from a meeting place to a hostile border; billboards were erected to advertise attractive images of each system to the other side.³ In 1953, the worker's uprising that nearly toppled the East German government was centered in this area; in this struggle the damaged but still functioning Columbus Haus was burned down. In 1961 those buildings

³It was here that Axel Springer, the German publisher, first erected a Times Square-like electronic board flashing news headlines eastward under the slogan, "the free press of Berlin reports" (Balfour 1990, 187). After the construction of the Wall obstructed his board, he moved it to the top of his newly built corporate tower overlooking East Berlin's central district from the western district of Kreuzberg. The construction of a wall of apartment buildings abutting the Wall along Leipziger Straße by the GDR once more rendered the news board invisible to those in the East.

remaining on the GDR side of the border were demolished to make room for the Berlin Wall. It was at Potsdamer Platz that the "no-man's land", the mined area between an inner and outer wall, stretched the widest, reaching 100 meters.

Once the Wall was built, Potsdamer Platz became a barren border area. On the west side, only two buildings had survived: the famed Grand Hotel Esplanade had been largely destroyed but a part of it had been salvaged and was used for balls, concerts and performances. A small building, previously one of many wine houses in the area, stood alone on what was left of Potsdamer Straße, under the shade of several large trees that had also, miraculously, survived. But the remainder of the area seemed to gradually return to its pre-urban state, as the border with the neighboring Tiergarten became more difficult to place (especially since most of the Tiergarten's trees had been cut down for firewood after the end of the war as Berliners desperately sought to keep warm.) An impromptu trailer park was established, one of several in deserted areas near the Wall in West Berlin, inhabited by members of an alternative culture preferring such informal communities to more typical neighborhoods. Although planning officials occasionally introduced ideas for the area -- one heard talk of building an "East-West trade center" in the 1980s, and there were unrealized plans to create a film center in the Esplanade Hotel -- they were raised without urgency. That this border area had been written off was clear from the two examples of development that were pursued in the area in the 1970s and 1980s. Just behind Potsdamer Platz the Kulturforum, consisting of a concert hall, a library and several museums was constructed; the hulking library turned its unsightly back to Potsdamer Platz, in so doing cutting off Potsdamer Straße, formerly the plaza's main artery. And in the late 1980s the *Senat*, at great expense, constructed a magnetic rail line linking the city center with Kreuzberg to the east; this so-called "M-bahn's" elevated tracks cut across Potsdamer Platz, requiring the demolition of the then defunct subway line that had,

before the Wall was built, connected Potsdamer Platz with the eastern and western city centers.

Land Disposition

In 1989 Daimler Benz decided to create a new service subsidiary, Daimler-Benz InterServices (Debis) and to locate it in Berlin. No major company had chosen Berlin as its headquarters location since before World War II; Daimler chairman Edzard Reuter had reportedly favored Berlin out of a desire to do something for his home town, the city his father had presided over as mayor during the difficult years of the Berlin blockade. By-passing the usual economic development apparatus Reuter, who retains strong ties to the SPD, went straight to the SPD Mayor Walter Momper and his Construction Senator, Wolfgang Nagel, asking them to work quietly with the local Daimler director to identify an appropriate 50,000 square meter site. Three possible sites were suggested, and Daimler chose the 62,000 square meters at Potsdamer Platz. When asked why this site was favored, Daimler officials spoke of the historic significance of the site, and also alluded to the hopes, even in the summer of 1989, that east-west tensions could begin easing, giving Potsdamer Platz a new centrality (Interview). ⁴

⁴The timing of Daimler's discussions with city officials remains under dispute; this point seems arcane but it takes on real significance in the summer of 1990 when the sales price of the real estate is discussed, since the fall of the Wall had a tremendous impact on the value of the land. Daimler officials maintain that their search for a site began in May 1989 and the fundamental agreement had been reached by November; according to Sontheimer (1990) top officials in the city's Building and Finance departments completed preliminary negotiations in December of that year. But in a later interview, according to Sontheimer, Nagel maintained that he was asked to identify a site as late as February 1990, and Senator Schreyer insists that in October of 1989 Senator Nagel was pushing Potsdamer Platz as a site for social housing, which he would have been unlikely to do had he known of Daimler's intentions. Whether the essentials of the deal were worked out before or after the key events of November, 1989 remains unresolved and highly ideological. (A recent article, highly favorable to Daimler, appearing in the business section of the *Frankfurter Allgemeine Zeitung* claims that the land sale actually took place before November 1989 but wasn't recorded until afterwards, a claim that would make the subsequent wrangling over land appraisals utterly ridiculous, and one at odds in every way with the record (Friedemann 1994).

It wasn't until the company's public announcement of its intended purchase on February 14, 1990 that most of those usually involved in such large planning decisions (including the leaders of the *Bezirk* Tiergarten, where the site is located, and the Senator for Urban Development) learned of it along with the general public. The immediate public reaction to this announcement was muted.⁵ No doubt in the midst of the many changes occurring in Berlin's landscape, it took a while for its significance to sink in. It wasn't until April, when the terms of the contract were discussed in the *Senat* and later in the Chamber of Deputies, that the extent of the controversy over this deal, and the acuteness of the political crisis it would provoke, became clear.

Some welcomed the coming of Debis, with its promise of thousands of jobs, to Berlin, but many groups normally consulted on planning matters had been left out of the loop; they were quick to condemn the decision-making process and the plans themselves (Sontheimer 1990, 10). The Alternative List and their Senator for Urban Development, Michaela Schreyer, led the opposition, which became increasingly vocal and mobilized as the details of the Daimler sales contract became clearer. Schreyer claims that she did not object in principle to the presence of Daimler in the new city center,⁶ but condemned the failure to consult her until the major planning conditions such as choice of site and allowable densities had already been agreed upon. "This had taken place on sort of a party-political level [between Daimler executives, SPD Mayor Momper and SPD Finance Senator Meisner] without any involvement from me as the responsible senator" (Interview). According to her top advisor, Staatssekretär Klaus Groth, "It was a sign of the lack of trust between Herr

⁵I could find no further references to it in the daily newspapers until April.

⁶In this she parted company from her party. Other AL spokespeople criticized Daimler as a weapons producer that had had close ties to the Nazi regime.

Nagel and Frau Schreyer...we were literally confronted with these arrangements at a time when the property question had been decided, in other words Berlin had essentially already offered the property for sale" (Interview). That allowable size and density of future development had been determined in initial promises made to the firm was objectionable not only because the Urban Development Senator had not been consulted, but also because in the view of planning officials it represented bad planning practice. It should have been up to the city to determine, through such legitimate processes as planning competitions and public approvals, the shape of the built environment in such a significant area, and then sell land to investors for whom such guidelines were acceptable. To include planning guidelines in a sales contract without such safeguards was to suggest that planning requirements, as well as the land, were for sale.

Schreyer further complained (and in this she was soon joined by many in planning and architecture circles as well as the usual AL allies on the left) that the amount of land sold was simply too much and the densities permitted in the contract were too high. In spite of the insistence of Daimler officials that they wanted to preside over the creation of a new, vital city center, critics envisioned towering skyscrapers and concrete blocks at the heart of their open, low density city. An architectural critic complained to *Der Spiegel* that Potsdamer Platz would be a "wasteland of bureaucratic culture that turns deadly quiet after 5 pm" ("Abgehoben und elitär" 1990, 116). The newly elected mayor of East Berlin joined in the criticism, objecting to the disposal of a key border site without any input from his office ("Ost-Berlin SPD betont..." 1990).

Further controversy erupted when the negotiated sales price of DM 1505 per square meter was revealed. German building law requires all public property to be sold at

appraised value; official appraisal commissions exist within and alongside the bureaucracy to continually update current land price estimates. The practice of selling land at below market value is not an accepted form of economic development, and European Commission policies, which monitor subsidies, further discourage such practices. The Construction Department and Daimler both maintain that the sales price was based on an appraisal conducted in May, 1990. Others claim that a price had been privately negotiated and an appraisal written after the fact by construction department officials to justify the price that had been set (Sontheimer 1990, 11).

Appraising land in Berlin was generally a difficult problem immediately after the fall of the Wall: appraisals are based on reviews of comparable transactions, but there were no land sales to compare to the proposed Potsdamer Platz deal.⁷ Construction Department officials appear to have justified the appraisal by referring to prices for other "*Randgebiet*", or city edge sites, given the fact that Potsdamer Platz was, until reunification was official, still the edge of the city ("*Streit um Brief...*" 1990). In light of the developments underway, this was seen by project critics as an unjustified gift to the company.

The question of sales price didn't end with the approval of the contract in July, 1990. At the end of that month, the European Commission announced that it was reviewing the Daimler sale for possible hidden subsidies from the Berlin government. Just how the EC became interested in this case is another controversial question. Former Senator Schreyer claims that EC commissioners had come across the details of the transaction as it was reported in the international press (Interview). But Staatssekretär

⁷The only other property in the immediate area that had changed hands was the unsightly Bellevue Tower built in the 1960s and most recently used to house students and refugees. The building and its approximately 5,000 square meter site had sold in May, 1989 for 12.85 million. In the summer of 1990 Daimler bought it, with the intention of demolishing the tower, as the final piece of their development site. The purchase price was DM 64.2 million (or over DM 13,000 per square meter). The company cleverly structured the sales contract to say that they were paying DM 1505 per square meter for the land, with the remaining DM 57 million for a building they were planning to demolish ("*Großzügig ausgelegt*" 1993, 94).

Groth says that his Department of Urban Development informed the commission of the details in the hope of provoking an official review (Interview). Finally, a newspaper report credits an unnamed employee in the department's press office with faxing a report to Brussels on his or her own initiative, and quotes Schreyer and Groth as denying any knowledge of this. However the Commission's initial interest was aroused, it's clear that AL-connected public officials supplied the necessary documents to pursue the claim. A year later, the EC ruled that Daimler had indeed paid below market value for the land, constituting an illegal subsidy, and demanded that the company pay an additional DM 86 million, nearly doubling their acquisition costs. *Der Spiegel* has reported that in fact little of this additional money will ever change hands; instead the *Senat* has counted the money Daimler paid to acquire the Bellevue Tower site toward this DM 86 million, and has been able to justify this with reference to an EC regulation that allows subsidies to overcome certain development obstacles ("Großzügig ausgelegt" 1993, 94).

Many of these same issues were to arise again in the Spring of 1991, when an adjacent Potsdamer Platz site, which included what remains of the Esplanade Hotel, was sold to Sony, which intended to build its European headquarters in Berlin. Once again negotiations were handled quietly by the Finance Senator, by now Elmer Pieroth, who agreed to sell Sony the 30,900 square meter site for DM 101 million (DM 3,268 a square meter). Once more this sale was brought to the attention of the EC and the sales contract was reviewed. During the review process Sony repeatedly threatened to pull out of the deal if they were required to pay more (this may have been as much related to recession and Sony's own weak performance as to the price of the land), and Berlin's political leaders used whatever channels they could to lobby the Commission on behalf of the original contract. The EC finally determined that Sony's parcel was worth more than the firm had paid, but they approved the lower

price in light of promises Sony had made to preserve parts of the Esplanade and provide low-rent space for a film museum (Rulff 1993).

Planning Controversies

As controversies over the sales price were flaring, the *Senat* was also trying to resolve the important planning issues. Senator Schreyer could do nothing to stop the deal from going through. The sales contract passed the *Senat* with the three AL Senators in opposition, and easily got through the Chamber of Deputies without the votes of the governing partner AL as the opposition CDU joined the SPD in support. The only leverage that the AL had was the threat to withdraw from the coalition, leaving the SPD a minority fraction and most likely requiring new elections. To avoid this outcome, SPD officials were willing to compromise on certain planning issues important to the AL. Most crucial among these were the promise create a park on a certain portion of the area, and the agreement to hold a planning competition that would determine the guidelines within which Daimler (and later Sony) could plan their site. As the Urban Development Department began preparations for a planning competition, Daimler assured the city that they were willing to abide by the competition results, and that they accepted the notion that it was the city's role to determine planning guidelines ("Primat der Politik' akzeptiert" 1990).

Preparation for the planning competition took place throughout the Fall of 1990 and winter of 1991. Although this was the task of the Department of Urban Development, it required the approval of the Building Department as well; Daimler's interests, although not officially part of the process, were also articulated. The government of East Berlin was also regularly consulted until it ceased to exist in October 1990. Conflicts were fought out over allowable densities; proportion of housing, small

business, cultural and social infrastructure that would be included within the office complex; the size and location of open space; and the preservation of the few existing buildings and trees. There were also differences of opinion over traffic planning; the Department of Urban Development wanted to recreate the traditional street patterns of the pre-war Potsdamer Platz whereas the construction and transportation agencies preferred to work with the larger through-streets that have since been constructed. The conflicts over traffic planning were not fully resolved, and the competition requirements that were sent out in 1991 simply omitted questions about traffic flow. The selection of jury members was also controversial, with names flying back and forth between the city agencies, the mayor's office and Daimler; the jury that was agreed on included architects, planners and two architectural historians as expert judges; the non-expert judges included the senators for urban development, construction and transportation along with the mayors of the three affected *Bezirke*.

There were further delays when the Red-Green coalition, already quite frayed as a result of their differences over Potsdamer Platz, finally crumbled. New elections in December brought in a new, CDU-led coalition with the SPD. Although the SPD's Senator Nagel remained head of the Construction agency, the AL's Schreyer was replaced by the CDU's Volker Hassemer as senator for urban development.

According to Schreyer, upon entering office Hassemer had proposed eliminating the planning competition altogether -- it had always been Nagel's position to simply work with the investors to plan an architectural competition for a specific site (no doubt influenced by the fact that his agency would oversee such a site-specific competition) and Hassemer was initially willing to agree with him. He quickly found himself under attack from the various planning groups that allied themselves with the Urban Development Department on the issue of a planning competition, and quite likely faced opposition within his own staff, many of whom would have been holdovers

from the previous administration who would have already made a considerable investment into planning this competition. Hassemer reconsidered, some changes were made in the competition's terms, a few jury names were changed, but otherwise the competition went ahead as planned. The one major change Hassemer made was to back away from an open process, in which any architect could enter, in favor of an invitation-only competition in which 16 architectural firms were asked to submit entries.

In so doing he earned the wrath of organized architect's groups, which fight for open competitions whenever possible but especially in cases in which major new areas are being planned. The major architects groups, namely the quasi-public Architect's Chamber and the voluntary Architect's and Engineer's Society (AIV), had expressed displeasure with the unfolding of events at Potsdamer Platz, maintaining that the promises already made to Daimler seriously constrained any planning initiatives. "Sensible city planning has been derailed, because the investors were identified before there was any thoughts about how this central area should look", complained the AIV chair (quoted in Loff 1991). When the competition was then limited to 16 invited architects, the Architect's Chamber threatened to withhold its official approval of the process, which in theory would have kept its members from participating (although it's not clear how they would be sanctioned.) The AIV responded by announcing their own, open competition, as a challenge to the limited process sponsored by the *Senat*; their hope was to assemble a sort of counter-competition, whose results, announced simultaneously with the official competition results, would influence the planning process. Unable to find sponsors to underwrite their costs⁸ the group could offer no honoraria to participants; they ultimately received 64

⁸The AIV petitioned Senator Hassemer, whose own planning process they were trying to discredit, to fund their competition; not surprisingly they were turned down (see exchange of letters in AIV 1992. "AIV-Ideenkonkurrenz Leipziger Platz-Potsdamer Platz.")

undistinguished entries primarily from unknown participants, which had no impact on subsequent discussions of the area.⁹

In October the competition jury announced that first prize had been given the Munich architectural firm of Hilmer and Sattler, one of the least high profile of all the firms chosen to participate. Their plan, which was based on traditional street blocks lined by low-rise structures, pleased those who saw the redevelopment of Potsdamer Platz as a chance to recreate the old city fabric in a style rather vaguely called the "traditional European city" (Stimmann 1992, 44). It was criticized by adherents of other architectural schools, who would have preferred a more modern, imaginative statement: one architect dismissed the winning plan as representing the "lowest common denominator" (Sewing 1994, 61).

The most pointed criticism came from Daimler and Sony; the very modesty of design that had appealed to the jury members ran counter to their dreams of building signature headquarters at the heart of the new capital. Although as mentioned above Daimler had informally influenced the terms of the competition guidelines, neither firm had had any voice in the selection of the winning plans. Sony's German spokesman complained that the plan stuck to hundred-year-old planning principles, and both firms condemned Hilmer and Sattler's work as more appropriate for "Posemuckel", the imaginary small town in the hinterlands, than for a major metropolis.

Perhaps in anticipation of such an outcome, Daimler and Sony had together commissioned Richard Rogers, co-designer of the Pompidou Center in Paris, to come

⁹Most press reports of the results of the AIV exhibit of their competition entries were discreetly polite, but one was quite blunt: "The results surpass all expectations -- in the negative sense.... wretched entries dilletantishly drawn in ghastly colors...This cabinet of horrors should be viewed in order to learn just why our environment is the way it is." (Jaeger 1991).

up with a plan for the area outside of the competition. This was a tricky strategy. Berlin's political elite and the professional associations that shaped public opinion on planning matters believed strongly in the legitimacy of the competition process; even if there were differences of opinion about the results there would be a uniform rejection of any effort of the investors to circumvent this process. Thus did Daimler officials claim that the Rogers plan was not commissioned as a "counter-plan"; rather, its purpose was to educate the investors, who were not themselves experienced developers, about what was possible at this site within the given guidelines (Interview). At the same time they spared no expense to make sure that the Rogers plan, which was unveiled just a few days after the Hilmer-Sattler prize was announced, received considerable publicity and outshone its official counterpart ("Von den Investoren..." 1991). The Rogers plan included higher densities and more high-rises; it also dealt with some issues, including traffic patterns, that had been left out of the guidelines of the official competition.

The Rogers plan had mixed results for the investors. On the one hand it had the effect of pushing those within the *Senat* planning agency and the Berlin architectural community to defend a Hilmer-Sattler plan that some had greeted with only lukewarm support. The Hilmer-Sattler plan thus became a "rallying point for various fractions within Berlin politics and the architect's lobby against the all-powerful investors" (Sewing 1994, 67). The senator for urban development, who had lost points for failing to hold an open competition in the first place, could redeem himself with Berlin's architectural officialdom by standing tall in favor of the legitimately chosen plan. Architects associated with the left decried the Rogers plan as a mere tool of the investors; others suggested that Rogers should be banned from working in Berlin (Sewing 1994, 68).

On the other hand, the favorable national and international reports on the Rogers plan succeeded in bringing some alternatives that the investors favored into discussion. A *Tagesspiegel* article summed up Senator Hassemer's dilemma, faced with "... a planning proposal that's been under attack; an alternative proposal that has received national attention and finally the danger that the powerful investors, rather than the *Senat*, will be seen as determining city planning policies" ("Von den Investoren..." 1991). Even Hassemer conceded that the unofficial plan contained some interesting ideas, although it was too mall-like and cut off from its surroundings, and he urged Hilmer and Sattler, in the course of revising their plans, to consult with Rogers ("Von den Investoren..." 1991). The re-worked, final plans do indeed include a somewhat higher density and incorporate some of the traffic ideas from the Rogers study.

Once the sales price issues were decided and the uproar over the dueling land use plans had subsided, the planning for Potsdamer Platz became a less central issue. Public interest was once more awakened in the Fall of 1992, when both Daimler and Sony announced the results of the architectural competitions each had sponsored to design their individual sites. Investor-sponsored competitions, undertaken to gain popular legitimacy and bureaucratic support for politically sensitive private projects, still are run by juries on which architects are the majority and public officials hold seats. And in fact both juries included the usual cast of characters from the Berlin architecture world. But the investors hold several seats on these juries and can decide themselves which architects to invite, so whereas independent architects and public officials have a majority vote on submitted proposals the conditions are less likely to be unfavorable to the investor than in the broader planning competitions. Whereas planning competitions are prepared by the Department of Urban Development, architectural competitions are prepared by the Construction Department and the investor cooperatively.

The Berlin architecture establishment was quite pleased with the outcome of the Daimler competition, in which the first prize went to French-Italian architect Renzo Piano. Relying on 5 - 6 story buildings with just two modest high-rises, featuring open space and even a lake, these plans were greeted enthusiastically even by some who had been vocal critics of the Potsdamer Platz project from its inception (Sack 1992). The Sony jury chose the German-born, Chicago-based architect Helmut Jahn, known for his large corporate towers such as Frankfurt's Messeturm. Although his plans were within the letter of the Hilmer-Sattler-based guidelines, with several large towers and a large, enclosed mall they were hardly in the spirit. The city's building director criticized the plans as "monotonous, typically American architecture" (Stimmann 1992, 45). Others were even more disparaging of what they saw as a piece of corporate America thrust into their midst: "When it turns out that, like in the Peachtree Center in Atlanta...the entrances are watched over by black sheriffs and video cameras, then one might wistfully remember the chaotic, dirty, traditional European city plaza" (Mönninger 1992, 5).

That Daimler's plans conformed so much better than Sony's to the expectations of the Berlin architectural establishment might have been partly coincidental -- after all the Sony jury, which also included architects and city officials, was unanimous in its choice of the Jahn plans. But as the intensive planning phase of the project unfolded, the relationship of the two investors to the city, its political leaders and building officials developed quite differently. Local Sony representatives were in a state of perpetual warfare with city building officials over each detail of the various approval processes, loudly complaining about the money they lost as the project was delayed.¹⁰

¹⁰Sony's Berlin director, Rainer Wagner, complained to a reporter in November 1992 that his company lost DM 30,000 a day in interest payments; in February 1993 he claimed they lost DM 50,000 a day. See van Lessen 1992; "Senat: Sony muß Schulaufgaben machen" 1993.

At the same time, Sony was reluctant to submit the detailed building plans required by the *Senat* for approval. Sony continually threatened to abandon the project should the EC require them to pay more for their land, and even after the EC decision was rendered they blamed the long review process for holding them up and announced that they would begin building two years later than planned ("Sony-Bauarbeiten in Berlin..." 1993). Both on and off the record, Sony officials had little positive to say about Berlin.¹¹

Daimler, on the other hand, seemed determined to play good corporate citizen. This is not to say that its officials were never critical, especially during the battles over the Hilmer-Sattler plans. In a *Spiegel* interview Manfred Gentz, chairman of Debis, complained, "We had the impression at the beginning that many politicians and bureaucrats would have preferred to preserve their little walled dreamland, rather than expeditiously build a European metropolis and German capital" ("Berlin muß aktiver werden" 1993, 150). But disputes were usually resolved out of the public eye.

Daimler officials seemed to understand that Berlin leaders needed to appear to be in charge, and that the company's influence would be greatest when they could exercise it most quietly. A Debis spokesman, in an interview, continually referred to the company's awareness of steps it couldn't possibly take that other companies might have been able to get away with, because they made such an easy target for a variety of oppositional interests (Interview). On the other hand, their size and the political relationships cultivated by their chairman gave them unparalleled access to the top

¹¹No doubt individual personalities contributed to this relationship. Sony's Berlin chief, Wagner, was known among city officials and even other investors for his negative attitude and sharp personality. During the course of the project he was replaced, and eventually went to work for a Berlin-based developer. I spoke informally with a member of Sony's staff and encountered a degree of anti-Berlin venom that I assume had to have been part of the small office's corporate culture. Some representative views: Until the move of the capital Berlin would remain a hick town; Berlin politicians were hacks; Hans Stimmann was a small town planner suddenly feeling his oats and exerting arbitrary power over a big company; only West Germany's losers would have migrated to or stayed in Berlin over the years, and this is who runs the city now.

political leaders, obviating the need for the kinds of publicly antagonistic challenges in which Sony officials, rightly or wrongly, felt the compelled to engage. Daimler was also successful at giving Berlin political leaders what they needed at crucial times. They were among the corporations involved in an initiative to expedite the move of the capital. And in the Fall of 1993, when the capital move had been delayed perhaps indefinitely and Sony was making unhappy noises, Daimler scheduled a symbolic groundbreaking at Potsdamer Platz (symbolic because the building plans had not in fact been approved) and used the occasion to proclaim their continued faith in the city ("Baubeginn für das größte Projekt in Berlin" 1993).

Two additional investors became part of development plans with far less fanfare than Sony and Daimler. Hertie, the department store chain, had claims to property along Leipziger Platz (on the eastern side of the former border) that had earlier belonged to the Wertheim department store.¹² They intend to build a department store here, but legal difficulties with their property claim have slowed their progress. In 1993 the multinational electronics and engineering firm ABB announced a joint project with West German developer Roland Ernst to develop a 15,000 square meter site to the east of the Sony and Daimler sites. Ernst had purchased the restitution rights to the 3,000 square meter property under the former Haus Vaterland; he and ABB planned to buy the remainder of the parcel from Berlin to build ABB offices and some speculative rental space. In contrast to earlier deals, the principals quietly worked out arrangements. There were reports of fierce negotiations over sales price -- ironically

¹²The history of German department stores could itself fill an entire dissertation. The major chains had been Jewish-owned, and were wiped out by the boycott of Jewish businesses after the Nazis came to power. The most prominent were re-organized by their creditors under "Aryan" ownership -- thus did the famous Hermann Tietz & Co chain come to be renamed "Hertie". Wertheim, with its high-brow signature store at Leipziger Platz, was also "aryanized" in the 1930s; in 1952 the Hertie company bought out what was left of the company (although its East Berlin holdings were seized by the Soviet occupying authorities and turned into the East German "Konsum" retail cooperative.) As owner of the Wertheim property claims in East Berlin, Hertie plans to develop this and other sites, including one at Alexanderplatz. See Ludwig 1993.

Finance Department officials used the appraisal reports compiled by critics of the Daimler and Sony deals to justify a DM 12,000 per square meter sales price, while ABB pointed to the prices actually paid for adjoining sites as the basis for a much lower offer (Paul 1993a). Ultimately a sales price was agreed on and an architectural competition held, but these events were not widely reported, and few Berliners are aware that there is a third investor building in the area.

In the meantime, the official process for approval of the new building plans necessary before the start of the construction was underway. This is a process normally handled by the *Bezirk* but in this case its been taken over by the Construction Department. Technically this is justified because the overall project, although located almost entirely in *Bezirk* Tiergarten, also involves part of Mitte, and the building logistics will involve sites in Kreuzberg. In fact, the central administration would quite likely have taken over this project anyway (as they did in the case of Alexanderplatz), in part because the resources of *Bezirk* would be stretched by such a massive undertaking, and in part because the *Senat* is reluctant to give *Bezirk* politicians the power to derail a project that they see as politically significant.¹³ There is actually a two-stage planning approval process, during which first a general plan and then site specific plans will be created, exhibited to the public and to significant interest groups. Their comments must be considered and responded to by city officials. In reality, the Construction Department contracts with planning firms to carry out most of this work; even the evaluation of public comments, supposedly the essence of the democratic principles embedded in the planning process, is really carried out by subcontractors. At the same time, legally mandated environmental impact statements were also conducted.

¹³ The *Bezirke* have retained a role in approving plans for individual buildings located within their districts.

Considering the controversy surrounding the initial plans for Potsdamer Platz, the level of public concern during the actual citizen participation phase was low. There are several explanations for this. First, this is an area with few residents: only the inhabitants of the trailer camp in the middle of the area actually live nearby; otherwise the site's nearest neighbors are the Tiergarten and the Kulturforum. Second, the key issues that most capture the imagination are decided long before one arrives at the formal planning stage; it was too late to propose a radically new approach to development at this site, so one's input would have meaning only if one could intelligently comment on the more technical aspects of the project. This leads to the following point, which may be relevant to planning participation in general: it would have been very difficult for lay people (as it was for this urban planner) to make sense out of the hundreds of colored maps and mechanical drawings displayed as part of the public review process.

Not surprisingly, the public discussions which were held during this period did not, like those at Alexanderplatz, draw large crowds of concerned citizens; rather they appeared to be modestly attended, and with audiences dominated by the two interests which had bothered to mobilize around the building plans. First, the Prussian Cultural Foundation, a quasi-state organization that controls the institutions of the Kulturforum, opposed several aspects of the plans that would have impact on their holdings. The re-routing of Potsdamer Street would increase traffic noise in the Philharmonic, they claimed, and part of the Daimler development would have been built on land previously promised the state library to meet their expansion needs. The Prussian Cultural Foundation registered their official disagreement with the plans through the legal participation process, and also made efforts to mobilize their constituents: thousands of library users were asked to sign petitions, and copies of a

newspaper article favorable to the Foundation's viewpoint (and dramatically entitled, "At the Forum of Culture, Cultural Barbarism Threatens" (Zawatka-Gerlach 1993)) were distributed. Compromises were subsequently reached and the Prussian Cultural Foundation has dropped its active opposition.

Environmentalists also maintained a vigilant presence in all discussions of Potsdamer Platz. Perhaps some, as one Daimler spokesman maintained, simply were opposed to any building at Potsdamer Platz at all; the area had indeed become what an FDP Deputy described as "trümmergrün", or rubble greenery, referring to the fact that what World War II had destroyed was simply never rebuilt and had become de facto open space that to some environmentalists was ecologically important (Interview). But the groups that opposed the project, including the Citizens Initiative Westtangente and their sister group in the Tiergarten neighborhood, had some very specific concerns. The project would require a considerable amount of tunneling under the Tiergarten; they were afraid that, given Berlin's high water table, this would dry out the area. They also had broader concerns about auto tunnels that were planned to accommodate both the Potsdamer Platz development and the government center planned for the Reichstag area. They were present at public meetings, asking questions about highly technical matters with considerable expertise and at times engaging in more dramatic actions (they brought a black coffin, signaling the death of the Tiergarten, to one public hearing) ("Sarg für Daimler-Benz" 1994). But even these groups have had trouble drawing a great deal of attention to these issues, given the paucity of people whose neighborhoods are directly affected. Indeed, even the possibilities of using the administrative grievance procedure, which such groups have used successfully in stopping highways and power plants, are difficult to orchestrate, since such grievances must be filed by those who are themselves directly affected by the proposed actions. I attended a strategy meeting of the Citizens Initiative

Westtangente during which they considered the possibility of filing a legal challenge, but they knew of no one on whose behalf it could be filed. As a last resort someone suggested contacting the proprietor of a fast-food kiosk near the subway station, a man who had seemed sympathetic to environmental causes on other occasions and who would surely be inconvenienced by the coming changes.

Current Status

Currently the major aspects of the proposed developments have been approved and building is underway. Heady discussions of the "European City" have given way to the practical concerns of how to orchestrate several major construction projects in the heart of a densely built city. If the birth of the Potsdamer Platz redevelopment was characterized by a lot of behind-the-scenes deal making with a good dose of serendipity, the planning of construction logistics has been carried out with Prussian near-military precision. The state of Berlin has organized a corporation, with the major Potsdamer Platz investors and the state as participants, charged with coordinating construction activities as efficiently and with as little damage to the environment as possible. An entire city within a city has been erected, with building materials carried in and building waste out over canals and freight rail lines; everything is controlled with sophisticated computer programs, and costs are shared by the investors (Weise 1995).

Both Sony and Debis have encountered difficult years since they embarked on their Potsdamer Platz projects. Debis, for instance, expected there to be a rapidly increasing demand for business services from the eastern states and based its employment projections for their project on these optimistic forecasts. In fact, the business has been slow getting started, and its future growth is uncertain ("Berlin muß

aktiver werden" 1993).¹⁴ These two investors should not, however, encounter much difficulty in finding tenants for any surplus office space; the modest prices for which they bought their land, in comparison to others building central city office space, should allow them to market their space at rents below those in costlier projects (such as those discussed below). The city's fragmented land disposition process has therefore influenced the competitive situation of the various investors building in the central city.

Alexanderplatz

Whereas Potsdamer Platz and Friedrichstraße both lost significance during the postwar period, Alexanderplatz and its environs became the social and architectural center of East Berlin. With a 365 meter high television tower looming just beyond the train station, a bubbling fountain in its center, the city's largest department store and many cafes and restaurants, the area around the Alexanderplatz train station was bustling, earning particular distinction in a city where an increasing number of people lived in isolated housing projects lacking commercial or recreational amenities.

The popularity of "Alex" has suffered, however, since the *Wende*. Many of the GDR-era restaurants have closed, its fountain has gone dry due to lack of maintenance funds, the large department store is now one of dozens of chains found throughout the city. Alexanderplatz can be seen as symbolic of much of GDR life, enjoyed by its citizens when their choices were few, but shunned once newer, more convenient, glitzier opportunities arose after the fall of the Wall. Today Alex is hardly forgotten: especially during the day the area is filled with people, but as a favorite hang-out for

¹⁴Actually, Daimler officials had always been fairly coy in their commitment to job creation at the Potsdamer Platz site: their press releases all claim that 7,500 to 8,000 people would be working and living in their project but they never specified how many would actually be working for them. See, for example, their press release from March 24, 1992.

punks and a gathering point for street peddlers it has lost some of its attraction to strolling families and tourist groups. Not surprisingly, over half of all crimes reported in the *Bezirk Mitte* take place in the area around Alexanderplatz.

Even under better circumstances, Alexanderplatz had its inconveniences. Constantly reshaped over the course of its history, the current, GDR-built Alex is a pedestrian zone cut off from the surrounding area by wide, impassable streets; a network of underground pedestrian tunnels is intended to connect the plaza to the train station and to the buildings across the boulevards, but one needs a compass or a guide to find one's way through.¹⁵ With the exception of two 1930's structures designed by Peter Behrens that act as gates to the plaza, Alex is surrounded by tedious examples of 1960s-era office buildings: monotonous rectangles of some 15 stories line the wide streets across from the plaza. The dominant structure is the TV tower just beyond the train station; while it may have its merits as a landmark when seen from the distance, anyone standing in close proximity can see only its mammoth concrete base, now used by adventurous children as somewhat dangerous slide. Even its fans concede that the area could benefit from some improvements (Fricke 1992) and its critics, many of them westerners who have seen Alex only since the *Wende*, are much harsher. One (eastern) observer has noted, "The tall buildings are scattered like orphans. Everything appears to be just a bit too big and too crude. An unhealthy breeze seems to blow continually over the plaza" (Kil 1992).

History

¹⁵No doubt navigation is easier for long-time East Berliners. The underground tunnels are marked by signs pointing pedestrians toward landmarks, such as the "House of Teachers" or "House of Electronics Industry", that are unmarked and unfamiliar to newcomers.

The original Alexanderplatz was the area just beyond the Georgian gate of the city's walls, often called the Oxen plaza after of the animal market that flourished into the nineteenth century. In 1805 it was renamed Alexanderplatz in honor of the visit of Russia's Tsar Alexander, an ally of the Prussian king. Like so much of the residence city, Alexanderplatz was shaped by military facilities, with an exercise area and barracks its major focal points. Unlike the Friedrichstadt, which had been carefully planned by Prussian authorities upon annexation, the area just beyond Alexanderplatz grew up haphazardly, its streets following no special pattern and its housing development spontaneous. The still-standing Scheuenviertel (literally, "barn district"), recently placed under historic protection, reminds the modern observer what the entire eastern center of Berlin had once looked like.

As Berlin expanded following the economic and political push of 1871, Alexanderplatz was no longer the outer edge of the city but its eastern hub. In 1886 its railway station was opened, and it gained greater transportation importance as, in the early twentieth century, three subway lines intersected below the plaza. Several large department stores opened at Alex to take advantage of the area's trade. Unlike Potsdamer Platz, however, the area was not known for its upscale venues. In fact, Alexanderplatz was the meeting point of Berlin's least savory areas, the neighborhoods in which workers, the newest immigrants (many, in the early twentieth century, Jews from Eastern Europe), and criminals lived side by side. It was, perhaps, in order to flex its muscles in the midst of its most suspect population that the state erected its massive and notorious police headquarters (no longer standing) at Alexanderplatz: this is where radical regime opponents, as well as common criminals, were taken during the Kaiserreich, the Weimar years, and the Third Reich. Alfred Döblin's well-known novel *Berlin, Alexanderplatz*, which was published in 1929, is most likely invoking the address of the police headquarters in its title rather

than the plaza -- the plaza itself was closed for subway and road construction during the years in which Döblin was writing (Geist et al 1992, 40).

Alexanderplatz and its environs attracted the attention of Weimar-era building director Martin Wagner and a number of local businesses active in the eastern business center; they were concerned that the area's deterioration was accelerating the already evident movement of capital toward the city's west, depressing property values. As discussed in chapter two, Wagner and the City-Ausschuß undertook several ambitious urban renewal efforts, most of which were hampered by the difficulties in acquiring property for renewal and the lack of municipal funds. One such project was the restructuring of Alexanderplatz, and in this endeavor they were at least partially successful. Wagner and transportation director Ernst Reuter had begun quietly buying up Alexanderplatz properties before formal renewal plans were announced (and before the Depression depleted municipal coffers); in total they spent DM 800 million for the land they would need to reshape traffic patterns and provide for new development (Mönninger 1993). In 1929 the City-Ausschuß, acting on behalf of the city (which was now in the midst of a fiscal crisis) invited six prominent modernist architects to submit plans for a newly designed Alexanderplatz; the most significant change was to be the elimination of the central, green area in favor of a large traffic circle whose center would be a transfer point for trolley cars. Modern office buildings were envisioned for the area around the plaza; in what seems to be a preview of today's debates, the architects were permitted to exceed the heights and densities originally zoned for the area in order to make the project more attractive to developers (Geist et al 1992, 40).

A partnership of three local architects was granted first prize in the competition, but it became immediately clear that their scheme would be too expensive to realize, and

the actual redevelopment contract was awarded to another competition entrant, Peter Behrens. Even his plan was only partly realized. The traffic circle was indeed built, and most of the existing buildings demolished, but only two office buildings ever constructed to take their place. The arrangements made by the city for the construction of these buildings is indicative of the kind of assertive position Berlin's Weimar era regime was prepared to take in urban redevelopment: the city retained ownership of the land, leasing the two parcels to a development consortium based mostly on American capital. The city was entitled to 10% of all rental profits. Astoundingly, the buildings were to be demolished at the end of the contract period (1955) and the land to revert to the city (Geist et al 1992, 42). These two Behrens-designed buildings survived the war; today they are both under historic preservation protection, both are owned by the city and are currently being renovated. The rest of the Behrens design for the area, like most of Wagner's urban renewal schemes, fell victim to the times: there was neither enough public capital nor private interest to sustain them, and after the Nazi takeover the focus of local planners shifted to other parts of the city.¹⁶

Like the Potsdamer Platz area, Alexanderplatz was hard hit both by bombing raids and the final ground battles of the war, as the SS tried to defend itself from within the Alexanderplatz subway station. Little attention was paid to the area by GDR planners in the 1950s, concerned first with industrial and then housing restoration. Several of the streets leading up to Alexanderplatz were to feature some of the first new GDR housing developments; as the new apartment towers were built the streets they lined were widened to six or more lanes, producing the street patterns that now mark the area. In the mid-1960s concerted efforts were made to modernize the city center,

¹⁶The Nazis main "contribution" to Alexanderplatz (if one disregards the massive dispossession of the largely Jewish property owning population) was the dismantling of the fifty year old Berolina statue, considered a symbol of the city: it was melted down to make weapons in 1944.

determining the current shape of Alexanderplatz. The plaza area was separated from the surrounding streets, and the various office buildings and the large Hotel Stadt Berlin were constructed; in 1969 construction began on the nearby television tower as well.¹⁷

Land Disposition since the *Wende*

Planning Senator Hassemer did not put much emphasis on plans for Alexanderplatz immediately after the *Wende*: There is no mention of it in newspapers or official *Senat* publications until the end of 1992 and throughout this period the Department of Urban Development was involved in its new Land Use Plan that emphasized dense office development only outside the inner city, at train and highway crossing points at Ostkreuz and Westkreuz.¹⁸ But Treuhand policies and development pressure from investors made a cautious attitude toward Alex development impossible, and *Bezirk* and city officials were forced to make the area's planning a priority.

Many of the buildings around Alexanderplatz had been headquarters for GDR *Kombinate* and associations, the property of which was administered by the Treuhandanstalt (THA) after reunification. As some Alex properties were sold as part of a larger business package, and others sold before the cooperative mechanisms of the *Berliner Modell* (described in chapter four) were in place, the THA had almost total autonomy in determining property ownership patterns at Alexanderplatz; these patterns have shaped the politics of planning in the area. Thus, although the THA and its subsidiary, the TLG, appear in later, better publicized aspects of Alex planning as

¹⁷The architect who held the position of chief planner in Berlin for many years, had supposedly intended to put the tower right where the City Palace had once stood (and where the Palast der Republik stands today); he was persuaded otherwise (Dieckman 1992).

¹⁸Several sources confirm Hassemer's initial intention to put off any large-scale plans here. See Mönninger 1993; also, remarks made by Bodo Fuhrmann, director of Interessengemeinschaft Alexanderplatz, in an interview with Karin Lenhardt and Jürgen Ungerer, 23 January 1995.

minor players, in fact their early decisions, which were never subject to public comment, were the deciding events of this case.

At present, there are seven private investment projects planned at Alexanderplatz; five of the development groups acquired their properties from the THA. In two cases, West German businesses bought out entire East German enterprises, and the property at Alexanderplatz was part of the package. The West German retailer Kaufhof entered into a partnership with the GDR Centrum-Warenhaus, with its flagship store at Alexanderplatz, just before currency union in 1990 and later took over the chain ("Kaufhof stellt sich in Berlin ins Centrum" 1990). Trigon GmbH Berlin (a subsidiary of the West German Klingbeil Group, which owns several West Berlin hotels as well as other property), bought up the East German Interhotel chain, including its hotel at Alexanderplatz ("Das kam für uns goldrichtig" 1992).

A third large investor at Alexanderplatz is a consortium led by Gruner + Jahr, a magazine and newspaper publisher based in Hamburg. Gruner + Jahr bought the Berliner Verlag, an SED-owned publishing house with its head offices at Alexanderplatz, from the SED's successor party, the PDS, in 1990.¹⁹ Gruner + Jahr has continued to publish the Verlag's *Berliner Zeitung*, now a mass circulation daily with a slightly more pronounced East Berlin focus than its western competitors. Although the business itself was bought from the PDS, the real estate needed to accommodate Gruner + Jahr's plans was acquired from the Treuhand, as part of a negotiated deal, in late 1993/early 1994 (Paul 1993b). Both the EUWO Group and Terrano (the latter a partnership of West German developer Roland Ernst and a Bavarian bank) bought properties deemed surplus by the THA through an investor

¹⁹The reported sales price was 240 - 300 million DM ("Gruner + Jahr konzentriert Kapitalkraft auf den Zeitungsmarkt" 1991).

bidding process, in which both sales price and investment plan were considered in choosing the winner, in 1992 (Interview).

Two further investors did not come through the THA. The Hertie department store chain, as the legal successor to the Wertheim department store, claimed Wertheim's property through the property restitution laws. Finally, an investment consortium led by Gerald Hines, the Texas developer who is also building in Friedrichstadt, began negotiating for a fully city-owned parcel in September 1993, just before the results of the planning competition were announced. This site, adjacent to the Interhotel, had also been part of hotel expansion plans, leaving the city (through its KOAI) to determine which plan offered more for the city (Paul 1992).

With the exception of the Hines consortium, these investors were all in place and eager to build by mid-1992. The investors cooperated with each other informally, and eventually formed the Interessengemeinschaft (IG) Alexanderplatz, staffed by a part-time director, to represent them in discussions with city officials on common concerns. Several of the investors had purchased functional, occupied office buildings but were eager to replace them with bigger and more elegant structures. Several, in fact, had submitted preliminary building plans to the *Bezirk* under the terms of Paragraph 34 of the *Baugesetzbuch*, which indicates that building can be approved in an area lacking an approved plan if the new construction "fits in with the character of the neighborhood in its type and density, its design and its dimensions...." Alexanderplatz, with its tall offices, its open plaza, its broad apartment complexes and its 365 meter TV tower was not an area with so clearly defined a character that district planners could easily judge what sort of development would be appropriate. In fact, it might have been just this lack of clarity that attracted some investors to Alex; at least one admitted that the site had appeal in part because there was a good argument for

allowing high-rise development, which was otherwise seldom possible in Berlin (Interview).

Planning Controversies

Senator Hassemer, responsible for comprehensive planning, appears to have gotten involved in Alexanderplatz in 1992, as preliminary plans for large-scale office development were first filed with the *Bezirk*. No doubt Hassemer sought to wrest some control over the planning of a major urban space in spite of the fact that the hasty sale of the surrounding land without any agreement on planning considerations had diminished the city's leverage. He came up with the idea of issuing a planning competition for the area, similar to the one held for Potsdamer Platz, in which architects would be invited to submit their visions of Alex and the winning plans could become the basis of legally binding plans for the area.

In contrast to the Potsdamer Platz process, however, and to the usual practice in planning (as opposed to building) competitions, the major investors in the area were included on the competition jury. Although as usual (and as required by law) the majority of jury members were independent architects chosen by the *Senat* (in consultation with the *Bezirk* and the investors), four of the seven "*Sachpreisrichter*", or non-expert judges, usually drawn from city and *Bezirk* agencies, represented the investors, as did three of the seven alternate members. The investors' influence was further heightened by the method of selecting the architects who would participate as contestants. Each of the (then six) investors was able to invite an architectural firm; the remaining eight invitees were chosen by the *Senat* and the *Bezirk* (it was at the behest of the *Bezirk* that three firms based in East Berlin were invited). The active role played by the developers in the early planning of the area was to remain a

contentious issue throughout the process. As the winning plans were revealed and local opposition to them grew, the unprecedented inclusion of private interests served to compromise the legitimacy of the planning process in the eyes of many observers.²⁰

Several factors no doubt contributed to Hassemer's decision to include the investors in the planning competition. One obvious incentive was fiscal: competitions are expensive to run, as prize money must be raised and those jurors not employed by public agencies must be paid. As co-sponsors of the process, the investors were also asked to pick up some of the costs. But it's unlikely that the *Senat* would have taken this controversial step merely to save a few hundred thousand marks. One reason to invite investors was to avoid what was seen by the Senator as a tense and awkward conclusion to the Potsdamer Platz competition. Daimler and Sony, believing that their interests were not properly considered, simply arranged for their own plans to be drawn: to avoid the embarrassing spectacle of international architectural magazines endorsing plans outside of the official competition process the city preferred to include the investors and their planning visions from the start.²¹

Finally, given the fact that the land had already been sold and that many of the developers would have had a good legal chance of realizing fairly high and dense redevelopment under the terms of Paragraph 34, the *Senat* was not in a position to dictate the terms of a competition; rather, Hassemer would have needed to persuade the investors to cooperate. To be sure, there were some advantages to investors in waiting while the city conducted a comprehensive planning process. Projects are affected by their surroundings, and those investing millions in a building have an

²⁰See, for instance, Schweitzer 1994b.

²¹Mönninger, 1993 also makes this argument.

interest in seeing that the surrounding buildings aren't jarringly out of place. Second, the success of private development depended on the city's commitment to improve infrastructure in the area; such commitments are difficult to secure unless the city is committed to an overall improvement scheme, and even then, as the developers along Friedrichstraße can attest, coordination of various public agency actions can be difficult unless the public sector parties have worked out their differences ahead of time. Finally, although it is likely that high and dense development would have been permitted under Paragraph 34, no developer would have looked forward to pursuing the time-consuming appeals and legal challenges necessary should the *Bezirk* and the *Senat* have chosen to oppose their designs. Nonetheless, the investors were well enough situated so that they did not need to agree to abide by the results of a competition unless the process was acceptable to them and they recognized that they held a position of strength vis a vis the city.²² Although it's not clear just who proposed that the investors themselves sit on the competition jury,²³ it's not a surprising outcome given the relative leverage of the different parties.

The competition guidelines were issued to the fourteen invited architects in November 1992. Guidelines required the preservation of the two Behrens buildings and sought a mix of uses, including 20% residential and 25% retail, and 10% cultural/recreational, and just 30% offices, to prevent a corporate ghetto; the guidelines make clear that high-rises would be considered but otherwise allow the architects free reign in planning the area (Senatsverwaltung für Stadtentwicklung und Umweltschutz 1993b). In April 1993 five finalists were chosen and public opinion solicited in a series of open sessions, all of which attracted crowds of several hundred

²²Interview with Bodo Fuhmann, conducted by Karin Lenhardt and Jürgen Ungerer, 23 January 1995.

²³According to Fuhmann (see footnote 22) the investors were invited to participate by the Senator. According to the head of the Department of Urban Development's competition unit, the developers requested that a competition be arranged with their participation (Interview).

people. In addition, an insert describing the final proposals was published by the *Berliner Zeitung*; it included a mail-in form to be used for comments. The plans were also on display in a store front on Alexanderplatz, and similar comment forms were available there. Opportunity for public comment was not only intended to help diffuse some of the strong anti-development feelings among Alex residents, but also to fulfill the legal requirements for public participation in the course of preparing new building plans. Based on citizen comments the five finalists were asked to make slight revisions in their submissions (reducing some densities and increasing the housing quota), and in September 1993 a prominent local architect, Hans Kollhoff, was chosen to design the new Alexanderplatz. His design included 13 high-rise towers of over 40 stories but because it maintained a block structure and street wall (he's compared his conception to New York's Rockefeller Center) it was not entirely objectionable to some favoring a more traditional approach to Berlin architecture.

Throughout the course of the competition, and after its results were announced, the city, the jury and the architects encountered a barrage of criticism from those who disliked the plans, those who disliked the process, and many who were unhappy with both. At the end of the first stage of the competition the reaction of those who visited the public events and responded to the citizen survey was almost uniformly negative. (This was, of course, a self-selecting group, as those disturbed by the plans were most likely to take an active interest, but a review of newspaper reports and interviews suggest that this negative attitude was probably representative of those who lived directly on Alexanderplatz or in adjacent neighborhoods.) For instance, 62% of those responding to the survey had an overall negative impression of the five final plans. Sixty percent called for more housing, and 61% deplored the proposed building densities and high-rises, and 72% wished that the proposed development would be implemented more slowly and would be more respectful of existing buildings ("eine

'behutsame' Entwicklung") (Senatsverwaltung für Stadtentwicklung und Umweltschutz 1993b, 24-26).

Public criticism did not abate once the winning plan was announced in September. Additional public meetings were held in October to present the winning plans; at times they deteriorated into screaming matches between the audience and Senator Hassemer and architect Kollhoff. "We don't want Manhattan!" one woman exclaimed to applause as Kollhoff tried to draw his comparison to Rockefeller Center (Kammer 1993); as the architect tried to compare his ideas to the urban plaza found in Italian cities, one angry resident responded, "' If you want Italian plazas, go to Italy!'" (Schweitzer 1993a). Others spoke against high-rises as inhuman structures requiring environmentally harmful mechanical systems and 24-hour security (Schweitzer 1993a).

To many critics, the entire planning process had been made suspect when the property owners were given a voice in the competition jury. Audience members at public hearings, opposition politicians and editorial writers repeatedly asserted that pressure from the investors had shaped and even invalidated the competition results (Schweitzer 1993a). One man assured Kollhoff that he had nothing against the architect personally: "'I'm sure you're working under enormous pressure from the developers'" (quoted in Paul 1993c). At the end of one public hearing the jury chairman, Berlin architect Jürgen Sawade, was nearly pleading with the audience not to dismiss the competition as illegitimate, pointing out that the investors had just four out of fifteen jury votes.²⁴

²⁴Author's notes of public meeting held on May 10, 1993 in the Kongreßhalle.

The actual presence of investors on the jury, however, merely gave a focus to charges that urban planning carried out as a result of private developer pressure, or within the constraints of a highly competitive capitalist real estate market, was undemocratic and would result in a city that was foreign and inhospitable. A resident at the initial meeting of a local citizens group lamented the "brute force with which capitalist power seeks to envelop the area with skyscrapers" ("Krone im Osten" 1994, 58). When architect Kollhoff argued that high real estate prices made Alex an unlikely site for "Mom and Pop" stores (*Tante Emma Läden*) regardless of how he designed it, he was shouted down by the audience (Kammer 1993).

Local opponents to current Alexanderplatz plans have successfully articulated their concerns when given the opportunity in open discussions and resident surveys. They have been less successful at organizing sustained opposition, and have therefore not emerged as important actors in the ongoing discussions about the fate of the area. In the winter of 1994 an effort to organize a local citizen's initiative in opposition to the Kollhoff plans was underway. The Citizens Initiative Alexanderplatz was intent on increasing new housing in the area, preserving some of the area's current identity, and gaining recognition as a negotiating partner along with the *Senat* and the investors. One of Alex's original architects, Joachim Näther, was among the more prominent members (Lautenschläger 1994). This group does not seem to have sustained its momentum however, in spite of the passion with which neighborhood residents expressed their views. The potential for sustained political mobilization has no doubt been hampered by tensions between the Green/Bündnis 90 and PDS activists; both parties see this as their issue and resent the efforts of the other.²⁵

²⁵Interview with representative of Bündis 90 in *Bezirk Mitte*, conducted by Karin Lenhart and Jürgen Ungerer, 26 and 31 January 1995.

The illegitimacy of the capitalist development imperative was a theme among journalists as well. Not only did the leftist *TAZ* criticize the underlying assumptions of Alexanderplatz redevelopment, as they had in the case of Potsdamer Platz, but the mainstream *Tagesspiegel* emerged as an outspoken critic of the project. In a scathing commentary reporter Eva Schweitzer concluded, "[The Kollhoff plan] is more a program for increasing the value of private property than a planning concept -- all that's missing is a statue of Donald Duck to replace the traditional Berolina statue [in the center of the plaza]" (Schweitzer 1994b). The *Tagesspiegel's* assertive stance is particularly interesting considering that one of the Alexanderplatz redevelopments major proponents and prospective beneficiaries is the parent company of the *Tagesspiegel's* main competitor, the *Berliner Zeitung*. The *Berliner Zeitung*, on the other hand, has avoided overly negative commentary (although it has reported on meetings in which criticisms have been levied) and been quick to report any positive news about the planning process.

If a powerful, pro-growth ideological consensus tends to characterize the leadership of many American cities, such a consensus has been lacking in the discussions about Alexanderplatz. City officials have expressed the obligatory enthusiasm over investor interest and occasionally mentioned the importance of attracting capital and creating jobs (Paul 1992) but such arguments have found no resonance among the population and even the senators have stayed away from pro-growth boosterism. Rather than arguing that the high density development of Alexanderplatz is a means of improving the city's economic health, they've tried to sell people on development as a solution to ongoing planning problems. This has further focused debate on different conceptions of an appropriate built environment.

Current Status

Since the Kollhoff plans have been chosen, the task of the *Bezirk* and the *Senat* has been to work with the architect and investors to revise plans in order for them to become the basis of actual, legally binding building plans. Some of these revisions have addressed the major concerns of citizen critics: for instance, an apartment building that was to be demolished will now, by rerouting a street car line, be preserved. The *Senat* was about to vote to make the revised plans the basis for the detailed building plans when Senator Nagel, who had no official role in the initial competition process but whose department would take over once the comprehensive plans were approved, began complaining publicly that he couldn't approve the plans unless the housing component was enlarged. He was particularly concerned that too little housing would be built on the valuable land directly on the plaza; instead it would be concentrated on side streets, on property already owned by the city or by the district's publicly-owned housing company. In raising these complaints Nagel was repeating objections made earlier by the *Bezirk*. Throughout January and February of 1994 there were press reports of open warfare between the two senators, with Hassemer particularly annoyed that Nagel had waited until such a late date and chosen such a public forum to express his doubts (Fehrle 1994). The mayor was called in to mediate the dispute ("Leben zwischen Wolkenkratzern" 1994), and in June a revised plan was approved by the *Senat*. The final land use mix includes both more housing (30%) and more offices (43%) than initially envisioned; retail, recreational and cultural uses have been reduced.

Since June major planning responsibilities have rested with the *Bezirk* and the Department of Construction, but in November 1994 Senator Nagel announced that he was removing the *Bezirk* from the process due to the city-wide significance of the Alexanderplatz site. A similar administrative decision had been made in the case of

Potsdamer Platz; as that project site had included several districts the decision had been less controversial. Alexanderplatz is in the heart of *Bezirk Mitte*, and the district's planning department had been intensively involved in preparing plans for Alex since the announcement of the competition winner. Indeed, the *Bezirk* and the *Senat* Construction Department appeared to be working together quite well (Mayer, Lenhart and Ungerer 1995), and just that summer Nagel confirmed his commitment to allowing the *Bezirk* to remain in control of the project (Weiland 1994). *Bezirk* officials had earlier criticized the plan as containing too many office towers and not enough apartments, but these comments merely echoed those made by the construction senator himself (Schweitzer 1994c). In fact, leading district officials seemed intent on moderating their criticism in order to avoid jeopardizing their position as the chief planning authority for the project. District Building Director Dubrau reminded an angry audience at one of the Alexanderplatz public hearings that the *Bezirk* had to be willing to compromise, because if it simply blocked everything then the Construction Senator would have good justification to take the project out of their hands (Kammer 1993). Therefore, although the mood in the district and the statement of the elected BVV rejected the notion of high-rise buildings at all, *Bezirk* officials had declared themselves willing to approve eight of the thirteen planned by Kolhoff (Senator Nagel had said he would approve nine) (Schweitzer 1994c).

Therefore it was a surprise to the *Bezirk* when Nagel announced that he was taking over the planning process, a decision that was ratified by the Mayor's Council (*Rat der Bürgermeister*) under some pressure from the senator.²⁶ There is speculation that the Senator was himself under pressure from the investors, who preferred to deal with

²⁶Interview with Uwe Saager, Chairman of the Rat der Bürgermeister (RdB), conducted by Karin Lenhardt and Jürgen Ungerer, 15 March 1995. According to Berlin's *Gesetz zur Ausführung des BauGB (AGBauGB)*, the Berlin-specific addition to the BauGB, the *Senat*, with approval of the RdB, can declare an area to be of "exceptional city-wide significance" as justification for relieving the *Bezirk* of its planning authority.

the *Senat* administration than the *Bezirk*.²⁷ This is a logical inference, although difficult to prove. Many developers don't trust the competence of *Bezirk* bureaucrats, especially in eastern *Bezirke*. They may also feel they have better and more consistent channels of access to the mayor and the senators than they do to district officials. Finally, *Bezirk Mitte*, whose BVV has strong contingents of leftist alternative parties and the PDS, has a reputation of being the "red sock" *Bezirk*, an expression used to describe those particularly loyal to the SED regime (Mayer, Lenhart and Ungerer 1995), which may have made them seem less "trustworthy" in the eyes of the *Senat* and the other district mayors. These factors may have prompted the investors to seek the withdrawal of the *Bezirk* from the planning process.

The *Bezirk* is appealing Nagel's decision in administrative court, and although the outcome of their appeal could serve as an important precedent on district-central administrative relations it will come too late to influence the planning of Alexanderplatz. But the district's new outsider status may prove more troublesome for the investors and the city administration than their inclusion would have been. Whereas *Bezirk* officials had been prepared to compromise on many issues earlier, they are now more likely to take a wholly critical stance, using their resources to attack plans at any point possible. There will still be some decisions that fall into *Bezirk* hands, and certainly the *Bezirk* has the same right as anyone else to use administrative courts to challenge plans on technical issues; district officials now have no incentive to work cooperatively to implement a plan that is not popular among district voters. Instead of acting as a damper of citizen concerns, or a bridge between local opponents and city administrators, the district administration is now more likely to be spearheading the opposition. Indeed, efforts to organize a sustained citizen's movement in the area had been largely ineffectual, but appear to have gotten

²⁷Lenhart and Ungerer interview with Saager.

second wind now that the shunning of the district government has further insulted local residents (Mayer, Lenhart and Ungerer 1995). Moreover, the *Bezirk* government controls financial and organizational resources otherwise unavailable to fledgling citizens groups; it would not be surprising to see an upsurge in the intensity and effectiveness of protest activity now that the *Bezirk* administration has, in a sense, been forced to join the opposition.

A final irony is that the dense maze of high-rise buildings planned by Kollhoff will probably not be built, at least not in the foreseeable future, because most of the investors have dramatically changed their plans since the competition was first issued. Neither Roland Ernst nor the Interhotel company are rushing to demolish their existing buildings to replace them with skyscrapers, the Kaufhof department store has begun its expansion without adding an office tower, and Gruner + Jahr is renovating its existing *Berliner Zeitung* headquarters with plans for its replacement put off at least several years (Mayer, Lenhart and Ungerer 1995). The declining real estate market has most likely prompted these companies to re-think their plans. It's also likely that the investors initially fought to be allowed high building densities even if they knew at the outset that they would be unlikely to fill them. The value of their property is much greater if the potential to build over forty stories exists, and it would be extremely difficult, unless the planning culture of Berlin dramatically changes over the next generation, to try to win approvals for higher densities ten years from now, once formal building plans have been established.

Whereas Potsdamer Platz and Friedrichstraße will look dramatically different in a few years, Alex may not change much until the next century. It's possible that this competition will prove similar to its 1929 precursor, in which ambitious plans were never fully realized due to the vagaries of the real estate market.

Friedrichstraße

History

The redevelopment of the Friedrichstadt area has proceeded far more quickly and with less public attention than the other two areas. The first major commercial developments on Friedrichstraße were scheduled to open in the Fall of 1995, and others were well into their construction phase before ground had been broken for the Daimler complex. There are several reasons for the relative speed and obscurity of these redevelopment projects. First, the East Berlin *Magistrat* had begun negotiations on several even before unification. Not all these projects survived the transition intact, but several already had considerable momentum, and commitments were made before some of the more stubborn controversies of planning politics had arisen.

Second, the area lacks strong social or emotional associations for most Berlin residents. Friedrichstadt is one of the older parts of the city, added during seventeenth and eighteenth century expansions of the urban core. Like so much of the old inner city it was long dominated by two-story apartment houses and then, during the nineteenth century, developed much more intensively with five to six story buildings, rear houses and side wings. As Berlin became an increasingly important financial and industrial capital following Germany's 1871 unification, the Friedrichstadt, and in particular the Friedrichstraße emerged as the center of tertiary economic activity. Banks, insurance agencies, and law firms did business in its square, five story office buildings. Although the southern part of the Friedrichstadt, located in the district of Kreuzberg, is still characterized by a mixture of residential and commercial uses, the heart of the area, and the part of the neighborhood most

under redevelopment pressure now, had long lost its residential character. In keeping with GDR policy there were apartments mixed in with businesses, but their numbers were few. Moreover, the area lacked the charm and amenities that might have prompted East Berliners to mobilize around its preservation, as they have at Alexanderplatz. There is no open space, and with one exception (the Gendarmemarkt) there are no plazas or boulevards that invite pedestrians.

Even in the absence of public scrutiny, the capacity of city and district officials to steer development has been limited by several factors. First, the intense and rapidly emerging pressure from international developers, all eager to boast a Friedrichstraße address, has set the pace of development as public officials have tried to keep up. Second, authority over most development sites is divided between the Land Berlin, the Treuhand, and in a few cases the federal government. Finally, this is an area subject to some of Berlin's most legally complicated and emotionally trying property claim issues, and development has been shaped by the permutations of national laws regarding restoration of expropriated property to former owners.

The international developers who came to Berlin just after the *Wende* seemed to know little about the city, but they knew they wanted a Friedrichstraße address. The area has several advantages -- it is well connected to subway lines, centrally situated between the nodes of Alex and Potsdamer Platz, and will be convenient to several national ministries once the capital move is completed. But such factors can't entirely explain the rush of international investors to precisely this area; rather, the lure of the historic commercial center seemed to have a stronger pull on outsiders than on local interests, and their insistence on building at just this location made Friedrichstraße the most expensive street in Germany for several years after the fall of the Wall.

Like many corners of the inner city, Friedrichstadt had been largely neglected by the GDR government until the 1980s, when national building policy began to shift subtly in favor of inner city renovation. The national government had embarked on an ambitious effort to restore Friedrichstraße as a showpiece just when the *Wende* came. The famous Grand Hotel on Friedrichstraße and Unter den Linden had been rebuilt, and work was well underway on a massive commercial center, including stores, apartments, cafes and a theater, occupying three square blocks. Featuring relatively tall buildings connected by walkways over the narrow streets, this project, called the Friedrichstadt Passage, would have dramatically changed the nature of this area.

Land Disposition and Planning

After East Germany's "quiet revolution" the responsibility for local planning shifted from the national ministry to the newly elected East Berlin *Magistrat* and the *Bezirk Mitte* (although the national building authority, subsequently taken over by the *Treuhand*, also claimed authority over some projects). East Berlin's newly installed building officials were overwhelmed as investors -- big and small, serious and dishonest -- were crowding their offices almost before the newly elected local officials had found their desks. In light of the government's weak fiscal prospects and the desperate need for investment in other parts of the city, East Berlin leaders lost little time in deciding to work with private developers to build up Friedrichstraße as a modern commercial center (Oldag 1990).

Indeed, if there had ever been a different vision for this part of the city it was certainly never articulated. By the summer of 1990 discussions were already underway with the publishing giant Bertelsmann to build a media center on Friedrich and Leipziger streets; that Fall they held an architectural competition, organized under the auspices

of the East Berlin magistrat, to choose a project design. The first discussions with the Central European Development Corporation, an partnership of two American former ambassadors (cosmetics heir and erstwhile New York City mayoral candidate Ronald Lauder, who had once been the ambassador to Austria and businessman Mark Palmer, who was the former ambassador to Hungary) and a German investor, to build an office complex at Checkpoint Charlie, formerly the border crossing between the Soviet and American sectors, took place at the same time. Finally, the East Berlin government had decided to revamp plans for the ambitious Friedrichstadt Passage using private capital, and arranged for a competition between interested investors for the three blocks. Just a few months after taking office East Berlin's first bourgeois government in several generations appeared to be well-versed in the basics of public-private partnership development. In the words of a planning official, "The western side will contribute capital, undertake the construction, and use its marketing strategies to get the whole business going. The GDR side will put the most valuable building land in Europe at their disposal" (Lamberty 1990).

If rapid corporate center development was a new phenomenon for East Berlin planners, it was hardly an area in which West Berliners had much experience, either. Upon unification the Construction Department established a new unit responsible for inner city investment; its focus was on the prime real estate of Friedrichstadt, for which there was already considerable investor interest. This new unit was headed by Hanno Klein, a man described as "arrogant, autocratic.... an ambitious Baron von Haussmann wannabe" (Mönninger 1995, 71). Klein reportedly took pleasure in courting the many foreign developers who appeared in Berlin at this time (several mentioned, in interviews, that he was instrumental in helping them in the early stages of their projects), in part because he saw an opportunity to challenge the indigenous builder cartel that had dominated Berlin development for forty years (Mönninger

1995, 71). In 1991 Klein was murdered by a letter bomb that had been sent to his apartment. His murderer has never been identified, leaving Berliners to speculate whether the crime was carried out by left wing radicals (who were responsible for the murder of the Treuhand's director shortly thereafter) or disgruntled members of the building sector.

Klein's legacy was the effort to coordinate a public sector response to the overwhelming private sector interest in Friedrichstadt. He was behind the creation of the Coordinating Committee for Inner-city Investment, or KOAI (discussed in chapter five), bringing together the heads (just below the level of senator) of the departments of construction, finance, economics, and urban development along with *Bezirk* representatives and officials of the Treuhandanstalt and the federal government. The KOAI was to become the major decision-making authority in the Friedrichstraße corridor, determining land sales, setting planning guidelines and deciding between competing investor proposals.

The KOAI could not assure the absence of property claims from former owners. They could, however, invoke the Investment Priority Act that had accompanied the legislation of property restitution. The Investment Priority Act permitted land to be sold for development that would bring in needed capital and create jobs even before property claims had been settled. In these cases, former owners whose claims have been declared valid would not get their property back, but would be compensated, usually receiving the amount paid for the land by the investor. The invocation of the Investment Priority Act was especially important in Friedrichstadt. The business district of the early twentieth century was comprised of modest-sized building parcels, usually dozens on each block, each owned by a different business or investment firm. Today's developers are interested in buying up entire city blocks, in other words in

buying what had been the property of ten or twenty different owners. For example, when the Central European Development Corporation asked for the names of those with potential claims on their site, they received a list of seventy property owners and their heirs. Clearly it would have been impossible to negotiate deals with each property claimant; by using the provisions of the Investment Priority Act the KOAI could accelerate development.

The KOAI has indeed brought the key parties together and catalyzed a rapid restructuring along Friedrichstraße. For several reasons, however, it has not allowed for the kind of public sector steering that the ambitious Klein might have envisioned. First, events simply moved too quickly to allow those entities that were more interested in planning goals beyond simply selling off land for a good price to develop and enforce a planning vision on the area. The building director of *Bezirk Mitte* concedes that the *Bezirk* had been included in the planning process from the start, but complains that "in the early phase we were totally inexperienced", not knowing how to evaluate competing proposals from investors and not sure what the *Bezirk* itself wanted from the area. Today, she says, she would have proceeded differently (Interview), and indeed the *Bezirk* has become more assertive (much to the frustration of developers of more recent projects), objecting to any kind of demolition and trying to get historic designations for threatened buildings.

The *Senat* Construction Department, under the direction of Hans Stimmann, worked with two urban historians to develop a physical profile of the Friedrichstadt area and to make recommendations for guidelines for its "critical reconstruction." The guidelines included maximum heights, building lines, suggested building materials, and other points that would enable the central city to be rebuilt in harmony with the remaining city structure. In keeping with the traditional mix of commercial and

residential uses that Berliners value, all inner city developments were required to include 20% housing (outside the city center housing requirements were even higher.) These guidelines, however, were released in August of 1992 (Strecker and Hoffmann-Axthelm 1992). At that point most of the major development sites along Friedrichstraße had long since been allocated. Shortly after the guidelines were released the real estate market began to cool, and the number of new developments in the planning stages to dwindle. Thus, although the *Senat* planning concept has been the subject of discussion within planning and architectural circles (Mönninger 1995, and see chapter five) and may prove important as a new wave of development interest inevitably comes in future years, many of the buildings now rising on Friedrichstraße have not been subject to them.

The second reason that even coordinated public sector efforts have had only limited authority over development arises from the complexities of the post-unification property restitution laws. The Investment Priority Act, which presumably allows investors to by-pass the morass of property claimants, contains a loophole. Property claimants are informed of investment proposals submitted under this act, and are given several weeks to counter with their own development proposal. If the claimant's proposal is as strong -- measured by the amount to be invested, jobs to be created, and the track record and solvency of the applicant -- then the application of the property claimant receives priority. Perhaps the drafters of this law foresaw few cases in which former owners would have the interest or wherewithal to compete with international investors. What was not anticipated was that a market in property claims would emerge; middlemen, such as lawyers and bankers, have become adept at identifying former owners and either buying out their claims, or matching them up

with potential investors who would like to develop a site.²⁸ In several cases, the KOAI or other public authorities have chosen a particular investor, only to have another investor challenge their plan and win the site in the name of a former owner when they file under the Investment Priority Act.

The salient issues in Friedrichstraße development become clearer when one considers some of the major projects underway. The resurrection of Friedrichstadt Passage business and shopping center was a major focus of the building staff of the East Berlin *Magistrat* during the summer of 1990. They organized a competition between interested investors for the three blocks already assigned to the project. Twenty-two investors applied, and the *Magistrat* reported with great pride that many were internationally renown, representing major cities such as New York, Tokyo and Paris ("Investorenwettbewerb für die Friedrichstadt-Passage" 1990). (One applicant, however, complained that the Magistrat's office had not been particularly adept at reaching out to potential investors; his firm learned of the competition just two days before the deadline when he happened to overhear a conversation while waiting in a real estate broker's office (Interview).) The competition required interested investors to abide by certain use and design guidelines. Their buildings could not exceed the traditional 22 meter Berlin roof line and they must be built within the traditional ground plan which featured buildings abutting the sidewalks. A small percentage of the total square footage was to be set aside for residential and cultural uses.

After unification, planning for this project was turned over to Hanno Klein's unit in the Construction Department and eventually the KOAI; they narrowed the field to

²⁸*Der Spiegel* highlighted the role of Berlin attorney Karl-Heinz Knauthe in orchestrating many of these deals. The magazine also claims that the whole policy of allowing property claimants to counter with their own proposals was Knauthe's idea, which he sold to Mayor Diepgen who then championed it in the *Senat* ("Der drückt alles durch" 1991). The Berlin practice, however, doesn't depart in any significant way from the national law; the claims of Herr Knauthe's influence may therefore be exaggerated.

five investors. Initially they intended to conduct an architectural competition concurrently with the final phase of the investor competition, but the foreign investors, unaccustomed to the notion that an independent panel would select the plans for their buildings, strongly objected. Instead each of the five submitted three different architectural conceptions with their applications, allowing the officials in charge of selection to exercise some discretion in choosing architects as well as investors. Finally two French and one American investor was chosen for each of the three blocks: the French retail giant Galleries Lafayette was to build one block, the French development firm Bouygues Immobilie another, and the New York-based Tishman Speyer, known in Germany for building the country's highest tower (Frankfurt's Messerturm), the third. As a sign of how attractive these parcels were thought to be in early 1991, there were rumors that François Mitterand actually contacted Helmut Kohl on behalf of the French applicants.

Ironically, given the effort of Berlin officials before and after unification to exercise discretion in choosing investors, two of the three initially chosen have since been replaced. The Bouygues group sold their site in 1993 to the Fundus Fonds, a German firm specializing in the use of closed investment funds (in which wealthy Germans invest to lower their tax burden). The French firm was evidently having problems pre-leasing their office space, and saw the opportunity to resell their land at a profit (Paul 1994). The Galleries Lafayette, meanwhile, had seen their status change from owner/developer to tenant. The German developer Roland Ernst had unsuccessfully competed in the investor competition. During the course of the competition his firm, working closely with Dresdner Bank, had identified a former property owner who had a legitimate claim to a parcel included in the site eventually awarded to Galleries Lafayette. Ernst was able to buy this property claim, giving him the potential to hold up all activity at this site for several years. Exactly how Roland Ernst approached

city officials on this matter is not clear, but shortly after the competition results were announced Ernst (with partner Dresdner Bank) was named developer of this site, and the Galleries Lafayette was to be the major tenant, with a right of first refusal on any subsequent land sales. According to a Roland Ernst official, several of the participating investors had hoped to get their hands on this property claim, but the Ernst firm had succeeded thanks to their Dresdner Bank connections and their speed (Interview). Ernst has, in fact, pieced together quite a real estate empire in Berlin based on his accumulation of such property claims, a method that some investors find distasteful. One, in the course of the Friedrichstadt Passage selection process, complained publicly to the Construction Department that a lawyer had approached him to buy someone's property claim, threatening to take his offer to other participants and thus ruin the investor's chances if a high enough price wasn't offered (Zawatka-Gerlach 1991).

Ownership claims have also determined investment at other sites. At the multi-block Checkpoint Charlie development, negotiating with former owners and their heirs has been a full-time job for the *Senat* and the developers. One especially long negotiation with the heirs of a former Jewish owner resulted in an agreement that the family's New York public relations firm would be able to rent space in the new Berlin development, and that a memorial plaque acknowledging the family would be attached to one of the buildings (Endrullat 1993). A Frankfurt firm which had bought the claim of a former owner for a parcel on Friedrichstraße and Unter den Linden was able to negotiate a partnership role for itself with the French developer already chosen for the site ("Die 'Alteigentümer-Regelung'..." 1991). A few blocks south, as the Bertelsmann publishing company announced the results of their architectural competition in February 1991, four former property owners, including the American insurance firm Equitable Life, responded with their own proposal for a similarly

impressive center, offering to rent office space to Bertelsmann or to sell them the land at DM 30,000 per square meter (appraised value was DM 11,000) ("Zweites Konzept..." 1991). Bertelsmann instead found another site, but here too they ran into problems with former owners demanding high prices in exchange for turning over their claims (van Lessen 1994). At the moment Bertelsmann has abandoned its Berlin project.

Texas-based developer Gerald Hines was interested in the block between Friedrichstraße and the Gendarmemarkt; a portion of this block had once belonged to the HypoBank Bayern, which was seeking to have its rights restored. In this case the two entities chose to work together, joining with the Four Seasons Hotel in a large project featuring the usual mix of retail and office uses plus a four-star hotel that promises to be the "most expensive in Berlin" (Interview). In this case another former owner, the heir of a wine merchant whose well-known wine shop was "aryanized" in 1940, tried to counter with his own proposal, but his was judged inadequate by the KOAI and he will have to settle for compensation. This project, first announced at the end of 1992, has encountered a more assertive city and *Bezirk* administration which have left a more noticeable impact on design, much to the frustration of the developer. Hines has had to design a substantial housing component in keeping with the 20% rule (far more than the first wave of Friedrichstraße projects.) Under the 1992 guidelines, the building department has been involved in far more than simply setting the roof line: to get plans approved (and to avoid holding an architectural competition) the Hines group agreed to work with four different architects (all well-known in Berlin) who are designing the large site to give the appearance that it is actually many adjoining parcels. This is one of the few Friedrichstraße sites on which occupied buildings sit: these buildings were under the control of the state-owned housing company for *Bezirk* Mitte until the sale, and many of the tenants (one of

which is an office of the *Bezirk* government itself) had been granted low-cost, long-term leases, in the eyes of the developer expressly to foil the plans of the *Senat* to sell the site for development. The *Bezirk* has opposed the demolition of the existing buildings, and at the urging of the West Berlin restaurateur who had taken over the former wine house was able to get one building declared historically significant, thus preventing its demolition. The architects' plans have therefore had to include this building, which will be integrated into the larger design.

Now that ownership issues have been resolved and building plans approved, one of the more interesting points to observe is the way in which Friedrichstraße developers, few of whom have worked in Berlin before, have sought to influence the planning policies of interest to their work. These (mostly) foreign investors have clearly not joined forces with the traditional Berlin building establishment. The new arrivals have not joined the LFW, which serves as the main vehicle for Berlin's development community, nor have they become active in the urban development committee of the IHK. Indeed, the Berlin builders and foreign investors seem to have little understanding of or respect for each others' work. The Berliners are appalled by the prices paid by outsiders for land in the eastern center; perhaps they are annoyed that prices are driven up by increased competition, but in interviews they also seem to find such transactions foolhardy, and they believe that those who pay these amounts have either gotten very bad advice or are responding to impulses other than careful cost-benefit analysis. With their orientation toward housing development, the Berliners are not sympathetic to the efforts of the newcomers to avoid or reduce their housing obligations. When Friedrichstraße developers complained that it was financially and technically difficult to mix housing with commercial developments, prominent Berlin builders were quick to state publicly that they design such mixed use projects all the time (Volger 1993).

Friedrichstraße investors see little common ground with the Berlin establishment. In an interview one newcomer, asked about the local development community, sniffed , "Are they really developers, in our sense, or just builders?"(Interview). The major developers see themselves bringing a new metropolitan flair to a provincial city, not only by building top quality office and retail space but by avoiding the "*Stammtisch*" politics of the Berlin establishment.

Their only efforts to organize politically have been on either very broad or very narrow issues. When momentum for the federal government's move to Berlin was at its low point, some of the Friedrichstraße developers were active in organizing the Berlin 1998 initiative with the IHK. Otherwise, the Friedrichstraße developers and retailers have together organized a merchants group, the Interessengemeinschaft (IG) Friedrichstraße. Run from a lawyer's office in the western half of the city, this organization has concentrated on the issue considered most pressing by Friedrichstraße property owners: resolving traffic and transportation problems before the first projects are scheduled to open. The developers had discovered, after their projects were underway, that major street and subway repairs that would render the Friedrichstraße a narrow footpath interrupted by gaping holes through 1996 -- a full year after the Friedrichstadtpassage was scheduled to open. Tishman-Speyer had taken the initiative to organize the IG just prior to this disclosure, and the group has since then been almost entirely focused on pushing the relevant bureaucracies (both the Construction and the Transportation departments are responsible) to speed up their construction timetables. The IG is also advocating the creation of a streetcar line on Friedrichstraße once the other street work is completed, a proposal currently opposed by the Transportation Department but favored by the Department of Urban

Development because it could reduce the auto traffic on the street; the *Senat* eventually agreed to construct the trolley line in 1996.

But the IG has hardly emerged as an important player either in the politics or the economic of development. It has not been active in preparing a common marketing strategy for the area, and indeed the developers have been criticized for making few collective marketing efforts (Volger 1994). All the developers, including Tishman Speyer, which is seen as the strongest force behind the IG, acknowledge that they often find it more effective to contact relevant government officials on their own, rather than work through the IG. From their standpoint they've had mixed results in gaining access to local decision-makers. Indeed, all the newcomers interviewed mentioned that their efforts to resolve the transportation issues had been a quick lesson in the workings of Berlin politics, in which each senator is an independent operator. Those who had enjoyed good relations with the Construction Department, which had made the quick completion of the early project a priority, were surprised to find that they had no special advantage in the eyes of the Transportation Department. One developer representative, accustomed to working in New York City, was surprised that in Berlin there was no single person one could call, as a last resort, when a project appeared to be hopelessly stuck; in New York, he said, that person would be the mayor (Interview).

Current Status

As of the summer of 1995 the Friedrichstadt Passage buildings were close to completion with several other projects not far behind. Friedrichstraße should be repaired in time for the project's opening in the Fall, but the members of the IG Friedrichstraße nonetheless have reason to be annoyed with *Senat* transportation planners. The construction of the streetcar line promised them for 1996 has now been

delayed until 2002. The extension of an east-west subway line, in the long run an important asset for the area, will involve closing off and tearing up the Friedrichstraße- Unter den Linden intersection for months or even years beginning in 1996 (Dobberke 1995).

For Friedrichstadt builders, however, the most pressing concern today must be the slump in rental demand and rental prices throughout Berlin; most face the prospect of partially empty buildings and lower than projected rents. The few tenants that had earlier leased space, such as department store Galleries Lafayette, are now asking for rent reductions in the knowledge that developers can't afford to lose them ("Lafayette hält an der Friedrichstraße fest" 1993). Neither developers nor their real estate brokers are willing to talk openly about their problems, but some have privately admitted that demand for the soon to open office space is lacking. The Fundus group, builder of one Friedrichstadt Passage site, has reportedly managed to lease only 500 of its 22,160 square meters; the other Passage blocks have had only slightly greater success (Rada 1995). In perhaps the final irony of the entire debate over architectural styles, it appears that those projects which had been forced by the *Senat* Building Department's critical reconstruction guidelines to retain the vestiges of the older, smaller property divisions have had the least difficulty finding tenants. Given the uncertainties of Berlin as a business location few firms want to commit themselves to the large office units found in the Passage buildings. Those developments that have had to create smaller units in order to preserve existing buildings or conform with *Senat* requirements, namely the Hines Hofgarten am Gendarmemarkt complex and another office building known as Kontorhaus Mitte, have been more popular (Rada 1995).

Conclusion

These case studies illuminate the themes, stressed elsewhere in the dissertation, that have shaped central city development in Berlin since reunification. In all three cases the national and local states have both shaped and reacted to the forces of supply and demand as planning policies have emerged. The most important public policies have seldom been explicit planning policies; rather, decisions concerning property restitution, the placement of the national capital and economic development have created parameters in which planning practice occurs. All three cases offer evidence of the degree of fragmentation of the public sector, especially as land disposition decisions have seldom been made at the same time or through the same process as planning decisions. In all three cases, public debate has centered on aesthetic and cultural questions, with architects taking the lead. These themes will be further explored in the concluding chapter.

Chapter 7: Conclusion

This dissertation has explored the factors shaping redevelopment in central city Berlin since German unification. Preceding chapters have examined the political institutions (national and local) and historical background relevant to Berlin; the contemporary issues of post-socialist restructuring, capital city planning, and capitalist restructuring as they affect the built environment have been considered. This concluding chapter returns to the theoretical questions raised in the introduction to determine which conceptual models best explain these empirical findings.

Part 1: In Search of the Growth Coalition: The Regime Approach in Berlin

To what extent has the regime approach predicted developments in Berlin once the Wall came down? Thus far the kind of public-private growth-oriented regime found to dominate most American cities has failed to arise in Berlin: this is due to failure of theory to account for conditions in Berlin, and it is also due to features of the current local political coalition that have hampered efforts to forge a cohesive policy coalition around any kind of agenda. In other words, it might be possible to mobilize a growth-oriented regime in Berlin, although it would have to include different actors and coalesce around different issues than in the US, but the current political leadership has failed to do so.

The profit-oriented developers working in Berlin have not become the kind of politically powerful force that they have been in most American cities. This is not to say that they've been completely passive: they have sought to improve their situation through the usual marketing efforts, and some, as part of the Berlin 1998 initiative described in chapter four, have lobbied the national government to expedite the move

to Berlin that should increase demand for office space. They have joined together with their neighbors to push for local policies that will reduce their costs and increase the attractiveness of their sites: for instance, they have sought to reduce their obligations to provide infrastructure improvements, housing and other amenities while pushing local government to speed up their planned improvements.

Thus far, however, they have failed to coalesce into a powerful political force united behind a cohesive growth oriented strategy. Berlin's private sector has lacked many of the characteristics that make business leaders attractive governing partners in the U.S. Mollenkopf's study of Boston and San Francisco (1983) showed how an organized business community was able to orchestrate the election of political leaders sympathetic to their downtown development agenda; in cities like Atlanta and Pittsburgh private sector organizations have initiated business center planning activities. In these cases the private sector has been led by members who have a stake in the community: leaders of corporations headquartered in the city, such as Coca Cola in Atlanta or Crown Zellerbach in San Francisco have joined with those institutions, such as banks, utilities, large retailers, property developers and newspapers, whose fate is bound up with the city's economic health. Such interests have not been present in Berlin. Only one major German corporation has retained a Berlin headquarters; otherwise the Berlin economy has been dominated by subsidy-dependent branch plants of corporations headquartered elsewhere. Utilities are public corporations, as are the major banks and, especially during the Cold War period, most housing developers.

Even now that Berlin's economic attractiveness has increased, the fragmentation of the real estate sector, divided by the different sizes, national origins and expectations of the various actors, hinders its political mobilization. In the three projects studied,

the investors seemed barely able to sustain limited collective organizations dedicated to very concrete tasks. The newcomers were not rooted enough, nor were they willing to expend the resources to create a more forceful presence in Berlin's political life. They were also not natural allies for their smaller-scale counterparts from West Berlin, whose business product (predominately residential projects, usually with government participation) and political style (accommodation with three mainstream political parties and cooperation with public housing companies) were not compatible, and whose portfolios on the western side of the former border might have been weakened by the newer eastern investments.

Even a potent business community is unlikely to take on the local political significance that it enjoys in many U.S. cities. First, the local political arena is less likely to attract the participation of important business interests that in Germany are nationally organized. Second, the strength of private initiative in US cities is at least in part a function of the weak, resource-poor local governing structure, as private interests gain wide legitimacy by funding cultural, charitable and recreational activities. In Berlin, operas, theaters and social services are funded by the state; the broad sweep of public activity reduces the civic space available to private interests, and provides fewer opportunities for profit-making institutions to take on a public-interest cast, reducing the potential for business people to appear to be legitimate civic leaders in the eyes of local residents. If American urban regimes grow out of the incentives for cooperation between public and private actors on the local level, in Germany the incentives are, from both vantage points, considerably fewer.

Political Culture and Growth Ideologies: The Failed Olympic Campaign

That local capitalists are more marginal to the governing process in Berlin than they are in the U.S. results from and reinforces a political culture that challenges the prerogatives of profit-seeking development as the determinant of local economic policies. Observers of the American scene have noted, sometimes critically, that local political coalitions can easily mobilize support around growth strategies because of the widespread acceptance of the notion that what is good for business, and good for property owners in particular, is good for the city. Scarcely a project is undertaken, whether it is a downtown office building or the facilities to host the Olympic games, without public and private leaders referring to expected tax revenues, anticipated employment creation, and more abstract feelings of civic boosterism. Even critics of urban policies seldom reject a model based on private sector-led economic growth; oppositional movements in US cities have worked to ensure that the benefits of growth are equally shared. There is therefore an ideological consensus around which successful governing coalitions can be organized; potential opponents can be neutralized or turned into allies by slightly altering the distribution of benefits.

Pro-growth boosterism lacks ready appeal to Berlin's residents, and the private sector lacks the organizational capacity to forge an ideological consensus around these issues, so the kinds of appeals that have succeeded in bringing together urban regimes in the US have failed in Berlin. It's striking that few of the discussions of developments in the central city have stressed tax base increases or employment growth as a selling point (although certainly these issues have been raised). The city did mount one campaign centered around a clear growth agenda, the effort to attract the 2000 summer Olympic games, but they failed to win the backing of either the International Olympic Committee (which chose Sydney for the games) or of most Berliners. For the purposes of this study, the reaction of local residents to the Olympic 2000 bid is the more interesting phenomenon.

Even before taking office, the new government had made the campaign to become the host of the summer Olympic games in 2000 their priority. Competing for the Olympics had first been discussed in 1987, when Berlin was still two cities, as a joint project of East and West Berlin. The idea lay dormant until the leaders of the Grand Coalition co-opted it as a means of mobilizing public and private support for the city's redevelopment. Berlin's leaders saw the games as a way to meet multiple goals. In Berlin's case, the desire to project a new image to an international audience was particularly strong; the last Berlin Olympia (1936) had been a showcase for Nazism. The Olympics promised to provide the foundation for a new public-private partnership: public investments would be required to improve transportation between proposed sites, but much of the actual development, it was hoped, would be carried out by private investors. Corporate sponsorships, which had footed much of the bill for the Los Angeles Olympics, were seen as an indispensable part of the campaign, and a newly created agency to promote the Olympic candidacy was headed by an IBM executive, a sign that the business community would be integral to this effort. In addition, political leaders predicted the rallying of popular support behind the allure of Olympia, which would help bring the east and west together behind a development agenda.

Berlin was not awarded the Olympic games. That the organizers failed to convince the International Olympic Committee (the city received nine of 89 votes, finishing well behind Manchester, Beijing and Sydney) does not alone tell us much about the city's internal politics, but an examination of the debate set off in the city by this campaign suggests some ways in which the foundations of a pro-growth coalition in Berlin remain shaky. The quasi-public local Olympic agency was under heavy criticism from all sides before it even got into gear; its private-sector manager was

replaced amid a barrage of criticism. Berlin businesses dutifully displayed their "Berlin 2000" posters and the chamber of commerce held Olympia-connected events, but the local press--including the more conservative mainstream newspapers--eagerly reported evidence of financial mismanagement and poor planning.¹

The Berlin Left, mobilized by an Anti-Olympia Committee supported by the Alternative List and its East Berlin allies, took to the streets to oppose the Olympia campaign. Even among the apolitical, the prospect of hosting the Olympics was not greeted with enthusiasm. The local Olympic agency, continually polling citizens for signs of increasing support, could find no more than 53% who viewed the Olympics positively even when asked the following question: "The Olympic games in Los Angeles, Seoul and Barcelona were financially successful and led to important new construction projects. Are you in favor or opposed to holding the Olympic games in Berlin?" ("53% der Berliner" 1994). Other, more objective surveys found majorities of up to two-thirds opposed to the games (Weis 1992). This contrasts with the experiences of other cities. In Manchester, for instance, a failed Olympic campaign rallied economic and political elites behind a common goal and enjoyed the support of the local population (Hill 1994). In Atlanta support for the Olympic campaign was reported to be 85% just before the city was selected, and even those who have pressured the Olympic organizers to provide more benefits to the community have remained enthusiastic about the city's effort.² Ultimately, Berlin failed to capture the Olympics or to forge a new growth alliance. Preunification West Berlin political relations prevailed: business leaders were largely passive, the police treated political opponents as state enemies, and Berlin's leaders found themselves pleading with their party allies in Bonn for more money. Not only did the Olympic effort fail to mobilize

¹The alternative *Tageszeitung* featured articles embarrassing to the Olympic effort daily, but even the *Berliner Morgenpost*, the *Tagesspiegel*, and the *Berliner Zeitung* regularly ran critical articles.

² Based on a search of the *Atlanta Journal-Constitution* for 1990 and 1991.

the city's varied interests behind a common development agenda, but it probably damaged any similar efforts for the foreseeable future as allegations of the local Olympic committee's excesses and mismanagement have lingered.

Regime approaches have, therefore, not satisfactorily explained Berlin's circumstances because they assume that investor interests are politically powerful and ideologically persuasive. They have also failed to give adequate weight to state institutions and legal norms to account for policy making in a nation state such as Germany. Analysts of American cities have seldom examined the role of the different agencies within local government. Many case studies operate under the assumption that the local state (or local governing regimes) acts in unison. Positing the policies promulgated by the executive as representative of the local state as a whole, American scholars have favored typologies of regime strategies that assume that local governing elites are pursuing a single agenda.³ This study has shown, however, that government can be both vertically and horizontally fragmented, pursuing policies that are not only inconsistent but actually contradictory.

Part II: The Institutions of German Policy Making: Barriers to Urban Regime Mobilization?

An analysis of key features of the German state was offered as an alternative to those theories attempting to generalize about urban development across national boundaries. In this section I return to a discussion of the characteristic

³See Stone 1987; DiGaetano and Klemanski 1993; Savitch and Kantor 1993. I admit that I have oversimplified the position of these authors, since none denies that consensus may be lacking within regimes, or that policies may be pursued that conflict with the goals of the regime's overall strategy. Nonetheless the emphasis of this literature is on the cohesiveness of development policy efforts as a result of regime politics, whereas I give greater weight to the significance of the fissures between actors within the state and the resulting discontinuities of policy.

institutional/cultural complexes of German policy making. How have the federal system, party politics, the nature of the bureaucracy and the prevalence of parapublic institutions shaped the politics of development in Berlin? Is contemporary development politics so well described by the literature on German policy making that theories attempting to generalize about urban development cross-nationally are superfluous?

Federalism

Even though Germany, like the US, is a federal system, the central government takes a more active role in taxing and spending than it does in the US, and federal legislators also have figured more prominently in setting legislative guidelines for local planning and development. Federal revenue sharing policies have as significant an impact in determining the local fiscal situation, especially in Berlin, than have local economic conditions, thereby altering part of the dynamic that has made public-private cooperation so compelling in the American case. American officials seeking to work cooperatively with the private sector have been able to offer below-market land and abated taxes as investment incentives to developers; in some cases they have insured benefits for the municipality by assuming an entrepreneurial role, cutting deals for a share of anticipated profits. The federal role in planning legislation, and the traditions of professionalism and legalism within the German bureaucracy have made it less likely that local planners will seek or accept the flexible kinds of cooperation between business and government that characterize American public-private partnerships. Taxes and land prices are not supposed to be subject to negotiation (although Daimler's deal at Potsdamer Platz suggests that this is not always the case); both national and European Union regulations as well as institutional culture would make it difficult for local officials to act as deal-makers.

In sum, the nature of the state makes it less likely that public officials will seek partnerships in order to realize local development goals; the key dimension of politics, as is summarized in the concept of *Politikverflechtung*, is vertical, and bargaining between actors at different levels takes on paramount importance.

Berlin's outlier status within the Federal Republic, both before and after unification, has given even greater weight to the actions of the central government than would ordinarily be the case. The extent of postwar Berlin subsidies made the federal government the most important source of local revenue, and since unification the city has been shaped by capital building and reunification policies determined at the national level. But the city-state's very uniqueness within the intergovernmental system qualifies the explanatory power of federalist theories. Berlin has long been outside the system of revenue sharing and, until reunification, lacked voting power in the Bundesrat; efforts of local politicians to earn favor in Bonn therefore tended to look more like traditional lobbying than bargaining among functionally similar agencies.

Since reunification, the decision to make Berlin the capital and the legal and administrative ramifications of reunification have prevented Berlin's integration into more "normal" intergovernmental channels. On the one hand, the agreement governing the federal government's relocation to the city is a good example of cooperative federalism. The Joint Commission, charged with its implementation, includes equal membership from Bonn and Berlin. Although the agreement clearly gives the *Bund* the final say in any matter, participants have gone to the greatest of lengths to arrive at consensus and thus far no unilateral decisions have been imposed. This reveals a striking feature of German cooperative federalism, noted as well by Scharpf et al (1978): the extent of cooperation exceeds that mandated by law, as

consensus between key actors is sought even when it is not required. In the case of capital planning the shared party ties of Berlin's chief mayor and the federal chancellor are certainly one factor improving the chances of negotiated solutions, but their frequency throughout the German federal system suggests that such an approach has deeper institutional and cultural roots. On the other hand the very nature of capital planning departs from the usual federalism model. Here, the *Bund* and its agents are a distinctly interested party. On matters pertaining to their own well-being, Bonn's bureaucrats have been active in crafting an agreement that works to their advantage, regardless of the larger urban development implications.

Intergovernmental relations have been an important factor within the city as well. District governments play an important role in urban planning, and in nearly every instance examined here, from the most formal, legally mandated planning processes to the more ad hoc circumstances surrounding downtown development, the *Bezirke* have been key actors. Although they lack most of the constitutional self-administration guarantees of municipalities within the territorial states, the *Bezirke* are nonetheless crucially imbedded in the policy process. At times they function as arms of the state, playing a legally defined role, for instance, in granting building approvals. In other instances they have behaved more like corporatist interests, given seats on competition juries and a role in approving citywide plans that is more formal than that of other locally based interests but is less than that of decision-making body. To which ends district officials use their influence of course depends on the political direction of the elected *Bezirk* government as well as the problems confronting their particular community. But the division of responsibilities between levels of government, in which the districts are responsible for most social services but receive their material support from the central city-state coffers, makes it very common for *Bezirk* politicians of all stripes to resist efforts of citywide agencies to use their

territory to pursue investment goals that would in any way compromise the quality of life of residents. The existence of an elected level of government with real, albeit circumscribed, decision-making power that has no ties to a local economic base adds an interesting twist to the politics of development, one that is certainly lacking within the American federal system.⁴

Parties and other Interest Intermediaries

Parties and the party system have also been seen as important features of German policy making, but there is little consensus over whether partisan differences matter at the local level. That party politics is at best an ambiguous predictor of local policy outcomes has been documented in other studies of German cities. Fried (1976) and Grüner et al (1988) have analyzed communal budgets and found that "output" differences were not well-explained by party control of municipal government. Such quantitative analysis, however, overlooks important qualitative differences. Otte and Zuelch (1977), for example, point out that housing expenditures may be similar in SPD and CDU-controlled cities, but SPD governments have favored large- over small-scale housing developments in contrast to the CDU. In Berlin some recent partisan conflicts have been over inner-city speed limits and the role of private builders in the subsidized housing program, points that would be lost in an analysis of budgets. Nonetheless there is little support for the notion that party politics is the dominant determinant of local policy efforts.

Parties have not, however, been absent from policy making. Some of the tensions surrounding development policies in Berlin can be attributed to differences between

⁴ Some British analysts have portrayed local government as primarily interested in local consumption, leaving problems of accumulation to central government (Cox (1991, 272) cites the work of Saunders, writing on Great Britain, to this effect).

agency heads of different parties. Although at times this has taken on the appearance of personal rivalry rather than ideological conflict, in other instances contrasting partisan platforms have been at issue. This was the case during the Red-Green coalition: if there was nothing particularly "socialist" about the SPD's sale of land to Daimler Benz, the opposition of the Alternative List certainly was based on that party's preference for small-scale development and preservation of open space within the city. Even during the more harmonious Grand Coalition such policy differences have been apparent. Many planning conflicts can be traced to the transportation senator, a representative of the CDU's right wing, whose support for an auto-friendly city conflicts with the more environmentally-conscious ideals of other parties. During the Grand Coalition the opposition parties, with little hope of winning legislative victories, have had the most impact on policy when they have behaved like interest groups. Thus have the AL and more recently the PDS, at times working with sympathetic neighborhood movements, been able to play a role in such cases as Potsdamer Platz and Alexanderplatz.

Moreover, it is the relative absence of partisan ideological strife that has been identified as characteristic of the German system. Kenneth Dyson (1992) and Peter Katzenstein (1987) have posited that the German party system, and particularly the tendency of the system to produce coalition governments is responsible for the incrementalism that defines German policy making. Although the long dominance of the SPD in Berlin departed from the national pattern (and made such issues as factional strife and party patronage unusually salient) since the 1980s the mainstream parties have fought for the middle of the political spectrum.

The literature on German cities since the 1970s (Mayer 1992; Roth 1993) has shown that citizen mobilization has played an important role in urban policy formation, and

the story of neighborhood activism in Kreuzberg's urban renewal could suggest that community organizations would be prominent in other parts of Berlin as well. Could such extra-party vehicles be the site of ideologically-driven activity? In the three cases studied, however, there has been little evidence of neighborhood organization. In part this is due to the choice of cases: such "downtown" projects by definition are less likely to have immediate impact on residential neighborhoods. Only Alexanderplatz is part of a real residential community; here residents did attempt to participate in the process, but their efforts bore little fruit. Local mobilization efforts did not result in an effective citizens organization, but even if it had, it's not clear how it could have championed an alternative planning conception since much of the property ownership was determined by the rules of property restitution and Treuhandanstalt policy. Nonetheless I can tentatively conclude that Kreuzberg-style activism is not a dominant feature of Berlin's planning politics today. First, the conditions leading to that earlier episode may have been unique to the time and place (Bockmeyer 1994). Second, neighborhoods in East Berlin lacked the institutional infrastructure to participate effectively in processes getting underway before most residents had begun to get their bearings in the new capitalist system; those currently working with community organizations in residential areas scheduled for urban renewal confirm that most people are too busy finding jobs and figuring out new rent regulations to engage in broader civic activism (Interview).

Citywide interest groups have therefore been more significant to the cases studied than have local groups. Environmental interests, some strictly local and others chapters of national organizations, have been present at Potsdamer Platz, where the proximity of development to the Tiergarten has raised concerns. They have been able to win some marginal concessions but have mostly been a thorn in the side of investors and public officials, using (or threatening to use) federally mandated

approval processes to effect change in current plans. Most significant in all three cases has been the voice of various architecture and planning groups, either collectively or through the intervention of prominent individuals; their role will be further explored below.

Bureaucracy and Legalistic Culture

The nature of German federalism and of central-district relations within Berlin, and of local party competition, have conditioned urban development policy making. They have not, however, explained most of the specific features of contemporary Berlin. The commanding role of the bureaucracy and the tendency toward legalism within the policy system, identified in the literature as characteristic of the German system, have had greater explanatory power. The planning policy domain in Berlin has certainly been shaped by bureaucratic institutions and the legalistic culture. The ground rules for all planning decisions, from the creation of a citywide plan to the approval of specific projects, are determined by law, and city officials consider themselves obliged to carry out the law in both letter and spirit. Even those most at odds with the system's policy outcomes, including the various neighborhood initiatives and environmental groups, tend to argue their case within the legal policy framework, finding technical imperfections in unpopular policies and contesting them in administrative courts.⁵ The following discussion highlights two specific aspects of German bureaucracy that have been most significant in the Berlin cases: the fragmentation of the state, and the use of technical expertise as a policy tool.

Dyson (1992) noted the "departmentalism" that marks German policy making at the national level; in Berlin, where the autonomy of departments is constitutionally even

⁵Radical anarchists groups don't conform to this model.

stronger, the fragmentation of policy making has been even more pronounced. Indeed, the tensions between the different arms of the state and their impact on policy is one of the unifying themes of this story. I discovered a state too fragmented and contradictory to adopt and implement a coherent vision for the central city. In none of the three cases did public officials take the initiative, nor did they operate as equal negotiating partners with private developers. Rather, individual agencies reacted to private proposals in a piecemeal fashion: the Construction Department issued design guidelines for Friedrichstadt after much development was underway, and without consultation with the Urban Development Department, which was holding planning competitions for Potsdamer Platz and Alexanderplatz in reaction to development pressures.

Some of the causes of this incoherence are attributable to the difficult circumstances attendant on reunification; these may no longer be a factor in the near future. For example, the fragmentation of control over land in East Berlin has been a major stumbling block to comprehensive planning, but once public holdings have been liquidated this will no longer be an issue. (There will, of course, be permanent reminders of this confusing episode.) Some incoherence should be expected as local and national authorities forge a working relationship while undertaking the monumental task of relocating a government; many of these loose ends will be resolved as the federal building projects are completed and ministries take their place, although one can readily predict that the relationship between federal and local officials will often be an uneasy one. And the sheer novelty that the local system was forced to accommodate as a result of unification would have been enough to derail even the most forceful efforts of policy making. Nonetheless I believe that this policy fragmentation is not fully explainable with reference to the organizational dilemmas

of reunification; they are embedded in Berlin's political system and, in some cases, they are common to urban political systems in general.

Berlin's political system is fragmented along several dimensions. First, it is centrifugal, with *Bezirk* governments exerting some power, both formal and informal, over planning and development policies. There are limits to the local district's powers: in the cases discussed in chapter six the central city government was able to marginalize or override *Bezirk* concerns, but in the case of Alexanderplatz this cost the responsible senator considerable political capital, and the district authority remains a center of influence. Second, Berlin's executive is functionally fragmented, as each senator enjoys ultimate authority over his or her agency. Policy decisions involving more than one agency (which would include most major decisions) do get worked out together in the *Senat*, with the mayor presiding, but the mayor has no power to force members to adhere to a party line. His role is more a political than a governing role: he must persuade the members of the executive to compromise in the name of keeping the government in office, but he has little administrative power base (only the *Senat* Chancellery, with limited staff and unclear mandate, is under his control) to enforce any kind of common line.

A charismatic mayor presiding over a government made up of members of his party, such as Willi Brandt in the 1960s, might be able to maintain control in spite of such stumbling blocks, but contemporary mayors have been less fortunate. Like the national government and most German states, Berlin has been governed by a coalition of several parties with the mayor sitting in uneasy command. Moreover, each of the major parties is itself split into factions that can be engaged in competition more intense than that found between parties. Not only is each agency headed by a fairly independent operator, then; agencies whose cooperation is necessary for the

implementation of policies may each be headed by political rivals whose incentive to cooperate is low. The lack of cooperation between agencies under the control of different parties shattered the SPD-Green coalition of 1989-1990. The Grand Coalition in power since then has been less contentious, but it is nonetheless striking how often disputes between senators are publicly aired before they are finally worked out within the *Senat*. Even discounting the major contretemps between Red and Green agency heads surrounding the sale of Potsdamer Platz, we can find several such instances in the three cases. Friedrichstraße developers and their allies in the Construction Department had great difficulty ensuring the cooperation of the transportation senator in expediting important street repairs, prompting these developers to complain openly. In the case of Alexanderplatz, the construction senator was loud and public in his condemnation of the winning plans, embarrassing the urban development senator who had spent the better part of a year acting as their champion.

This chronic dissensus has several important implications for the policy process. It provides greater access opportunities for those seeking to influence government, as competing departments are eager to ensure support among key interest groups in order to advance their own positions. Although some developers have complained that interdepartmental conflicts have worked to their disadvantage, those more familiar with the local political terrain have learned to use the situation for their gain. A *Bezirk* official, quoted in the second chapter, noted that her district had won concessions by playing departmental rivals off against each other.⁶ This can have advantages in a system that has often been characterized as rigid. Less fortuitously, it prevents the city as whole from generating a cohesive policy agenda, and especially in

⁶This observation conforms nicely with the findings of an earlier study of local development planning in the territorial states. "For the Gemeinden (municipalities) the fragmentation in the Land's administrative machinery can be an advantage: with some tactical skill they can play off one agency against the other and thus more effectively promote their own goals" (Baestlein et al 1978, 140).

an era of public-private bargaining it reduces the opportunity for the public sector to use its leverage with would-be investors effectively.

Some fissures within the local state are, however, less contingent. It is clear that different arms of government have specialized in different roles, or different functions, and that such role assignment is not simply attributable to such contingent factors as the party affiliation of particular officials. The federal government and its agencies, especially the quasi-public Treuhandanstalt, have been most insulated from popular and interest group pressure, but it is difficult to say in whose interest they have acted. The land disposition policies of the Treuhand and its real estate subsidiary, the TLG, have certainly favored market principles over other possible urban planning ideals, seeing their mandate as achieving the highest possible return for their portfolio while encouraging private sector investment.

But in some respects national institutions have championed legalistic, statist ideals over market efficiency. The policies surrounding the move of the capital have been shaped by the internal politics of Bonn, for instance, and the creation of special development districts in Berlin's government center is an effort to hold the real estate market at bay in those districts intended for federal government offices. Most intriguing has been the complex regulations surrounding the return of property to former owners. In its ideal form, this policy places legalistic notions of justice over the pure commodification of real estate, suggesting that there are more or less honorable, and therefore more or less legally binding, forms of ownership, and placing the state in the position of assigning legitimate ownership rights in individual cases. The many amendments to the law, however, have limited the rights of restitution in recognition of immediate political exigencies (the demands of the Soviet Union, the concerns of current East German tenants) and economic interests (the

desire of developers to get hold of desirable real estate, and of communities to encourage investment).

In spite of these permutations the formulation and implementation of federal land disposition policies in Berlin have not been accessible to the same multitude of interests that have a secure place within the policy process for planning. This doesn't simply represent a division between national and local policy makers, however; in fact, the city's own land disposition policies require little public input; the finance senator has wide discretion in these matters, and only in certain cases must win the approval of the Chamber of Deputies (which, in a parliamentary system, is unlikely to defeat a Government proposal). The national legislative requirement that land be sold for an appraised amount further insulates such decisions from community politics (although the questionable appraisal at Potsdamer Platz suggests a degree of manipulation is possible). On the other hand, the planners of both the construction and urban development agencies are required at a number of points to consult a variety of community and expert interests; their policies are shaped by this interaction. No wonder the goals of those charged with selling land have seldom been consonant with those charged with planning its use.

But it would be a mistake to see fragmentation as merely a peculiarity of German bureaucracy and party coalition tendencies, since functional rifts within the local state have so often been noted in the urban governance literature. To understand in the broadest sense why local policies and institutions tend toward internal conflict we must return to a theme that has often been discussed in the urban politics literature: the state in a capitalist democracy must facilitate capital accumulation while appearing legitimate to a democratic electorate. Conflicts ensue as government attempts to address its fiscal/economic responsibilities as well as appeal to voters.

This dilemma has been described using different vocabularies. Claus Offe (1984) writes of the legitimation and accumulation functions of the state; Martin Shefter has described the often problematic "four imperatives" of urban governance, which include the need to maintain economic health, balance the budget, attract votes and promote social stability (Shefter 1985, 4); Piven and Friedland have contrasted the "vote-generating" and "revenue-generating" functions of the state (Piven and Friedland 1984). All see the resolution of this conflict (or, using Offe's vocabulary, contradiction) as inherently problematic, leading to frequent fiscal crises, recurrent social unrest and the breakdown of traditional political forms. Shefter believes that temporary resolution of these competing goals comes about through the creation of electoral and governing coalitions dominated by voters who, perhaps disciplined by frequent fiscal crises, are willing to accept the state's role in the capital accumulation process. Piven and Friedland argue that the state itself comes to embody its functional contradictions, assigning different forms and duties to different institutions that allow them to better carry out either the democratic or the investor-driven tasks.

Alternatively, different institutions within a particular level of government may take on, or specialize in, particular kinds of tasks. These different institutions come to be shaped by, and in turn to shape the constituencies they are designed to serve. The institutions that perform the democratic, legitimating tasks -- welfare agencies, schools, and the like -- are funded by ongoing revenues (and therefore more vulnerable to fiscal tensions) and are relatively transparent and accessible. Capital accumulation, on the other hand, is facilitated by state agencies, many of which take the form of quasi-private development authorities, that are financed through long-term borrowing, that limit accessibility, and (often due to their quasi-private status) are not subject to public scrutiny. I'm not interested here in resurrecting a functionalist, overdetermined view of state institutions compelled by the forces of

capitalism to fulfill certain functions, but rather in suggesting that development policy in contemporary Berlin can be understood only if these inherent tensions within the state are illuminated.

Professional Experts

The redevelopment of the city is mediated by a set of actors not found at the center of American urban regimes: the technical expert, in this case architects and planners.⁷ Although this includes those employed within the public bureaucracy, most important have been those who work in private offices, at least nominally independent of the state. In all three cases discussed, as well as in the debates about post-socialist reconstruction and capital city planning, these professionals and the broader "issue networks" into which they are organized have shaped debates.

In all three cases, the conflicts over development have centered on architectural questions. Only in the Potsdamer Platz case was there a real debate (albeit after the fact) over the sale of land; otherwise, public discussion and involvement has been focused on which architect will build in which style. Indeed, even the national press has treated the story of Berlin's central city redevelopment as the story of a face-off between architectural styles and their proponents, with Building Director Hans Stimmann as its best-known and most controversial figure. Of greatest interest to this dissertation is not the content of what has been dubbed the "Berlin Architects' Fight", but rather the fact that debates over planning and development have been articulated as architectural debates. As Diefendorf argues, this is not a new

⁷The German language has a term, "Fachleute", that better captures this group than the English "expert", conveying the notion of a circle of interested and knowledgeable participants in a specialized area. In this case, the "Fachleute" within this field would include practicing architects and planners as well as academics, journalists, critics, and others with a strong interest and knowledge base in urban planning and development. This is also roughly equivalent to the concept of the "policy network."

phenomenon: at least since the 1920s Germans have credited architecture with the power to shape values and behavior, imbuing debates over high-rise vs. low-rise construction, or busy street grids vs. boulevards and plazas with far greater significance (Diefendorf 1993, 43).

But the salience of such perspectives can not merely be attributed to some mystical physical determinism; rather, architects and their professional norms have significant influence over planning and what Germans call "city-building" (*Städtebau*).

Architects, of course, control neither political nor economic capital, but their views have such symbolic resonance -- the Architects Chamber is, after all, the official guardian of the built environment -- that their imprimatur becomes necessary for public authorities and investors engaging in significant building projects. The architectural community thus bestows legitimacy upon compromises reached between the rights of property and the state-defined "public interest" (Sewing 1994). In more concrete terms, it's clear that the array of groups and individuals compromising the planning and development "policy network" are an important constituency for the several agencies charged with making policy in this area. Public officials are dependent on these allies to explain their policies to the public; and the increasing tendency to farm out public planning business to consultants further cements the ties between state officials and nominally independent experts. Lehmbruch's (1992) analysis of the departmentalization of expertise becomes especially relevant here: the different public sector departments enlist members of the policy network to work on their behalf, hoping to bring the appearance of "neutral" expertise to their position as they battle with other departments. The efforts of the senators in both urban development of construction to convene their own expert panels and commission their own studies has offered evidence of this (although in the relative small world of

Berlin planners and architects, there is some overlap in the expert pools of the various departments).

Parapublic agencies and corporatist decision making

A final institutional node in the German policy process is the prevalence of parapublic organizations, and the corporatist tendencies of interest group organization and decision making. These, too, have been important in Berlin. The policy making landscape has been defined by quasi-governmental agencies of varying importance. Whereas the state economic development agencies (the Berlin Economic Development Corporation e.g.) have been only marginal to central city development (and of questionable effectiveness in other realms as well) the nexus of parapublic banks and housing development agencies were at the heart of West Berlin development politics for decades. Their quasi-public, quasi-private status gave them maximum autonomy to pursue urban renewal strategies; interestingly, when neighborhood protests cast doubt on their goals and methods, another parapublic entity, the Internationale Bauausstellung (IBA) was created as an alternative.

In contemporary Berlin policy has been shaped by the performance of the Treuhandanstalt and its subsidiaries. Like other such agencies, it has served the public sector as a powerful agent for carrying out difficult programs outside of the legally constricted environment of the official bureaucracy, at the same time affording politicians some distance from unpopular programs. In most aspects of planning and development in Berlin, policy is made and carried out cooperatively by wholly public, quasi-public, and fully private (but under contract to public or quasi-public) actors, blurring the lines between public and private sector. If the model of "public-private partnership" popularized in American cities has yet to catch on in Berlin, it may be

because the sectors are so intermeshed that they have long surpassed the simple partnership model.

Perhaps the more interesting aspect of public-private interest intermediation in Berlin, however, is found in what might be termed the corporatist character of some interest groups and some public decision-making bodies. The Chamber of Commerce and the Architect's Chamber represent two examples of self-governing interest associations, regulated by public law, and possessing public powers. The function of the Architect's Chamber is particularly interesting in the context of this dissertation. As has previously been noted, the Chamber oversees the competition process through which plans for prominent sites are chosen. In so doing it enjoys the power to sanction its own members, and also the prerogative to sanction public officials who fail to follow proper procedure. The competition model highlights the connection between the legalistic culture, noted above, and the tendency toward interest group self-regulation. In the legalistic policy culture, making good policy is believed to mean coming up with fair decision-making procedures; these are then farmed out to the sanctioned interest associations whose expertise is assumed to make them the best guardians of the process.

Corporatist policy-making styles are also apparent throughout the planning process in Berlin, as nearly every formal and informal instance includes the solicitation of input from sanctioned interest intermediaries. The federally mandated participatory requirements built into planning and urban renewal legislation require the views of a list of such entities to be consulted; in the case of urban renewal, an official representation for those affected is created with public funds and given a seat on the urban renewal councils that also include representatives of the relevant government agencies and housing companies. What has been most interesting in contemporary

Berlin is the emergence of corporatist decision-making bodies as a response to rapidly changing circumstances. This dissertation has reported several examples of committees representing an array of public, and quasi-public and private interests convened to deal with the extraordinary planning challenges of unification. These include the City Forum (which was more formally constituted but lacked decision-making authority) as well as the KOAI and the Berliner Modell, more ad hoc in nature but with clear authority. The creation of such bodies was even the prevalent form of policy formulation during East Germany's brief post-SED, pre-unification democracy: what were the Round Tables, formed at the national and the local level, if not efforts to incorporate key interests into a decision-making process not yet legitimized by more formal arrangements.

This suggests another way in which corporatist and legalist cultures are complementary. Corporatist procedures appear to emerge naturally from a bureaucratic policy style that values adherence to complex rules, but corporatist bodies are also formed as a way to take action in the absence of clear rules. Those involved in creating these post-unification decision-making bodies all stressed the need to take quick action under circumstances not covered by existing laws. In the case of central city redevelopment, large land owners were poised to build, but existing planning laws, which require years to enact, did not anticipate the pressure to plan large areas in a short time span. To give legitimacy to decisions made outside the usual framework, officials convened authoritative bodies reaching beyond their own agencies. The need to create a KOAI and a Berliner Modell can also be interpreted as another outcome of public sector fragmentation. In essence, these groups merely convened the various public sector bodies, in corporatist fashion, to arrive at decision that in a more cohesive system could have been made by the executive.

To be sure, much of planning interest intermediation in Berlin is *not* corporatist. Were corporatist arrangements truly all-encompassing, the various chambers would be sufficient to represent business and professional interests; instead, many participants, especially those in the development community, consider the Chamber of Commerce a poor representative precisely because so much of its energy goes into acting in a semi-public capacity. Many of the most compelling and successful proponents of policy positions have chosen to use pressure tactics. Consider the activities of the citizens initiatives, relying on a combination of protest and administrative redress; the small gardeners, well-organized to contest each patch of dirt; of the Berlin builders with their lobbying association; of even of the large corporations like Daimler whose top officials can easily get the mayor on the phone.

Part 3: Berlin and the Political Economy of Urban Development

The Nature of Real Property

If much about Berlin's development politics is anticipated by the literature on German policy making, there is still much that is not typical. In part this is due to the very novelty of reunification, which has affected Berlin more than any West German state. Up until 1990 analysts of the German politics were most impressed by the system's incrementalism and resistance to reform. Dyson's (1992) analysis, and the case studies that comprise his book, are essentially asking why systemic reform has failed in most policy areas, and one of the questions that Katzenstein (1987) is most compelled to answer is why the German system, with all its tendencies to inertia, has not fallen prey to stagnation. Needless to say unification has thrust new problems at government with astounding rapidity, and many solution have been improvised

outside of normal policy making channels. The terms of reunification, the regulations on property restitution and privatization of socialized enterprise, and the decision on capital relocation all created a novel and uncertain framework upon which Berlin's officials were pressed to build. That their tasks involved massive rebuilding of large sections of the city under conditions of unprecedented fiscal austerity has removed the entire policy making enterprise yet one step further from business as usual.

Contemporary development politics in Berlin cannot be seen as merely a case of German policy making for another reason as well. Urban development is a policy area with some unique facets. Chapter three included an overview of *Gründerzeit* urban development: the state's inability to control land use and investment allowed speculators to become the leading actors in the city's expansion. At a time when the seeds for much of the modern German state were planted -- large corporations were founded, the social security and health insurance systems put in place, and rudimentary macroeconomic industrial policy tools created -- the city's built environment was determined by the thousands of people who owned property and the means of financing. The Prussian state, so strong in some areas, was too bound by legal, political and fiscal constraints to plan its capital city effectively. In the nineteenth century, as now, urban development was not like other areas of public policy. Within capitalist societies, where land and investment finance have remained in private hands, the most important factors of production remain outside of government control. Owners and users of land, capital, and technical expertise are too dispersed to forge the kinds of institutional links that mark other policy areas; Schmitter (1982) has acknowledged this when he cited urban development as a policy domain that does not tend toward corporatist organization even in societies more thoroughly corporatist than Germany's. The nature of real estate, including the characteristics of real property itself and the workings of the market, are therefore

important determinants of the urban built environment in Berlin and elsewhere. This final chapter therefore concludes with a discussion of the role of the market and the nature of real estate property ownership.

Real property in capitalist society has unique, contradictory characteristics, and the policy domain of urban development comes to be shaped by them. Land is at once the most private of commodities, part of the family legacy, and state efforts to intervene in its private enjoyment come at great political expense.⁸ On the other hand real property is the most public of commodities; because its use automatically affects others it is almost always subject to some kind of state regulation. Richard Fogelson (1986) has highlighted the implications for urban development policies in a system in which property remains in private hands while responsibility to control and reproduce the city's social relations are primarily left to the public sector. Fogelson has identified a central contradiction, which he calls the property contradiction, defined as "the contradiction between the social character of land and its private ownership and control" (Fogelson 1986, 20). Because land, and that which is built on land, is inherently public -- and even capitalists will push for public regulation to influence externalities that affect property values -- it doesn't resemble other commodities that can be readily bought, sold and manipulated on the private market. From a neo-Marxist perspective, some kind of public regulation of land is, in fact, a necessary task of the state if capitalist development is to be able to proceed at all. Yet, in all capitalist cities property remains in private hands and the state is limited in how it intervenes in the use of private property.

⁸It's interesting to note that even in Eastern Europe private ownership of at least the family home remained the norm, and the current restitution debates always treat real property differently than other property. Another indication that the family's land is considered sacrosanct in Germany: until recently the family homestead was the only kind of wealth exempt from inheritance taxes.

Urban planning exists in the interstices of this contradiction, seeking to use state regulatory powers without going too far toward undermining the foundations of property ownership. Fogelson maintains that any capitalist democracy will manifest an uneasy relationship between the private land ownership and public regulation; how that relationship will be expressed is contingent on the strength and capacity of the local state and the strength of property owners. Such variables as national legal codes and economic trends, as well as capacity of different groups to mobilize politically will condition the meaning of property ownership, the nature of state intervention, and the tension between the two.

The property contradiction has particular resonance in Berlin today not because the city resembles other capitalist property markets, but because control of the land is confused and contested. Especially in East Berlin, where most property had, for over forty years, simply been under state control, the question of who owns what and what ownership means is not straightforward. Not only does one confront conflicts between those who hold dear a notion of public, or collective ownership and those seeking rapid reprivatization. More politically salient have been conflicts between different types, or different generations of owners all with competing claims. Thus in Berlin the simple ground rules of ownership have become intermeshed with the legal and moral conflicts of modern history. It has fallen to the current national and local regimes to establish clear rules, but different interests and different notions of fairness within the various arms of the state have hampered quick resolution of this question. On the one hand political leaders at all levels of the Federal Republic feel a strong moral responsibility to, when possible, redress the crimes committed against Jewish residents during the Nazi period. Moreover modern German law has always upheld the rights of real property owners (note the difficulties faced by planners, as far back as the nineteenth century, who hoped to expropriate urban land in order to pursue

urban renewal schemes), giving great legal and political resonance to the claims of those whose property was confiscated during the GDR period.

On the other hand German law and political practice also features protections for residents regardless of ownership status which has made it politically impossible to simply allow a wholesale return of GDR properties, especially residential properties, to former owners. Finally, local politicians and bureaucrats, especially in East German communities outside of Berlin, are concerned with promoting local development in order to increase employment opportunities and improve the local built environment. Their goal is to make property available for development as quickly as possible. National policies governing East German land reflect these conflicts, as laws favor former owners, protect current users, and try to expedite development all at once. This has had some immediate impacts on the commercial property market in Berlin: property disposition has been constrained by legal bottlenecks, and the market that does exist is shaped by an odd combination of public employees (of the city or the Treuhand), deal-making lawyers and developers, and an assortment of ownership claimants, some of whom are passive and others of whom are also "players" in the development game. In the cases of Alexanderplatz and Friedrichstrasse (and in parts of Potsdamer Platz) it has been the extraordinary character of property re-allocation as much as either the free market or local development policy that has determined who is in a position to build what. As is perhaps fitting for the capital of a nation in which history looms large, resolving questions of property ownership become a sort of archaeological dig through the ruins of failed regimes.

Real Estate Markets and Development

Although this research has emphasized the importance of state structures and public policies to the urban development task, the power of economic trends to determine the parameters of local action should not be underestimated. Even if we acknowledge that both cyclical and structural fluctuations in the economy are influenced by a host of political factors, the fact remains that in any given locality the forces of restructuring can have tremendous consequences that are, at best, only peripherally subject to political control. In the three Berlin cases, market forces have set the stage for political action. It was the expectation that Berlin would become an important service center that brought new sources of capital and new players to the Berlin real estate market in the first place, and even if such expectations were fueled by a national government decision (the move of the capital) they have nonetheless come to have independent influence.

This concluding chapter has stressed the failure of Berlin's economic and political elites to forge a cohesive regime around growth policies. Anyone familiar with the city will be puzzled by this emphasis: how can anyone look at the city's center, with construction cranes clogging the skyline, and talk about the failure of pro-growth politics? Even in the absence of such a governing coalition, development in the central city has been on-going, and it's been dominated by private developers. The lesson here: *Capitalist urban visions don't require the mobilization of political support to be realized.* First, capitalists don't need to be organized to be effective; unlike political parties or popular movements, those with capital can achieve their goals individually, although it may require more effort. Because they don't need to be organized they can also move more quickly than other interests. In Berlin, investors were ready with their deals before public officials had even begun to recognize the extent of their new tasks; private plans therefore shaped the emerging discussions over key nodes within the city. Before anyone else was even thinking about the shape

of the reunited city potential investors had detailed proposals in place; these quickly became the basis of public discussion.

The eagerness of service firms to locate in Berlin's center, and of real estate developers to profit from this enthusiasm, catalyzed events in all three cases. Developers (and in many of these cases even firms like Daimler and Sony were acting as developers) quickly took the initiative, pushing public authorities to enable them to realize their projects. Because the opportunity for profit appeared so great, these developers sought to build as much as possible; given the prevalent planning ethic in Berlin this gave questions of height and density the greatest potential for conflict between public and private actors.

From this perspective, an understanding of the real estate industry and real estate markets, which are increasingly international, sheds some light on policy outcomes in Berlin. Susan Fainstein's analysis of real estate development in New York and London (1994) demonstrates the extent to which the characteristics of the industry compel developers to build. How much and how quickly they do so may be subject to influence by public authorities, but to an extraordinary degree Fainstein finds similar outcomes in the two cities despite their different political structures and cultures. In Berlin as well, current development policies are shaped by the presence of developers determined to produce a certain product. Indeed, one of the most contentious planning issues has been the size of the parcels allocated for private development. Had more modest plots of land been sold off by public authorities, then different land uses and different architectural styles would have automatically followed and much of the public debate would have been avoided. But the today's real estate industry builds on block-sized parcels; those charged with public land disposition followed what appeared to be the most sensible route by offering fewer,

larger sites. Public authorities behaved according to the logic of the real estate market.

Several years later, the city's worsening economic prospects served to dampen the enthusiasm of property owners for rapid, dense development. In all three cases development has unfolded more slowly than had first been anticipated, in large part because of pessimistic economic projections. This is most clearly in evidence in the Alexanderplatz projects, where development was still preliminary when recession hit, and property owners have significantly scaled back their plans. As the scale of the proposed development was one of the most contentious points between developers, political leaders and community activists, new market developments have, in this case, defused some of the conflicts in this area, as developers have been less likely to push for building densities that are objectionable to community leaders. In other words, the planning goals of local authorities, which stress lower building densities and more housing and consumer amenities, are more likely to be realized in this more pessimistic economic climate because they present fewer opportunity costs for developers.

This presents an interesting twist on findings of the relative power of public and private actors to shape development. Literature on the ability of municipal officials to wrest concessions from private developers stresses the importance of "favorable" market forces. Public officials are more likely to be able to set conditions on development when investors are eager to be in their cities (Kantor and Savitch 1993), and an examination of those US cities that have successfully implemented various kinds of linkage programs indicates that they all had booming real estate markets (in addition to other characteristics) at the time (Drier and Ehrlich 1991). Certainly intense real estate demand is an asset to municipal leaders who hope to bargain for

economic benefits: the expectation of high profits will make developers willing to pay toward low-income housing, or job training, in order to gain access to valuable land. But if municipal priorities include the retention of low-density areas, then the private sector development frenzy brought on by the promise of great profit may not be an advantage. If Alexanderplatz does *not* come to resemble Rockefeller Center, as many *Bezirk* and even city-wide planning officials hope, it will be less the result of public policy than of a soft real estate market that has brought the ambitions of developers more in line with the vision of municipal leaders.

Who, then is determining Berlin's redevelopment? National and international real estate institutions, in the first instance, because they are the actors who are actually changing the city's built environment. Their actions are conditioned, however, by political and cultural factors. American regime approaches can be helpful in this analysis, as they prompt the analyst to consider the variety of formal and informal ties that can characterize relations between public authority and private initiative. They have been less helpful in explaining the specific response of political and economic elites in Berlin to new development pressures. Rather, some features characteristic to Germany and others characteristic to Berlin have proven illuminating. In Berlin's case the political is particularly salient. The city's selection as the seat of government helped draw private capital in the first place. Moreover, the organs of the federal government will likely be in place sooner than the city will become a true commercial center; therefore *Bund*-city relations are likely to imprint themselves dramatically onto the local political arena within the next decade.

Is urban development policy in contemporary Berlin satisfactorily explained with reference to regime analysis and other theoretical approaches that seek to generalize about cities across national boundaries? Or are current planning policies best

understood with reference to features of the German state, and most fruitfully analyzed as a case within the German policy literature? The empirical material presented in the preceding five chapters suggests that both approaches have their place in explaining urban change. The overall structural conditions in which Berlin operates are common to capitalist cities elsewhere. The pressures and opportunities now confronting the city are determined by the same global forces at work in all advanced metropolitan areas, and indeed the end results of modern urban development, as evidenced by the built environment of so many central cities, is often predictably, depressingly similar. Moreover, the nature of the urban development task, with its strongly local flavor and its indelible mix of public and private actors and resources, gives rise to a characteristic political response that prompts comparative urban researchers to stress the bonds between cities. The ways in which policies are formulated, interests mobilized, decisions legitimized and, finally, finished projects are received remain, however, very much the product of nationally specific institutional and cultural characteristics.

Appendix A: Glossary of German Words and Abbreviations

<u>German Word (plural)</u>	<u>Abbreviation</u>	<u>English Translation</u>
Abgeordnetenhaus		Chamber of Deputies (Berlin's state parliament)
Alternative Liste	AL	Alternative List
Baugesetzbuch	BauGB	Federal Construction Act
Baustadtrat (-räte) (fem: Baustadträtin)		District Building Director
Bebauungsplan		Construction Plan
Bezirk (Bezirke)		District
Bezirksverordnungs- versammlung	BVV	District parliament
Berlinförderungsgesetz	BFG	Berlin Promotion Law
Bundesrepublik Deutschland	BRD	Federal Republic of Germany (FRG)
Christlich-Demokratische Union	CDU	Christian Democratic Union
Deutsche Demokratische Republik	DDR	German Democratic Republic (GDR)
Freie Demokratische Partei	FDP	Free Democratic Party
Flächennutzungsplan	FNP	Land Use Plan
Gemeinschaftsaufgabe(n)	GA	Joint federal-state program
Grundgesetz		Basic Law (Constitution)
Investitionsvorrangsgesetz	InvVorGes	Investment Promotion Act
Land (Länder)		Federal state
Neue Bundesländer		The new German states ¹
Partei Demokratische Socialismus	PDS	Party of Democratic Socialism
Selbstverwaltung		Self-administration

¹Term used to describe the states of the former GDR since reunification. The former FRG, or West German states, are called the old German states.

Senat**Senate (Berlin's executive body)****Senatsverwaltungen:****Senate administrative departments:****Arbeit und Frauen****Work and Women****Bau- und Wohnungswesen****Construction & Housing****Bundes- und Europaangelegenheiten****Federal & European Affairs****Finanzen****Finance****Gesundheit****Health****Inneres****Internal Affairs****Jugend und Familie****Youth and Family****Justiz****Justice****Kulturelle Angelegenheiten****Cultural Affairs****Schule, Berufsbildung und Sport****Education, Training & Sport****Soziales****Social Services****Stadtentwicklung und Umweltschutz****Urban Development & Environmental Protection****Verkehr und Betrieb****Transportation & Business****Wirtschaft und Technologie****Economics and Technology****Wissenschaft und Forschung****Science and Research****Sozialdemokratische Partei
Deutschland****SPD****Social Democratic Party
of Germany****Sozialistische Einheitspartei
Deutschland****SED****Socialist Unity Party of
Germany****Staatssekretär****Administrative department head****Wende****Literally, turning point; here it
refers to German reunification.**

Appendix B: List of Interviews

Heidede Becker
Deutsches Institut für Urbanistik
January 24, 1993

Ulrich Becker
UrbanPlan
November 2, 1992

Bernd Bischoff
Director of Public Affairs, Debis
November 23, 1993

Herr Blankenburg
Urban Renewal Department, Bezirk Mitte
November 30, 1993

Herr Blümer
Director, Grundeigentum Verlag GmbH
April 30, 1993

Wolfgang Bohleber
Housing administrator, Association of Public Housing Developers
Berlin/Brandenburg
May 27, 1993

B. Scott Bolls
Senior Manager, Treuhandliegenschaftsgesellschaft
November 8, 1993

Manuela Dameankas
Stadtzentrum
December 13, 1993

Dorothee Dubrau
Building Director, Bezirk Mitte
May 14, 1993

Claus Dyckoff
Building Director, Bezirk Charlottenburg
February 3, 1994

Folker Flasse
Director of Public Affairs, Berlin Economic Development Corporation
December 2, 1993

Herr Göhler and Frau Profé
GrünBerlin
July 20, 1993

Herr Görler
CEO, GEHAG and former Staatssekretär, Department of Construction and Housing
June 28, 1993

Klaus-Martin Groth
Attorney and former Staatssekretär, Department of Urban Development and
Environmental Protection
May 4, 1993

Herr Groth
Groth & Graals (Property developer)
January 26, 1994

Christianne Hannemann
S.T.E.R.N.
March 16, 1993

Johannes Haug
Hines Grundstücksentwicklung GmbH
May 19, 1993

Andreas Heinzgen
Director, I.G. Friedrichstraße
November 11, 1993

Dietrich Henkel
Deutsches Institut für Urbanistik
January 12, 1993

Cornelius Hertling
President, Architektenkammer Berlin
May 1, 1993

Andrew Himmel
Sony Berlin
July 15, 1993

Günter Himstedt
Director, Treuhandliegenschaftsgesellschaft
July 13, 1993

Renate Hinsken
Section Leader, Financial Services, Department of Economics and Technology
January 17, 1994

Werner Hitzschke
Section Leader, Property Disposition, Department of Economic and Technology
February 1, 1994

Veronika Hunold
Land Use Planning, Department of Urban Development and Environmental
Protection
May 28, 1993

Susanne Jahn
Planner, AGS
November 9, 1993 and January 25, 1994

Peter-Hans Keilbach
 Director and Head of Berlin Office, Daimler Benz
 July 20, 1993

Thomas Kexel
 Attorney
 July 26 1994

Rudolph Kujath
 Member, Chamber of Deputies (SPD)
 February 4, 1994

Ulla Luther
 Division Leader, Department of Construction and Housing
 November 30, 1993

Wolfgang Mlechowski
 Member, Chamber of Deputies (FDP)
 January 13, 1994

Gernot Moegelin
 CEO, KapHag (Property developer)
 July 21, 1993

Philipp Mühlberg
 Mieterstadt (Tenant organization, Spandauer Vorstadt)
 October 21, 1993

Kuno Naereg
 Technical Director, Sony Berlin
 July 15, 1993

Herr Otremba
 Developer
 December 14, 1993

Joachim Palm
 Member, Chamber of Deputies (CDU)
 January 18, 1994

Cornelia Poczka
 Director, Public Relations, Department of Urban Development and Environmental
 Protection
 January 14, 1994

Herr O. Ratei
 Division Leader, Inner City Investments, Department of Construction and Housing
 July 5, 1993

Stuart Reid
 Weatherall Green & Smith
 July 20, 1994

Erika Romberg
Building Director, Bezirk Kreuzberg
January 6, 1994

Walter Romberg
Former Finance Minister, German Democratic Republic
July 28, 1994

Jörg Rommerskirchen
Director, Berliner Landesentwicklungsgesellschaft and former Staatssekretär,
Department of Economics and Technology
November 25, 1993

Ingrid Schellstede
Chair, Architekten- und Ingenieurverein zu Berlin
May 25, 1993

Annalee Schoen
Capital Planning Division, Department of Construction and Housing
June 25, 1993

Michael Schreyer
Member, Chamber of Deputies (AL) and former Senator for Urban Development and
Environmental Protection
December 13, 1993

James Scott
Institute for Regional Development and Structural Policy
February 3, 1993

Michael Spies
Director, Tishman Speyer Properties of Berlin, L.P.
January 18, 1994

Hiltrud Sprungala
Director, Landesverband Freier Wohnungsunternehmen Berlin/Brandenburg e.v.
November 22, 1993

Herr Strauch
Industrie- und Handelskammer
January 13, 1994

Wolfgang Süchting
Competition Division, Department of Urban Development and Environmental
Protection
July 12, 1993

Frau Thierfelder
Architect and tenant activist, Spandauer Vorstadt
July 2, 1993

Hans von Bülow
Planning Director, Bezirk Tiergarten
January 11, 1994

Rudolf von Hanstein
Attorney, Frere Chomley
July 26, 1994

Job von Nell
Roland Ernst Properties, Berlin
November 22, 1993

Angela Wiechula
Public Affairs, American Business Center GmbH
November 8, 1993

Margot Wieg
Beratungsgesellschaft für Stadterneuerung und Modernisierung mbH
December 3, 1993

Martin Wiemann
Attorney, Bruckhaus Westrick Stegemann
May 17, 1993

Herr Zielaff
Treuhand Liegenschaftsgesellschaft, Berlin office
July 25, 1994

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