



FP7 project Shrink Smart, work package 6

## **How shrinkage and local governance are interrelated across urban Europe: a comparative view**

D12 Discussion paper on governance responses

31 August 2011

Dieter Rink (✉), Annegret Haase, Katrin Großmann, Matthias Bernt, Chris Couch, Matthew Cocks, Alberto Violante, Caterina Cortese, Paolo Calza Bini

The views expressed are the authors' alone and do not necessarily correspond to those of other Shrink Smart partners or the European Commission. Comments and enquiries should be addressed to: Prof. Dr. Dieter Rink, Helmholtz Centre for Environmental Research – UFZ, Leipzig, Germany. Tel: +49 341 2351744. Email: dieter.rink@ufz.de

## Table of contents

1. Introduction .....	3
2. The WP1 working hypotheses re-visited .....	5
3. Agenda setting .....	8
4. Policy fields .....	13
5. Discussion .....	23
6. Summary .....	34
References .....	35

## 1. Introduction

This document – the WP6 D12 discussion paper – aims at drawing conclusions from the research which was undertaken in WP5 of Shrink Smart, which are the case studies on the governance of urban shrinkage. In looking at the results of the research reports in a comparative manner, it discusses overarching issues that had been pointed to in the seven case study reports. Moreover, it relates the findings of empirical research with the hypotheses set up in the early phase of the project (WP1 D2 research design). The empirical evidence of the paper draws on the WP5 D10 research reports on the modes of governance in the seven case studies as well as the WP5 D11 cross-cutting analysis paper. To fulfill its task as a discussion paper, D12 debates ‘generalizable’ conclusions from the gathered knowledge on local governance responses to various appearances of shrinkage, and on the validity and appropriateness of the research hypotheses set up two years earlier.

Drawing conclusions from seven locally-based case studies on urban governance across Europe is a challenging task. Three issues were identified to be crucial in this respect.

- *The distinct nature of shrinkage(s) at different places and the impact of this distinctiveness on the local perception of shrinkage:* Although we identified a set of major causes of shrinkage across our case study sample, shrinkage presents itself as a highly distinctive, multifaceted phenomenon in each of our cities. Therefore urban governments have to deal with very different kinds of effects. Even when population loss can be related to the same cause in two or more examples, it often differs in its prevalence, duration, speed and scope. In most cases, there is a set of causes that led to shrinkage but the relationships between single causes differ in several local contexts. For example housing oversupply is present as a large-scale long-standing phenomenon in eastern German cities and in depressed cities as Bytom. It is present also in western cities (Genoa and Liverpool) as a contingent phenomenon regarding particular areas but it is also possible to find housing shortage in cities like Timisoara. We propose to speak, subsequently, rather of a “pluralist world of shrinkages” than of “urban shrinkage” as such. In any case study under investigation, the specific nature of the local appearance of shrinkage has to be considered when analyzing (the nature of) responses to it. To increase the complexity, the causes and consequences of shrinkage are institutionally mediated, that is they represent at the same time causes and effect of political decision-making processes and government actions. In Timisoara, for instance, suburbanization was also an unintended effect of policies. In Liverpool, on the contrary, suburbanization, i.e. “overspill”, was an intended effect of policy for clearing inner-city slums and reducing inner-city densities.
- *The fuzziness of the term and concept of urban governance itself:* Governance is a term usually adopted to describe the increased importance of a variety of (public, private etc.) actors participating in policy-making and the coalitions they create. Moreover, the relationship between different tiers of territorial government turned out to be essential for any understanding of urban governance. It is mainly two dimensions of analysis that shape the complexity of governance: One is the horizontal one and relates to the diversity of actors in a given city or policy field. The arena of actors differs considerably in different cities, and it depends also much on the legal and institutional system of the nation state.

The other one is the vertical dimension of governance and describes the interlinkages and interaction between different spatial and decision-making levels. Both dimensions are linked to power relations that can occur on either the horizontal or vertical level, bringing about specific sets of inclusions and exclusions. Relationships between actors at the horizontal level as well as institutions at different territorial levels are often remarkably changed by shrinkage; dependencies and decision-making hierarchies might be both confirmed or changed, even reversed. In a certain sense, the vertical level of governance is even more compelling for our analysis. Normative settings often play a considerable role in (re-)defining the relationships between the actors and territorial levels.

- *The complex shape of the empirical evidence:* Related to the distinctiveness of shrinkage in our case study sample, we decided to investigate a variety of policy fields concerning their specific responses to shrinkage, according to which challenges are on the agenda in the individual cities. This led to a range of topics that now have to be cross-checked concerning similarities and differences of governance responses. Thereby, a challenge is the fact that governance arrangements and responses often depend strongly on the nature of the policy field. The limits and rules set in the vertical level of governance, change for any concrete policy field. Subsequently, the results of different policy fields can only be compared to a limited extent. The consortium was well aware of this issue when making the decision on how many policy fields should be investigated but decided to do it like this in order to deal with the most relevant topics in the single cities/urban regions. Our comparison has to concern therefore two levels of analysis the general political processes activated in the cities by shrinkage and the responses given in specific policies. This compromise now brings about some difficulties for the cross-reference of the empirical evidence as a whole.

Altogether, these issues make clear that our research did not lead to “the one and only” explanation or interpretation of what we found in the case studies. What we can do and will do in this discussion paper is to reconstruct how urban governance addressed the challenge of shrinkage in a city and how these local modes of governance re-impacted on the development of shrinkage. So, any “one-size-fits-all” advice to policy makers would be misleading. What we can do, however, is to offer a comparative view highlighting those processes and interlinkages that have been most common or frequently appearing among the cities under investigation and discusses some factors that are crucial to the developments concerned. Since the governance responses we found are embedded within the institutional context of any city, we better speak of urban governance in the context of shrinking cities rather than of urban governance of shrinking cities.

The paper combines different approaches of the explanation of governance in the context of shrinkage: It tries to generalize some knowledge from the case studies, relates the empirical results to the hypotheses developed at the beginning of the project (see WP1 D1-D3 paper) and enables an in-depth look into selected policy field research as examples for sectoral analyses. The paper is structured as follows: After this introduction, a second chapter deals with some general conclusions on the analysis of governance in the context of shrinkage. A third chapter expands on agenda setting since it determines if and how shrinkage is dealt with in a city. A fourth chapter introduces two policy fields – housing and social cohesion – as examples for cross-national governance analyses. A fifth chapter then returns to the general level and discusses the hypotheses and research premises in light of the empirical evidence. Last but not least, the paper comes up with some concluding remarks.

## 2. The WP1 working hypotheses re-visited

This chapter reminds the initial two research hypothesis of the Shrink Smart project (WP1 D1-D3 paper). They can be useful to understand the causation relations between the object of the study (shrinkage) and related variables which influence the shaping that it obtains across case studies.

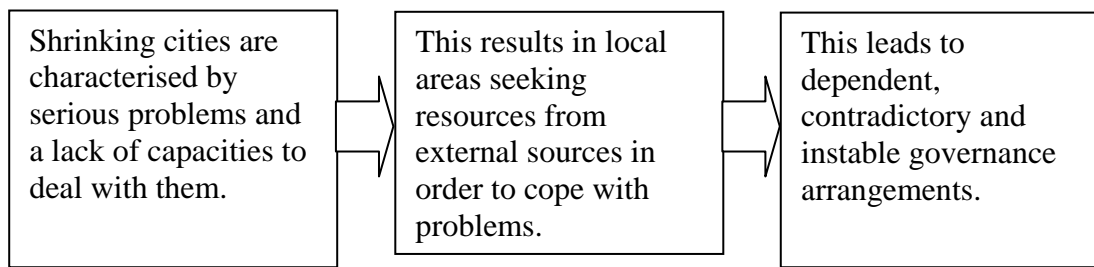
The discussions surrounding agenda setting and policy fields which follow in chapters 3 and 4 relate to the issues raised by these hypotheses, and aim to present empirical findings which prove or disprove their assertions. The same applies to the discussion chapter 5. The concluding chapter then includes an overall discussion with regards to the hypotheses.

Hypothesis 1 is as follows:

Shrinking cities are characterised by a lack of capacities (financial, institutional etc.) and, at the same time, are burdened by a number of serious problems (in different fields such as housing, infrastructure, employment etc.). This leads to an increasing dependence on external resources that enable local actors to cope with the problems. The resources can either stem from the market (private investment) or from the government (public money). As a consequence, strategic decisions (of urban actors) are especially dependent on these financial resources and related requirements. This leads to dependent, contradictory and instable governance arrangements in which local decisions are highly dependent on shifts in external frameworks (i.e. the cities are highly vulnerable due to changing circumstances such as financial, economic etc.).

Hypothesis 1 distinguishes a three-part causal chain, summarised in Figure 1 below. The first part is derived from common observations of shrinking cities as urban areas experiencing major problems across a number of policy issues. However, population loss can be both an accompaniment to, as well as cause of urban problems. If shrinking is a result of economic out-migration, then issues related to unemployment exist along side, and are inherently interconnected with, population loss. Such loss can then be the cause of problems in other policy fields, such as housing vacancy and social exclusion (where out-migration of the labour force results in an ageing population). The loss of population then results in a loss of local tax payers, diminishing the local government's locally acquired resource base. If population loss is related to economic issues, as is frequently the case, then a diminishing of business rates can also often be observed, further exacerbating the problems for local governments in raising finance. The financial difficulties being experienced by such authorities can result in a lack of institutional capacity, where skilled personnel and institutional innovation cannot be afforded.

Figure 1: Hypothesis 1 causal chain



Source: authors' research

The second box in Figure 1 is then presents a consequence of this situation. Local governments and other actors are forced to search elsewhere for resources to tackle their problems. Such resources can be available from national government and European funding programmes, the private sector or other sources (such as trust funds or charitable foundations). The activities of local authorities then frequently revolve around making bids for such funds, resulting in the formation of local 'grant machines' (Bernt, 2009, as opposed to 'growth machines' as they were defined by Molotch in 1976). This situation then leads to a series of other issues for local governments – represented by the third box in Figure 1. Firstly, local areas become highly dependent upon external resources for their ability to undertake programmes and tackle the problems of shrinkage. Secondly, the receipt of funds from external sources is often attached to particular conditions. This can include their use for specifically defined purposes, or a requirement for the establishment of particular governance arrangements (eg. public-private partnerships). Thirdly, the terms on which funding is available can be different to the agenda of the local government. Finally, external funding is frequently tied to particular programming periods. Local governments can therefore only be guaranteed funds for certain externally defined periods of time, which affects the stability of governance arrangements in the locality. Taken all these issues together, this might – and in reality often also does – result in contradictory governance arrangements, whereby localities fragment their agendas in order to obtain funding from varying sources.

Hypothesis 2 is as follows:

The arrangements/modes of urban governance under the condition of urban shrinkage are characterised by an incoherence due to the fact that they follow two contradictory 'poles': the 'entrepreneurial city' and 'logics of bureaucracy'. Thus urban policy is oriented only partly towards the real existing problems. This leads to a rather inconsistent urban policy that can hardly cope with or may even reinforce the problems caused by urban shrinkage. As a result, coherent approaches that enable the cities to deal with the challenges of urban shrinkage strategically are made particularly difficult and are, in reality, hard to achieve.

Hypothesis 2 points to the appearance of incoherence in the governance of shrinking cities – that the conditions imposed upon the receipt of funds from external sources results in tensions between a city's entrepreneurial potential and the restrictions imposed by these 'logics of bureaucracy'. This process tends to limit the strategic capability of local governance bodies, resulting in an only partial ability to address the problems the area faces. In

'bending' the real issues to fit the requirements of external funding sources, or omitting some issues all-together because funding is unavailable to address them, governance strategies are not able to perform the comprehensive solutions they would be able to with sufficient locally raised funding at their disposal. This fragmentation of strategy leads to an incoherence of approach which has the potential to not resolve or even to tackle the most important problems of an area as it is the case in Leipzig's inner East where the urban restructuring policy increasingly gets under legitimizing pressure for having absorbed much funding and not having resolved many basic problems of the area such as concentration of poor households, high vacancy rates or bad image of the districts.

The hypotheses were formulated at the beginning of the project. Today, drawing on our empirical evidence on both shrinkage and governance responses to it, we have to critically challenge what we assumed previously. The chapter 5 will represent a collection of reflections that relate to what we learnt and more or less directly to our hypotheses.

### 3. Agenda setting

#### **Agenda-setting as a governance problem**

Agenda-setting is the necessary and first and foremost crucial step for any policy dealing with matters of urban shrinkage. It includes decisions about the framing of the problem, a selection of priorities and a definition of goals, instruments and steps forward. The process of agenda-setting thus defines the way shrinkage is to be dealt with and sets the course of action.

However, as decades of political science research have revealed (for an overview see Howlett and Ramesh 2003: 120-142), agenda-setting is a complex process and when, how and in which way shrinkage has a chance to get public attention and raise governmental action is determined by an interplay of interests, ideas and power. In reality, problems are hardly ever responded to by governments just because they are there. Quite in contrast, the idea that particular sets of problems would automatically be responded to by an appropriate set of actions has been overcome as early as in the 1960s and researchers have successively moved to multivariate explanations in which a number of variables was combined to develop more sound explanations.

With regard to our topic two concepts which have been developed in this context deserve closer discussion.

The first is the concept of non decisions which has been developed by Bachrach and Baratz in the early 1960s (Bachrach and Baratz 1962). Here, it was argued the power is not only exercised if one group A made decisions which would affect another group B, but also by A preventing issues which were negatively influencing A's goals from getting to the fore. Thus, an analysis of agenda setting must not only reveal what is brought to the attention of the public but also strategic non-decisions, but also what is excluded from it.

A second concept, to be discussed here is Kingdon's theory of Policy windows (Kingdon 1984). In this model, attention is focused on three distinct, but complementary "streams": the *problem* stream, the *policy* stream, and the *political* stream, which move independently through the policy system. These streams operate largely independently from each other and it is only when at least two of the streams come together at a critical moment in time that an issue has the chance to be transformed from a mere topic and/or problem into a concrete policy. This situation has been called a Policy window and Kingdon argued that policy entrepreneurs play a key role in opening this window by strategically coupling policy streams. The main progress made by Kingdon's model was that it did not picture policy-making as a linear process which proceeds in stages and phases but as a fluid interplay of actors, interest and forces which need to come together to make political change happen.

Over time, these two models have of course been developed and other explanations have been added. However, the main point to be made for our context is that a) agenda setting does not only consist of bringing a particular issues to fore, but also of the denial to do so and b) that the process in which this is done is fundamentally a political one in which actors, their interests and the institutional settings in which they work are at least as decisive as is the nature or severity of a problem.

An analysis of agenda setting processes around the issue of shrinkage thus goes beyond the question if shrinkage is accepted or not, but needs to take into account the actual



governance of urban development in a given context. Such, it gives an insight into the power relations that possibly govern shrinkage and allows to better understand how desirable proposals for a “smart shrinkage” can be better turned into reality.

### **Experiences from the case studies**

From the seven city-regions studied five provide especially interesting examples for the discussion of agenda-setting processes around shrinkage. These are: Leipzig and Halle (Germany), Liverpool (UK), Bytom (Poland), Timisoara (Romania) and Genoa (Italy).

While all these cities have considerably lost population in the last decades, their actual shape of problems as well as their governance systems differ between fairly centralised and highly developed, as well as between more interventionist and more liberal forms of statehood. Also, the (local) trajectories of shrinkage and the severity of problems are varied: Whereas, for example, the German cases Leipzig and Halle are characterised by considerable housing vacancies, this problem is not very pronounced in Genoa. A comparison of these different experiences thus demands some guiding structure. In this respect, we focused our research on four overarching questions which run through the case studies:

- 1) When and how has shrinkage come on the agenda?
- 2) Has shrinkage been an implicit, or an explicit issue? Was it put on the agenda directly, indirectly, or weakly?
- 3) Why was/wasn't shrinkage put on the agenda?
- 4) Is there a relation between the nature of shrinkage and the role of different actors in agenda setting?

Put into a table (Table 1), the findings of the research on these questions can be summarized as follows:

Table 1: Findings of the Shrink Smart case studies on agenda setting research questions (overview)

	Italy	Poland	UK	Romania	Germany
<i>When and how has shrinkage come on the agenda?</i>	From the mid 1990s indirectly addressed as ageing and social decay. Until the 80s/early 90s, overcrowding was explicitly the major concern of policy-makers.	Shrinkage is a taboo and no institution has started activities yet. There are no policy, financial support and special programmes available to change the problems.	As early as in the 1950s.	Shrinkage seen as “normal” national trend.	Late 1990s, with respect to housing vacancies and pushed by big housing companies, municipal officials and banks.
<i>Has shrinkage been an explicit, or an implicit issue? Was it put on the agenda directly, indirectly, or weakly?</i>	Issues (housing and social question) were put on the agenda in an indirect way and with other definitions (i.e. affordable housing, social assistance, elderly services).	Although shrinkage was obviously a problem (deindustrialisation, outmigration), it is hardly dealt with. Implicitly shrinkage was dealt with in terms of labour market policies and brownfields.	Rather indirectly, as problems of economic transformation, social inclusion and environmental improvement	No official direct references into public agenda for urban development. Indirect references to the lack of working forces and suburbanisation.	Shrinkage was put explicitly and directly on the agenda – but mostly with respect to housing oversupply.
<i>Why was it put on the agenda?</i>	Normative framework changed towards neighbourhoods which was also supported by European and national funds. Social problems became stronger. State devolution allowed more local influence.	Although the problems were well-known, the issues such as shrinkage were not discussed. Sensitizing by Shrink Smart project, “scientific agenda setting” by the Polish project team from 2010 onwards.	Originally in the context of slum clearance and area improvement, with the aim of improving housing conditions. Urban renewal always been high on the priority list of UK national governments, thus national and EU funding have largely dictated the local agenda.		Powerful coalition of interest groups, institutional capacities were available. To do something fitted to hegemonic planning concepts as well as to existing government structures and funding schemes.
<i>Is there a relation between the nature of the problem and the role of different actors in agenda setting?</i>	Clearly, as housing and social welfare are in the responsibility of local government together with crucial public actors (Coopsette, Ansaldo) and NGOs.	Hardly any activities, only in case of external flows coming in (i.e. EU-money).	Yes. Around the years 2000-2002 low housing demand and abandonment in some inner cities, including Liverpool, led to local authority and housing association support for the 'Housing Market Renewal' programme.	Hardly any activities	Yes, there is. Housing vacancies led to intensive lobbying from large housing companies which resulted in a national funding programme was mostly directed on demolishing vacant apartments.
<i>Which are the implications of the way problems got on the agenda?</i>	The delay to resolve the direct and indirect impacts produced by shrinkage brought about a worsening of the situation.	At best weak connections of activities to the “main issue”	Constant shifts and adjustments trying to bring national agendas of social inclusion, regeneration and economic revival in line with the situation of shrinking cities.	Activities have been focused on attracting young working force and building a regional planning body, leaving other fields aside.	Reducing shrinkage to housing oversupply is an end-of-pipe strategy which tackles symptoms instead of causes and disregards other issues. Piecemeal implementation, mainly applicable for companies in prefab areas.

Source: Authors’ research

Obviously, the experiences with shrinkage becoming an issue of governmental agendas are very varied among our cases: Whereas shrinkage forms a sort of a taboo in Romania and Poland, it is addressed very directly in Germany and at least becomes an indirect issue of economic development policies, urban regeneration, welfare and brownfield programmes in Italy and the UK. There is a lot of reasons for this diversity. On the one hand, as outlined above, the severity and the shape of problems caused by population decline is fairly varied among our cases and thus it is no wonder that some issues easily gain public attention whereas others are considered problematic to a lesser degree. As different policy fields are characterized by a different mix of actors (i.e. housing vs. public health), this has a decisive influence on the policy arena and the actors and interests which come into play. On the other hand, the institutional context, in which shrinkage-related problems need to be dealt with, is fairly different among our cases. Thus, for example, in Italy, matters of urban development are largely subject to municipal decisions and the tax-system is highly developed towards municipal authorities, although national transfers and their reduction impact on the capacities of local bodies to act. In Germany, cities are highly dependent from national programmes in order to receive the necessary capacities to act. In Ukraine, municipal budgets depend almost completely from the national redistribution system which makes richer municipalities as e.g. Donetsk donors and poorer ones as Makiivka recipients. Despite these differences, however, a number of common points can be identified which are characteristic for problems of agenda-setting in the context of shrinkage:

- Shrinkage only appeared on the agenda against the background of an intensification of profound problems, i.e. with social segregation and ageing (Italy), or dramatic housing vacancies (Germany). In contrast to long-term planning, policies rather reacted on sudden crises.
- Although, shrinkage led to intensive problems in all our cases, it remains to be a taboo in a number of places and is not set on the agenda of public action (Poland, Romania). This seems to be most likely in situations in which the cities are burdened by a far-reaching absence of attention, resources and support systems. In this situation, raising the issue hardly leads to acquiring the necessary resources to act and, as a consequence, is rather avoided by policy makers. Non-decisions, even in a situation of widely visible problems, are thus a pragmatic way forward for city officials who are stripped off resources and lack support from upper state levels. In these cases, economic development is often seen as the one-and-only solution and policies are widely concentrated on attracting investors, leaving other issues of urban development aside.
- In contrast to this, where public assistance was generally conceivable, local actors intensively and sometimes successfully pushed for resources from upper-state levels (Germany, UK). On the one hand, this led to an enormous increase of capacities to act, on the other this had a decisive influence on local agenda-setting which tended to be overrun by national policies.

With regard to factors that facilitate or complicate the establishment of shrinkage on the public agenda, these experiences can be summarized as follows (Table 2):

Table 2: Factors facilitating and hindering the establishment of shrinkage on the public agenda

	Local shape of problems	Subjective factors	External conditions
Hindering	Lack of Funds and responsibilities and stakeholders  Fragmented and less visible problems (i.e. water infrastructure, elderly services)	Shrinkage tabooed  shrinkage seen as either “natural” and not specific to localities (Romania), or as a failure of local elites (Poland)	Lack of sufficient resources from National State
Facilitating	Responsibilities clearly defined and funding streams at least conceivable (Germany, UK)  Visible problems (i.e. vacancies)  Protest or voice by civil society (Genoa)	Shrinkage, urban problems made an issue on the national agenda (Germany, UK)  Collaboration of public, civil society and private stakeholders with the aim of raising public awareness (Germany, Italy)	New national and European funds made available  New policy tools introduced (i.e. partnership approach to local development, devolution of planning decisions...)

Source: Authors’ research

Regarding our two research hypotheses (see chapter 2 above), the situation with agenda setting rather seems to confirm these. In two of the five cases discussed here (Germany, UK), shrinkage by and large had a chance to be addressed more or less directly in local politics because this was supported by national and EU programmes. In the case of Italy, devolution of planning authorities to the municipalities played a decisive role in allowing the local authorities to deal with existing problems. In Romania and Poland, in contrast, where national support is largely absent and localities only have weak resources shrinkage more or less remains an issue that is hardly dealt with openly. In a nutshell: Shrinking cities hardly ever have the power to take serious actions on their own and whether or not shrinkage gets on the agenda of local politics is dependent on the support of upper state levels.

However, policies made up here are often subject to a complex and contradictory interplay of power, interests and general political concepts, in which policies follow the logic of the political arena and are only possible when specific “policy windows” (Kingdon 1984) appear. As a consequence, they often tend to be only loosely adapted to the specifics of the situation in shrinking cities and need to be brought in line with these. This is especially visible in Germany where funding programmes are very much concentrated on the issue of housing vacancies and leave other issues aside and in the UK where funding philosophies tend to change dramatically when national government are changed. Thus, local strategies have to be built around changing national policies – which implies a number of constrictions and uncertainties for the affected cities. This situation is even more problematic when cities are largely left without national state assistance and need to acquire resources from the market. In this situation, cities can only deal with projects which are potentially profitable for investors and tend not to even mention existing problems which fall out of this realm at all.

## 4. Policy fields

### 4.1. Housing

#### **Shrinkage and housing regeneration**

Whether the housing policy response addresses shrinkage directly or indirectly depends upon the cause of population decline, the nature of the housing system and the relationships between these two phenomena. The causes of population decline can be: inter-regional net out migration, usually associated with economic decline in the shrinking city; intra-regional population movement (urban sprawl), often directly resulting from planning or housing policy decisions or non-decisions; and negative natural change, often found in the residual population left behind by the other two processes.

In the first case, economic decline, there is evidence of housing policy being used as one of the tools of economic development in shrinking areas. This can occur in two ways. Firstly, the construction activity embedded in housing development is in itself economic activity with significant multiplier effects across the local economy. This was particularly the case in earlier periods when western governments favoured a more Keynesian approach to economic management and when large volumes of social housing units were being built. Recently more neoliberal approaches to economic management have seen less value in such measures, also in many countries the opportunity to 'pull this economic lever' no longer exists as the supply of new social housing has slowed to a trickle or been passed over to the private sector.

The second approach occurs when housing supply is used to stimulate in-migration. This is a more recent phenomenon and is associated with the notion of city-marketing, improving a city's 'housing offer' to make it more attractive to the 'creative classes' who will stimulate local economic growth. Within declining inner urban areas this is closely associated with the idea of gentrification – although in this case gentrification is being encouraged and facilitated by the (local) state for the 'greater good' of the wider economy.

For example, according to the latest plan for Liverpool, housing provision should reflect "...the City's overall objectives of increasing owner occupation and of bringing forward a mix of property types that will support economic growth" (Liverpool Core Strategy, Preferred Option, January 2010). And it has been suggested that the justification for Housing Market Renewal in England gradually shifted from concerns about low housing demand and abandonment to: "a more generalised modernisation agenda.....strongly linked to a regional economic regeneration agenda" (Cameron, 2006: 3).

However there is little evidence of gentrification in Liverpool's Housing market renewal (HMR) neighbourhoods. Similarly, in Leipzig there is little evidence of gentrification – at least outside of the city centre. Yet in the regeneration of the historic centre of Genoa it appears that gentrification, rather than tackling shrinkage, was a significant outcome. Generally gentrification seems only likely to be an outcome of housing regeneration in shrinking cities in areas with certain specific characteristics (central location, good connectivity, attractive old building stock, etc.) and in cities experiencing only very modest levels of shrinkage. It is an unlikely outcome in cities such as Bytom, Leipzig and Liverpool with a considerable oversupply of housing, or there is only very little evidence on it at these places.

In the post-war period many cities in both western and Eastern Europe faced acute housing shortages and a need to redevelop their inner urban areas. As a result, subsequent decades saw rapid urban expansions and overspill developments on greenfield sites. These had the effect of massively contributing to urban sprawl and in the less prosperous cities, the decline of inner urban populations. By the 1980s, policy had changed in Western Europe with the emphasis increasingly shifting towards urban regeneration policies that attempted to retain urban populations combined with planning controls that sought to restrain peripheral growth. By 1990 the European Commission's European Green Paper on the Urban Environment was calling on all member states to avoid urban sprawl and by 1999 the European Spatial Development Perspective was extolling the virtues of the 'compact city'. Such policies directly addressed urban sprawl as one of the primary causes of shrinkage.

Natural change in the population also impacts upon the housing system. The major trends seen in our case study areas are ageing populations, falling birth rates and declining household size. A common phenomenon in many inner urban areas is that of falling household size. This occurs as a result of both older people and younger adults, increasingly living separately from their extended families. As a result the same housing stock now accommodates fewer people. In this instance population shrinks irrespective of housing policy. However, there is a longer-run response from the housing system with more, smaller, dwellings being provided to meet the needs of this more fragmented population. In some inner urban areas this had led to a situation where housing densities (dwellings per hectare) have been increasing whilst population densities continue to fall.

### **Institutional contexts and the governance of housing regeneration**

The layers of governance relevant to housing will vary according to the nature of national housing systems. For example, in Liverpool, the institutional framework within which housing provision occurs is dominated by central Government and the actions of a small number of large private housing developers. The City Council has an important role in controlling housing supply through the planning system but very little power to stimulate development. For a time during the 2000s regional administrations in England (arms of central government) did provide regional and local housing targets in an attempt to spatially link housing production and need. To this extent these regional administrations did try to encourage new housing supply towards areas of low demand and to restrict development elsewhere. The reasons for this policy were partly to 'modernise' housing supply in areas of shrinkage in order to stimulate demand (and by extension, population growth) and partly in response to the sustainable communities agenda through developing more 'compact cities'. These housing targets have now been abandoned and the regional administrations that set them have been shut down.

Over the long term private housing developers in England appear to have come to accept that most housing developments will only normally be permitted on previously developed land. This suggests that they are 'on side and on message' with regard to responding to the problems of urban shrinkage and the policy of encouraging new housing supply towards areas of low demand and restricting development elsewhere. More recently the system of relying upon private developers to rebuild and modernise the housing stock in areas of shrinkage/low demand has been frustrated by the international banking crisis. This puts private developers on the same side as the local authorities. Both want to see these areas redeveloped but the speed of the process has been brought almost to a standstill by the

difficulties experienced by potential owner-occupiers in obtaining mortgage finance and the difficulties developers are experiencing in obtaining development loans.

Similarly, in Genoa much inner city housing regeneration has been initiated together and largely co-funded by the private sector. The results have been rather piecemeal. The current economic crisis will probably delay the regeneration process across the city centre. For a decade private developers had the chance to put on the private market part of the residential stock they renovated. Renovation was subsidised by the Municipality who required the selling price of renovated dwellings to be a little below market value. Since market values were rising fast, this became a sort of game, where everyone won. Middle class households could buy a renovated flat in the city centre at a reasonable price, developers could provide housing at a price high enough to be profitable yet low enough (thanks to the municipally subsidy) to be generate substantial demand. The Municipality placed middle class families in order to upgrade socially the central area. Today, with little public funding to support regeneration and the real-estate markets depressed, this convergence of interests is probably going to break.

In Leipzig the economic crisis is endangering the continuation of a comprehensive approach to social, economic and built environment issues and the involvement of key actors is threatened by budget cuts. The problems with the dilapidated housing stock and the vacancies in a number of inner-city districts cannot be solved in the current planning and funding situation. The effect of urban restructuring and the application funds in support of social cohesion has been limited in these areas. On the contrary, concentrations of low income households have consolidated. The municipal housing company plans to keep its prefabricated stock in Leipzig East for low income housing. Consequently, the area will see little socio-economic change in the years to come. If Leipzig experiences a new round of shrinkage in the near future, vacancy rates could rise again; in the city as a whole including those areas that (still) today show high vacancy rates.

There is evidence to show how the incidence of shrinkage has led to changes in governance arrangements in relation of housing regeneration.

In England an array of programmes and agencies has been established to tackle the consequences of shrinkage. Within the housing field in Liverpool it is possible to identify a number of examples. Through the 1990s local partnerships (grant coalitions) could bid to central government for funding from the Single Regeneration Budget Challenge Fund (SRB), the Estate Action programme and the establishment of a Housing Action Trust. In each case, whilst central government typically set the parameters, local government determined detailed policy. In 2002 in England, the HMR Pathfinder programme was launched with the aim of renewing housing markets in areas of 'low demand' (shrinkage) across the midlands and north. Within Merseyside a new organisation, Newheartlands was established to coordinate HMR initiative across the Liverpool City-Region, although programme delivery remained with the local authorities.

From Germany we have the example of the Stadtumbau Ost urban regeneration being established as a specific response to the acute consequences of shrinkage for housing and living environments in eastern German cities.

Typical of the German experiences are those of Halle and Leipzig. Contemporary governance arrangements in Halle-Glauchau emerged as a result of the IBA (International Building Exhibition) which started in 2008. It is a typical example for a funding- and project-led

arrangement. The complexity of problems which could not be tackled in the “normal” bureaucratic way, encouraged an approach in which intermediary actors and novel funding schemes were used (IBA, ExWoSt, creative interpretation Stadtumbau Ost). Although it remained a state-run project, only with these external funds and non-state actors did regeneration occur. Similarly, governance arrangements in Leipzig-Grünau remained fairly stable over time with the main actors being the municipality, a handful of cooperatives and most centrally, the municipal housing company. It was only after the late 1990s that private housing companies became more important for the neighbourhood.

In Bytom the question of housing vacancy is of concern to the building owners, the municipality, the former mining companies and not least to households on the waiting list for social housing. This public opinion was most clearly expressed through a private venture of an internet website with a meaningful name [www.ruinybytom.pl](http://www.ruinybytom.pl) (ruins of Bytom). In this situation the municipality finds itself in conflict with each of these different actors. Together with the shortage of financial resources this makes it difficult to find solutions to the housing vacancy issue.

Thus, it is possible to see clearly how the necessity to respond to the consequences of shrinkage within the housing field has led to changes in policy and governance arrangements. Indeed, looking across the case studies it is clear that whilst in many cases, existing institutions were adapted to respond to shrinkage, in a significant number of other cases new institutions were created. However, in the great majority of instances, whether in relation to existing or new institutions, they became increasingly dependent upon external funding in order to function, develop and implement policies and programmes.

Taking the long view it is clear that the policy of housing renewal has undergone substantial change. The clearance and rebuilding policies of the post-war era were top-down corporatist strategies with little room for community involvement. Furthermore they were almost entirely funded through public investment. As such they were less vulnerable to the vagaries of the housing market. More recent interventions tend to reflect a more neoliberal approach more dependent upon the market to deliver policy outcomes.

## **Conclusions**

In almost all the case studies there is a dependence upon external resources to enable local actors to cope with the housing consequences of shrinkage. Where these resources come from central governments or the EU the aims of local policy can be strongly influenced by the funding agency. In many instances local governments have had to turn to the private sector for support in which case profitability has become an important factor shaping policy.

There is considerable variation in the capacity of localities to respond to the housing consequences of shrinkage. In some instances (e.g. Bytom) the local authority appears overwhelmed by the problems. But even in Leipzig, the German government seems unable to match the financial requirements of the programme in the face of the international banking crisis.

On the whole there is a consistency of approach to the housing consequences of shrinkage across most case study areas and levels of governance. In some instances this amounts to a clear strategy (e.g. Leipzig, Liverpool). In other instances regeneration is more piecemeal



(e.g. Bytom, Genoa). But in no case has the stability of programmes been guaranteed in response to macro-economic change.

Where housing policy has been aimed at stimulating housing demand and population growth (e.g. Genoa, parts of Liverpool, inner cities of Leipzig and Halle but also Leipzig-Grünau since 2005) it could be said to be a direct response to one of the causes of shrinkage. On the other hand where policy is focussed on reducing oversupply (e.g. in Halle, Leipzig-Grünau and Halle-Silberhöhe) it could be said to be a direct response to the consequences of shrinkage.

In almost all instances there is a multi-layered approach to the governance of housing and housing regeneration in areas of shrinkage. The nature of these governance arrangements vary substantially between the case studies, depending upon local institutional contexts and the nature of the housing system. It is common to find local actors coming together (and the creation of new actors) to form local partnerships (grant/growth coalitions) in order to access funds and facilitate development. Nevertheless, in most cases it was local government (the municipality) that was at the heart of the policy-making process, providing a key link between institutions and layers of governance.

In most cases the governance of housing regeneration appears to be corporatist or managerial in nature (based on formal, bureaucratic relations between the institutions of governance and private sector interests). However, there are instances pluralism (with government arbitrating between competing interests), e.g. Leipzig-Grünau post-2005, Liverpool, Genoa during the 1990s, Leipzig's inner East post 2005.

In many cases there is evidence of a move from Keynesian to more neoliberal approaches to solving the housing consequences of shrinkage. Typically this takes the form of using housing policy to support local competitiveness and economic growth and using both private and public resources to achieve this aim. The success of such activities depends on various circumstances – either the shrinking city disposes of economic and financial resources and is attractive for investors or it offers other incentives such as tax releases or subsidies. When this is not the case, it is largely harder for shrinking cities to attract private capital than for growing cities. Investment into the housing market depends, moreover, from the structure of the housing market, its players and their performance and – in the postsocialist cases – from the history and impact of transformation, restitution and privatization after 1990.

## 4.2. Social cohesion

### **Shrinkage and impacts related to Social Cohesion**

The process of shrinkage has brought about a profound process of urban and social change across case studies. While causes and trajectories of shrinkage are different, it has been possible to uncover some evidence of the relation between shrinkage and effects on social cohesion dimension in all cases under investigation (Table 1). These consequences were directly *or indirectly* caused by demographic change (Genoa, Timisoara, Donetsk and Makiivka), economic decline (Leipzig and Halle, Liverpool, Sosnowiec and Bytom), alteration in the settlement and transformation of the social urban pattern (Liverpool, Leipzig and

Halle, Ostrava, Timisoara and Genoa) and they have appeared at different times, intensities and with different responses on the part of the policy makers.

Above all it is important to highlight that the term of Social cohesion has unclear borderlines (it can be similar to sustainability, social inclusion etc.) and it has been defined a multi-dimensional concept (Jenson 1998; Berger-Schmidt 2000) which can be linked to several urban issues (local development, urban settlement, social care system, labour market, housing, training and educational systems, healthcare, cultural sector, environmental). It can generally be referred to a situation in which political and economic redistributive mechanisms are equilibrated and they are able to guarantee benefits for different social groups and at different spatial levels. With regard to the analytical dimension, it is not easy to offer a homogeneous definition. Social cohesion can derive from a *bottom up process* through relationship, trust, recognitions among citizen and participation or it can derive from a *top down process* becoming a policy goal which national and urban governments carry out to contrast poverty, urban isolation, social and spatial disparities among citizens, improve social infrastructure, etc. This last meaning has had an increase in political and academic debate and over the recent years the attention on equality, inclusion and quality of life in the urban context has become one of the main objectives of local development strategy within an integrated approach (see the contributions of Atkinson et al. 2004; Frazer and Marlier 2008; Kearns and Paddison 2000; Jenson 1998; Farole et al. 2009).

With regard to the Shrink Smart project, one of the first objectives has been investigating causes and impacts linked to shrinkage and this analysis meant giving relevance not only to economic consequences but also to social problems caused by the population decline. As it becomes obvious in Table 3 in Leipzig and Halle, the poverty and vacancies became interrelated; in Ostrava the social exclusion is combined with the ethnic exclusion (Roma) and the new housing process has occurred a social de-mixing; in Bytom and Sosnowiec the social exclusion is linked to poor-quality worker settlements; in Timisoara or Liverpool shrinkage in certain urban zones has brought about gentrification process increasing the spatial differentiation and social mix in neighbourhoods; in Genoa ageing is the direct consequence of shrinkage linked to historical low birth rate, but population decline brought about relevant changes in urban settlement (vacancies and abandonment) and social issue (social decay and exclusion in shrunk neighbourhoods has become stronger).

Thus shrinkage impacts related to social cohesion can be synthesized into two main dimensions that we call, following an indication from the Urban studies (Healey 1997), PLACE (socio-spatial polarization, spatial inequalities in some neighbourhoods, abandonment, lack of services, urban isolation, housing questions, Brownfield, etc) and PEOPLE (ageing, immigration and emigration, the unemployment, social exclusion, ethnic segregation and so on). Both dimensions are related to the social cohesion since the progressive decline of population and the economic crisis have together created the conditions in the city's historic centre (Genoa) as well as in ex industrial areas (Leipzig, Bytom, Liverpool, Genoa) for the emergence of social disadvantage, isolation and loss of urban identity that had once been the bulwark of the city's economy. On this already fragile territory there supervened socio-economic events (houses abandonment, demolitions, the progressive closing of shops and commerce, the spread of dangerous activities, organized crime, the concentration of low income families, the unemployed, migrants) that contributed to a stratification of social demands and to less attractiveness of these places. This was in some urban zones which progressively began to be abandoned (such as

neighbourhood of Kensington in Liverpool, Bytom), or to be produced a concentration of excluded people (Leipzig's inner East, neighbourhoods Sampiedarena and Cornigliano in Genoa) or other areas which are remained the destination for ethnic minorities as in the case of Roma people who live on outskirts of Ostrava in bad living conditions ("*ghettoization*").

Table 3: Shrinkage impacts on social cohesion across case studies

Liverpool	Leipzig/Halle	Genoa	Timișoara	Ostrava	Bytom/ Sosnowiec	Donetsk/ Makiivka
<p>Shrinkage has occurred as the same time at the core city has gentrified.</p> <p>In Renewal areas (such as Kensington) the programme has foreseen "to build sustainable communities, ensure community cohesion through public services and the development of supporting infrastructure". Some issues were also specifically addressed to assist the elderly people and vulnerable home owners, poor environmental conditions and other social problems.</p>	<p>Ambivalent effects, out-migration of middle classes, due to opportunities of loosened housing markets at the same time downward effect for disadvantaged neighbourhoods; as a result, poverty and vacancies became interrelated. Urban Regeneration is not the solution for some problems which alive (unemployment, urban segregation, poor households concentrated in some areas of the city.</p>	<p>It seems shrinkage is not a alarming problems. Ageing is the direct consequence of shrinkage. The problem is rather the connection between increasing of elderly people and immigration which lead to an increase in ethnic segregation and social conflicts.</p>	<p>Unclear whether existing socio-spatial differentiation is related to urban shrinkage; suburbanization is carried by middle classes and better-off households. This process includes measure to promote urban facilities and specific actions to improve living conditions and to avoid the creation of "bedroom neighbourhoods".</p>	<p>Social exclusion (combined with ethnic exclusion); in some areas unemployment is far above average; strong interrelation between problematic living conditions (i.e. proximity to polluting industries) and poverty/exclusion, especially with respect to Roma. CC Thus they are concentrated in certain localities (ghettoization).</p>	<p>Social exclusion in poor-quality workers settlements; here highest unemployment rates up to 50%.</p> <p>Shrinkage is linked to the worsening of the labour market due to post industrial and post-mining phase. The problem of unemployment is the theme of "special umbrella programmes" (unclear) and since the 90s of the Local Employment Offices (active in Bytom and Sosnowiec).</p>	<p>Increasingly uneven urban development with respect to the urban district level.</p>

Source: Shrink Smart WP3 D7 Discussion paper (2010)

Lastly, some shrinking cities observed in particular have showed clearer impacts on social structure. They will receive more details in a common paper which describes the characteristics of the shrinkage in each of these cities and analysis results of the pro-social cohesion policy related to social spatial segregation (Leipzig), ageing and social inclusion (Genoa) and social polarization of ethnic groups (Ostrava).

These three European cities have different stories and trajectories of shrinkage but their population decline has had direct or indirect impacts on the socio-spatial structure of certain neighbourhoods. In the case of Germany, Leipzig's inner East and Leipzig-Grünau have a relation between the housing vacancies and concentrations of foreigners, low skilled workers and poor household which lead to process of socio-spatial segregation started since the 90s. In these fragile neighbourhoods the main policy goals were demolishing and replacing by prefabricated housing to offer better living conditions but results are still incomplete. Within the urban regeneration programme for these zones (masterplan STEP), the policy maker is carrying out some pro social cohesion activities such as local job creation and support of local business.

In the case of Ostrava the shrinkage brought about two main consequences in social issue: change of population's age structure (low birth rate and ageing with the over 65 people which pass from 11% of the population in the 1961 to 17,6% in the 2001) and out-migration (total balance is negative since the 90s) which lead to socio-spatial polarization of certain localities which have lost attractiveness or social segregation of the ethnic group such as Roma who live in unpleasant neighbourhoods with dilapidated housing and in very bad living conditions. While the ageing is not considered alarming, the second issue related to ethnic polarization and social exclusions of poor and less skilled people have seen the recent policy actions of the local government: Job Centre, Community Plan in the social service, Educational Integration for Roma children, etc. The outcomes of pro social cohesion policy are occurring within challenge to growth and convergence of Czech Republic to access in EU. Lastly, the Italian case is different too. In Genoa a mix of causes, including the demographic decline and out-migration from inner city to the other areas of the city, have changed urban and social pattern of some neighbourhoods such as City centre, Sampierdarena and Cornigliano. They are ex industrial areas which fellow the lot of the negative economic trend during the 80s and have seen the progressive decline also linked to houses abandonment (in 1981 there were 8,000 evictions), the closure of the shops and the loss of workplaces (- 40,000 employees in the Industry from 1981 to 2001).

In the same time ageing became higher (elderly rate at the 236,0% in 2008) and immigration has increased (+ 5,176 international migration rate in the 2008). Two phenomena seem interrelated and if the first is the direct *negative* impact of shrinkage, the second appears as a *positive* contra-trend for the depopulation. But the presence of foreigners produces problems of integration and segregation in the city. These features have led to local government to identify a new strategy by which social and urban questions could be resolved (urban regeneration for housing and *sustainable urban development* for social cohesion).

### **Governance responses and integrated approach to urban development in shrinking cities**

Concerning impacts caused by shrinkage on social cohesion there have been different governance responses carried out in each case study to improve economic questions, urban patterns and living conditions.

Above all can be relevant to observe that the governance responses produced by local governments in a shrinkage context are not only influenced by the complex process of the change (economic, demographic, social, planning) and by (direct and indirect) impacts caused by shrinking; overall they are influenced by the system of local institutional relations and arrangements (Di Gaetano and Strom 2003), political objectives, European mainstream thinking<sup>1</sup>, financing resources (see chapter Agenda setting) and, in the case of social cohesion policy, we think by the welfare state and social protection system (Van Berkel 2007). These features have led to local governments in shrinking cities identifying different strategies by which social and urban questions were to be resolved. Most of case studies have chosen *market oriented* policy responses with the assurance that the renewal and the regeneration economy would contrast social problems, urban isolation, poverty, vacant housing and job-related issues (Liverpool, Genoa, Timisoara and Ostrava are typical models of an expansive phase of post-shrinkage regeneration economy inspired by the neo liberalist approach). Other shrinking cities have shown an attempt to intervene in social questions through specific policy actions. This is the case of Genoa and Ostrava in which there are many strategic documents (National Social Inclusion Plan, National Fund for Not Auto-sufficient people in Italy; Action Plan to Social Integration, Plan of Employment in Czech Republic); at local level there is also a stronger cooperation between the public sector and NGOs to provide social services, to contrast poverty and isolation of citizens as in Genoa: Active Ageing Projects, the Job Centre, the Network of NGOs “GhettUp” inside a disadvantaged neighbourhood, Social Housing Desk; Neighbourhood Plans to promote renewal and social inclusion actions in various city’s areas; as in Ostrava: Care homes for poor people, Educational Integration for Roma children; as in Leipzig’s inner East: the “Soziale Stadt” (Socially Integrative City) welfare programme and Platform Forum Leipzig’s inner East to involve citizens in urban regeneration program.

The importance of applying equality and solidarity coupled with development process is at the base of a new urban strategy that tries to produce new combinations of people-based and place-based policies (Madanipour 1998 in Kearns and Paddison 2000; Andersen 2002). The attempt to link shrinkage with social cohesion questions goes in this direction; in this way, we can identify “if and how”, within the urban regeneration strategy in shrinking cities, local government can follow an integrated approach which takes into account both renewal (*pro-growth and market-oriented – neo liberal approach*) and social cohesion policy (*pro-equity oriented*).

In fact many scholars showed the limit of the neo-classical economic paradigm (Frazer and Marlier 2008; Jessop 1999; Maxwell 1998; Moulaert, Hillier and Vicari 2009; Storey 2006) since economic dimension or economic growth that is merely market-oriented is not sufficient to create local development and well-being (and much more sustainable development). Over recent years the attention of European policy making (as well as national and local levels across member states) has been addressed to the promotion of two dimensions of growth: competitiveness and cohesion. Since the ‘90s the social cohesion concept has seen “a boom” (Jenson 1998) and its importance could be considered as a new definition to indicate, as in the past, the evidence of the gap which remains between economic growth (*neo-liberalism approach*) and adequate investments in social commons

---

<sup>1</sup> See COM.(2006) 385 “Cohesion policy and cities: the urban contribution to growth and jobs in the regions”; European System of Social Indicators 2010 (ESSI); Eurostat, Cohesion Structure Indicators and Social Report 2010; Fifth Report on economic, social and territorial cohesion, November 2010.

(health, job, house, assistance, social protection, education, etc...) since after two decades of economic policy directed to globalization of production and distribution, business and investment on financing, some social problems survived. For example we have seen how demographic decline, housing vacancies or dereliction can bring about a social transformation of the neighbourhood where disadvantaged groups (or ethnic minorities) and poor people have concentrated (Leipzig, Ostrava, Genoa).

Here the objective would turn the reflection on the contribution that integrated strategy should have for urban development taking into account both the regeneration program and the welfare care system to deal with many changes and challenges to urban economy, policy making and modes of governance.

When we study shrinkage, we also study many changes and challenges to urban economy. In this sense Cohesion Policy could be *another* approach through which we can read these processes and draw more attention to social impacts caused directly or indirectly by shrinkage since inequality distribution of benefits by regeneration process could mean weak local development which would lead to further social and urban isolation, out-migration and other problems related shrinkage.

## Conclusion

As we have explained at the beginning of the previous paragraph, each of shrinking cities has followed specific policy making to contrast impacts caused by shrinkage. These modes of governance are the combination of internal (funds, institutional milieu, community leaders, interest, local partnership and so on) and external factors (globalization economy and its challenges for the local economy, European recommendations and its ties for the partner countries; normative national framework and its set of laws, regulation of power, legitimacy and competence along political scale; external investments and so on). In both the dimensions of the urban policy the question about the lacking of resource or capacity is very important (as highlighted from the first hypothesis). In fact what is true is that in all of case studies analyzed lacks *something* to completely solve issues caused by shrinkage, including social cohesion problems. This implies that there was a selective political agenda that in some shrinking cities has privileged one way rather than another on the basis of the combination of different factors.

This is valid for both of the initial hypothesises of the Shrink Smart Project (couple capacity/resources and couple entrepreneurial/bureaucratic).

With regard to shrinking cities which have decided to study social cohesion impacts too, we can attempt to get some conclusion from them and relative evidence analyzed from researchers.

The lack of *sufficient* public resources for social cohesion policy coupled with a good institutional know-how, presence of community leaders and of a strong collaboration with NGOs represents a partial confirm at the first hypothesis in the case of Genoa since the financing gap is fills by an institutional capacity. In Ostrava, the social policy mainly depends from the State budget and by the legal framework which obliges Regions and Districts to deal with some specific issues. This budget has decreased recently (reduction of care allowances and benefits) but the local government shown an attempt to answer at social priorities by preparation of the first Community Plan in the social services (supported flats, integrating the Roma children into the main educational stream, support of field social work

and financial support of NGOs); by submitting EU Grants and by enforcing the collaboration between the public and third sector (civil society is the emergent actor in social policy). In the case of Leipzig while there are a concentration of low-income residents and social welfare recipients in certain urban areas, the social issue was not the priority for the policy maker. The main objective was rather to reduce oversupply of housing (it is a case of selective political agenda) since this way would had also beneficial effects in the social structure; for this aim the local government used national funds foreseen within strategic plans for the development of German cities. This strategy will be inadequate to solve the social cohesion problem in disadvantaged areas which probably need of specific actions. This last point introduces the key of analysis proposed by social cohesion policy field. Can shrinking cities be considered *sustainable cities*<sup>2</sup> with regard social cohesion issue? Is it possible to speak of a kind of *Social regeneration strategy*? And could the attention jointly given to social well-being and economic development, and pro-growth objectives and pro-equity policies represent a complete governance strategy with which to address the problems caused by depopulation?

This “third way” could be at the side of two poles recalled in the second hypothesis and it could represent a kind of urban strategy which, between ties and dependences, strong and weak, characterizes some shrinking cities. One example to all, Genoa has had two speeds of growth: on the one hand it has been able to regenerate itself after industrial crisis through investments in culture, innovation, training, urban renovation and tourism; on the other it is one with a specific demographic pattern (high levels of elderly people, progressive increase of foreigners with low work profiles, lack of young people, low birth rate), which even if not obstacle the growth like that, makes weak the social structure, menaces safety and social stability in some urban areas and makes measures pro-social inclusion really necessary.

## 5. Discussion

Before discussing the hypothesis described in the second chapter, we want to summarize some arguments, drawn out from the analysis of the seven research reports. The empirical research undertaken until this point on the one hand increased the complexity of our understanding of the relationship between structural conditions which burden the actions of urban governments and their capacity to give a response to these burdens. On the other hand it clarified the state of our knowledge about strategies and policy-actions different shrinking cities deploy in order to deal with shrinkage. Before showing how our research has changed the assumptions we started with illustrated in chapter two, we will synthesize the general framework in which the study about governance in shrinking cities must be inserted. First we will list the three general factors, we found shaping governance in shrinking cities; then we will underline the particular importance of multilevel governance for cities in a context of shrinkage. A discussion about our two initial hypotheses concludes the chapter.

---

<sup>2</sup> «Economic growth is sustainable when it is driven by measures addressed to reduce poverty, social exclusion, gender inequalities, ethnic inequalities, low job quality, abandonment-dereliction and environmental problems» [UE, COM.(2006) 385]

## **Factors affecting the mode of governance in shrinking cities**

Whereas our study clearly shows that shrinkage does have an influence on the ways cities are governed (in terms of policy goals, instruments and coalitions), it also reveals that the relation between governance and shrinkage does not follow one common pattern.

In fact, we can observe a wide spectrum of coalitions between public officials, private stakeholders, and civil society organisations that frame how problems of shrinkage (like brownfields, aging, or housing vacancies) are dealt with in a particular context. While this leads to an immense variety of governance arrangements across our case studies, the actual composition and dynamics of governance with relation to shrinkage are also by no means contingent. Quite in contrast, governance arrangements are the outcome of three underlying social, institutional and political conditions which frame the dynamics of governance in a particular case and thus define which coalitions are likely to emerge and which problems are most likely to be dealt with. Three issues were identified to be crucial in this respect: one is connected with the starting social conditions, the other with the institutional context and the latter with the political tradition.

*Starting social conditions:* the specific trajectories of shrinkage (see the Shrink Smart WP3 D7 discussion paper) and the particular characters of the actual problems within the cities under research frame the governance arrangements and lead to differences in the way shrinkage is dealt with.

As population loss leads to very different problems among our cases – ranging from oversized infrastructures, via Brownfield to housing vacancies – it of course is of interest to a very different range of actors. Whereas, for example, housing vacancies are a pressing concern for private landlords, mortgage banks and residents of all sorts, an oversupply of schools is an issue that is dealt with by state actors solely. Thus, in situations in which housing issues are the most pressing consequence of shrinkage it is very likely that some form of public-private collaboration is going to emerge – whereas in situations in which schooling is a more immediate problem governance relations will rather be formed around different state actors (at least as long as education is not completely privatized).

*Institutional context:* different opportunity structures depend on the institutional settings in the context of a case study city in which local actors can find partners with which they can form coalitions and from which they can gain resources.

As outlined before (see the Shrink Smart WP3 D7 discussion paper) in a situation of shrinkage, local actors regularly lack the necessary resources (money, power, knowledge) to deal with the challenges of urban development in the most appropriate way. As a consequence, there is a need to acquire additional resources and to integrate actors who have resources (this is more extensively discussed below). However, the context in which additional resources can be acquired and the conditions under which this can be done is very different among our case studies. “Local government” means very different things in the countries we studied, both in relation to powers and competence located at different tiers of government and to sources and flows of fiscal resources. These features are not set in the same way in all countries taken in consideration in our project. Thus, in a federal state like Germany or in a state with large autonomy devolved to regions like UK, national housing schemes represent a turning point in the way shrinking cities are approached, whereas in a more centralistic state like Italy cities have the main role of providing services. In post-socialist countries, as a consequence of transformation and crisis both local and national



states often lack the resources and the will to intervene into urban development – so that local actors hardly find it promising to appeal to national contexts in search for support.

*Political tradition:* the actual interplay of power, normative settings, actors' interests and chances to achieve their goals on the local level has a decisive impact, too. Cities have their own traditions and cultures which lead to a hegemony of certain narratives about the nature of urban problems, about their causations as well as about possible solutions. These narratives are reflected in particular political cultures which make up the actual policies on the ground and define the chances for a particular subject to enter the political arena. To give an example: In the eastern German cities Leipzig and Halle, normative settings with respect to the value of the pre-war building stock and large housing estate building stock together with a strong opposition of civic society groups to not demolish old buildings supported to stop breaking down dilapidated old building stock. The demolition of housing stock in large housing estates has found rather wide acceptance and was not challenged by influential actors.

### **Urban governance is strongly multi-levelled approach**

Governance arrangements on the local level are always embedded in multi-level arrangements reaching from the municipal via the regional, national to the supranational (e.g. EU) level. Three main features synthesize how these institutional/spatial levels interact:

- the existence and power of different government tiers,
- the competences of the different levels and
- the sources and flows of fiscal resources,

These features are not set in the same way in all countries taken in consideration in our project. What's more, they don't combine in an intuitive manner. In a federal state like Germany or in a state with large autonomy devolved to regions like UK<sup>3</sup>, national housing schemes, represent a turning point in the way shrinking cities are approached. These schemes impacted immediately on the neighbourhoods through housing regeneration projects. A centralistic state like Italy, decentralized recently much of the powers to the regions, while cities have the main role of providing services. Nonetheless, their own capacity of self-regulation in most of the issues is residual and they heavily depend on upper Institutional level decisions. In post-socialist countries, where a local government level did not even exist, a top-down central state decision making was frequent in the immediate post-socialist times, while now local governments are trying to experience their first attempts of urban entrepreneurialism. Nonetheless, development agencies created by central state decision (e.g. the Katowice Special Economic Zone in the Upper Silesian case study or the state agency Czech Invest that supports the re-use of brownfields in the Czech Republic) operating at a local scale remained essential in local regeneration plans, maintaining anyway a national institutional level acting at a local scale but “external” to local government.

The issue of the resources is crucial and difficult to generalize. The rate of fiscal autonomy diverges completely from one city to another, and it is not immediately connected with the

---

<sup>3</sup> In this sentence the word “region” is not intended as NUTS2 level. Whilst the UK has devolved considerable powers to countries within the UK (Scotland, Wales, Northern Ireland) there are no elected regional governments within England and currently no regional level of government administration within England.

shape of the state, or with the balance of powers between different territorial levels. Romania is not a federal state, but Timisoara has to rely on its own finance more than any other city, while two very different states like Germany and Italy have similar figures about locally retained taxes. These institutional differences cause different degrees of dependence on the income created inside the city, and consequently different degrees of institutional sensibility to depopulation.

The neo-functionalist literature called the whole process above multi-level governance in order to describe the EU integration (Marks 1993). Our results suggest anyway that the action of actors involved in multi-level governance is far from integrated and could frequently generate conflicts between the actors and/or come at odds with the same tasks, policy-makers defined. As we see above this is connected with the complexity of the alliances generated at the horizontal level and of the nested institutional settings through which policies operate in local contexts. The importance of the interaction of different government tiers is enhanced by the peculiarity that it is not fixed once for all by the state, but it varies in any policy field in different periods. This point further complicates the analysis of governance, because our object is not only definable as fuzzy, but also as polyhedral since it changes face according to the policy field from which you look at it. In the literature, urban government is regarded as essential to compete in the new globalized economy (Le Gales 2007, Begg 2002, Savitch et al. 2002, Lever 1999). One possible solution is to decentralize powers and competencies in any place to give territories the institutional capabilities to deal with investors and promote themselves. Global economy has re-territorialized certain economic processes and cities are supposed to make rational choices in managing their resources to improve their wealth and connect these processes to the global level, but the cities we analyzed all experienced a lack of resources and often struggle to re-connect themselves to global flows. Even when they are wealthier, they represent a pole of growth in relatively depressed conurbations at the expenses of the cities nearby (Sosnowiec and Bytom, Leipzig and Halle, Donetsk and Makijivka), and if their economic figures are better than the national average, they passed problematic economic transition and lack of the capacity to manage this new kind of pressure loosing disorderly population as a consequence (e.g. Timisoara).

### **Discussing Hypothesis 1**

#### *The twofold lack of economic resources and why it is particular harsh in shrinking cities*

Set against this general background, the cities we have studied show different pictures. We have enough evidences to say that shrinking cities are faced with a lack of economic and financial resources. In the cases of economically declining or dependent cities, the shrinkage causes a twofold lack of resources. On the one hand there is an absence or scarcity of public funding. The lack of public funding can occur as a direct consequence of shrinkage because of a downsizing of the fiscal basis or for reasons not directly related to shrinkage: a general cut to urban spending (like in Italy during last years) or a counter redistributive fiscal withdrawal from the central State (as in Ukraine for Donetsk). Our comparison in the policy field of housing showed how the decline or cuts of public funding for housing policies was a major driver for the participation of private developers in regeneration programs. On the other hand, especially in shrinking cities, there is a scarcity of private capital and investors, in addition investors are rather unwilling to invest in a not growing context because of the uncertainty of the further development and therefore unstable conditions to create returns.

This twofold lack of economic resources is particularly harsh if framed inside what the recent literature has called urban neo-liberalism. In this context, it is argued that local state institutions have been reconfigured around an agenda of economic development and global competition (see Jessop 1994 and 1998; Brenner 2004; Hackworth 2007). Public bodies proactively engage in economic development projects and develop new forms of public-private partnerships and other “networked” forms of governance. This is the case in the Czech Republic, Italy, Poland and UK where these arrangements are on the rise, but it can not always be argued that they are primarily effective on economic development. Many authors explained how – in order to trigger the flow of investments – an active role of the local government is necessary that can be deployed in different ways. Many of these ways need meaningful amounts of capital and require the public actor to be the trigger of a process of economic regeneration granting basic investments in public urban facilities, more favourable market conditions, urban marketing campaigns, long lasting perspectives and a direct participation of public actors in renewal or regeneration actions. It is self-evident how cities characterized by a lack of resources are not immediately able to invest enough in these projects even involving private actors through networked forms of governance. It is difficult as well to attract external or foreign direct investments. The capacity of attracting productive or only service-oriented investments from abroad is in fact happening in some cases, but it seems more connected to the creation of specific conditions by the national authorities rather than governance arrangements deployed inside the city.

In many cases, using funding from other public sources remains as the only option. These structural conditions induce the creation of what we call local “grant coalitions” (Bernt 2009) which emerge in the context of national funding programmes and aimed at acquiring subsidies from upper state levels in order to gain resources that enable them to deal with particular problems. Recent austerity programmes have led to growing instabilities and reduced capacities to act.

In East Central Europe, the situation is quite different. Here, the systemic transformation has in many cases resulted in incomparably weak state capacities and given rise to what has been termed “empty institutions” (Ho 2005: 69). The consequence for municipalities is that they hardly find appropriate assistance with upper state scales and need to deal with their problems on their own. Therefore, in most cases urban development policies are even more excessively directed towards attracting investments and are often even more “neoliberal” than their western counterparts. In our sample, almost all post socialist cities except the two eastern German ones are meaningful examples for this. In Katowice conurbation, Polish State created the Katowice Special Economic Zone (KSEZ) where firms can exploit tax breaks and favourite conditions. The effect was somehow the same of grant coalitions because it generated a struggle of the local governments to be included. The case of Donetsk/Makiivka is more a mix between a neoliberal policy, dominated by big oligarchs, and a traditional policy oriented to the remaining sector of state economy.

It would be interesting to discuss to what extent neoliberal policy and decision-making was a deliberate or rather “desperate” choice of the cities and their actors. Because, in case the “super-neoliberal” policy does not succeed, municipalities are left in a desperate situation and have no choice but to deal with the existing problems in rather traditional, managerial ways. Examples for this are how the city of Bytom has been dealing with inner-city dilapidation and vacancies, or how the city of Timisoara tries to “control” the suburbanization process on its outskirts. In the Czech Republic (or our case study Ostrava),

the state tries to take influence on the re-use of urban brownfields by supporting municipalities with the agency “CzechInvest” that manages the cooperation between municipal actors and investors in the process of revitalization.

The effect of these two conditions for the capacities of local actors to deal with shrinkage related problems is fairly different: Whereas in the “western” model local capacities are made up by the interplay of local and national state agencies – and political decisions are decisive for the course in which shrinkage is tackled with – in the “eastern” model action is directed towards economic attractiveness and the hope is based on “trickle down effects” of economic growth. As we will explain better now, in both cases the support of upper State level is essential to accomplish the entrepreneurial tasks, which neo-liberal policies assign to local urban governments.

#### *Grant coalitions: how shrinking cities collect their recourses*

The grant coalition idea suggests the necessity of the co-existence of vertical and horizontal levels of governance.

With regard to the vertical level of the governance there is strong evidence that the existence and the conditions of the financial support from upper state levels plays a strong role in forming these local arrangements in order to find funds. The European Union or the national state can assume the role of

- *a public funding provider* (by Structural Funds and the former “Urban”, or specific national programmes such as “Stadtumbau Ost” in Germany and “Housing Market Renewal” in UK or regular transfers);
- *a driving force* creating special agencies or special zones with favourite fiscal conditions (such as Katowice Special Zone in Poland and CzechInvest in Czech Republic);
- *an equalizer* through fiscal territorial distributive policy (such as in Ukraine). In all of these situations shrinking cities depend from external resources.

In the case of which the EU or the State are provider the public-private partnership is a pre-condition to access to public funding (this is a typical *conditio sine qua non* to obtain European funds; but it is also in the case of renewal programme in UK). In the case of driving force the partnership is rather a consequence like the agency “CzechInvest”.

These evidences show the importance of the horizontal level of governance based on coalitions among local private and public actors. At the same time these partnerships would not exist without the “spark” represented by the public funding.

Although, given the complexity of issues and actors involved, it is hard to draw some general conclusions, it is revealing that most of the cases studied show – using the terminology of Di Gaetano and Strom (2003, see also the Shrink Smart WP1 D1-D3 paper) – either corporatist or managerial modes of governance.

Corporatist modes in which local public officials and private stakeholders closely collaborate in working on a problem caused by shrinkage (such as vacancies, or dereliction of the housing stock) are most prominent in the context of national programmes such as “Stadtumbau Ost” (Germany) or “Housing Market Renewal” (UK).

Where such funding is not available, we find a rather contradictory overall picture: On the one hand, especially in East Central Europe, municipal governments strongly lean towards

proactive growth policies and form networks with private investors. This often leads to “boosterist” corporatist networks in which a handful of top officials and some investors play the main role in setting up policies and decision-making. These networks operating more as closed clubs, often with the mayor as “top manager”, stressing his role as “leader”, as it is the case in Sosnowiec. Depending on the national context, these policies are sometimes supported by national governments, with the declaration of special economic zones, tax breaks and alike. On the other hand, local governments often lack both sufficient support by their national governments and interested investors with the help of which they could deal with existing problems (i.e. Bytom). In these situations, local public actors are left without partners and governance remains a state-run, “managerial” affair – yet, with few prospects for “getting the job done”. In all our post socialist cases except eastern Germany (which represents a specific case because of the reunification), a weak state and lack of power of public institutions (still as an aftermath of the political transition and the re-orientation of national and local elites to western developments) foster an entrepreneurial (managerial) approach of dealing with urban problems.

*Lack of resources does not mean necessary the lack of capacity.*

We discussed until now the first two steps of Hypothesis 1 (see chapter 2). The lack of resources brings shrinking city to rely more and more on external sources coming mainly from upper governmental levels. That not means at all that public-private coalitions are excluded from the governance mechanisms but just that they are re-directed to catch these external resources. Two issues rise from the arguments developed above: urban governments are not passive and the relationship between lack of resources and lack of capacities is not a simple cause-effect as one might suggest in a first time. The latter sentence is partially contrasting with our first hypothesis.

Figure 2, representing a the result of the follow-up discussion on local modes of governance summarized in D11, especially in Table 2 and Figure 3 there, combines two dimensions in a matrice – resources and capacities showing how our cities under investigation are positioned within, distinguishing between high and low values for both resources and capacities to counteract shrinkage. It relates mainly to the policy fields we investigated in the single cities and the resources and capacities available there for counteracting shrinkage. This is important to consider when reading the following interpretation.

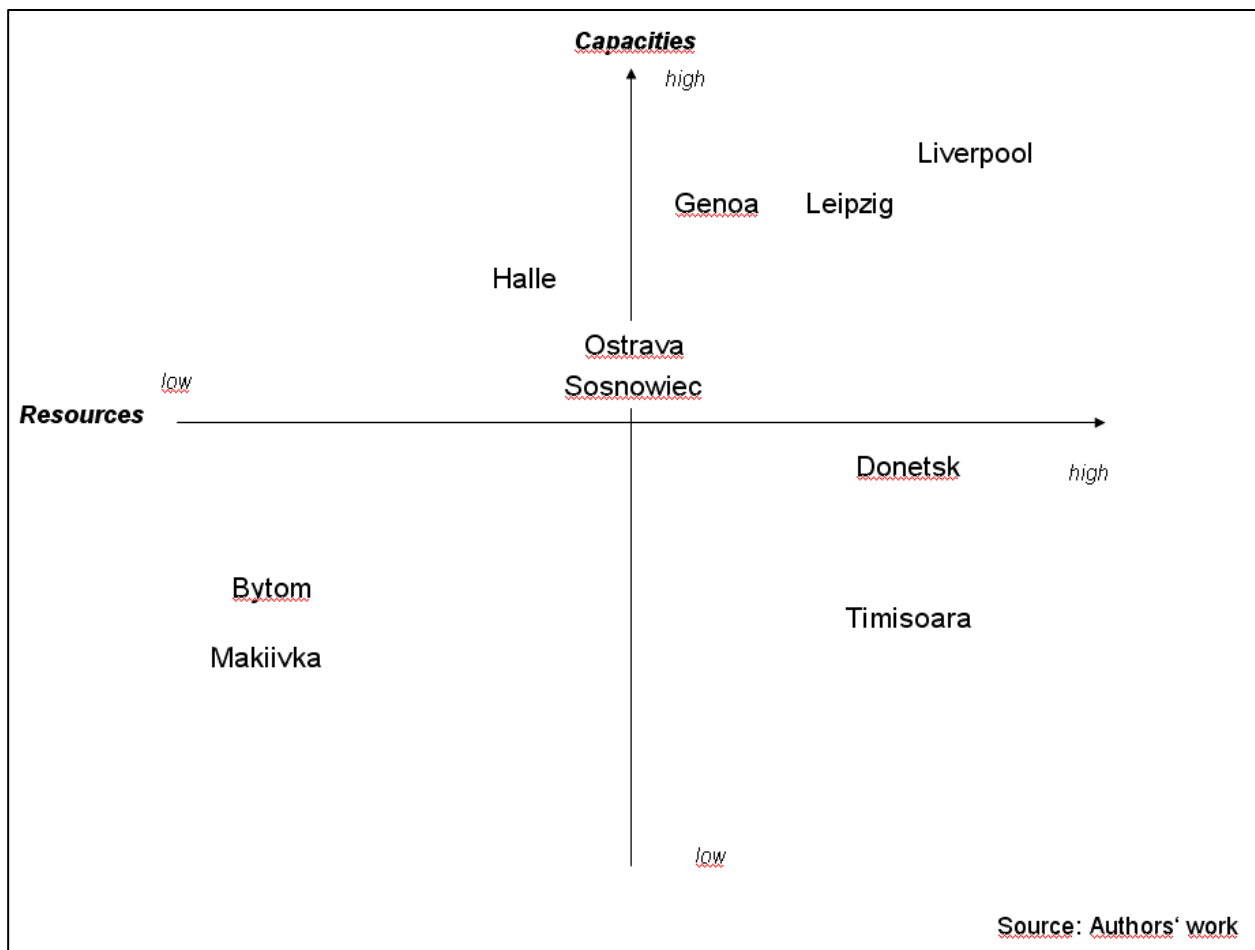
In the upper right corner there are shrinking cities which have showed many resources (public and private) coupled with good capacities to deal with shrinkage mainly Liverpool (where we dealt with urban restructuring), to a little lesser extent Leipzig (where we dealt with urban restructuring and brownfield management) and Genoa (urban restructuring, social cohesion). But it seems that all three cities will experience losses in state subsidies due to serious cuts as a consequence of the financial crisis. Genoa faces the challenge of decreasing resources (due to progressive cuts in regional and national transfers which implies a selective policy agenda about the issues to manage) but there is an attempt to deal with shrinkage impacts by the institutional capacity to acquire external funds or to define specific urban regeneration programs. The upper right part of the matrice includes Sosnowiec (brownfield management, economic development) and Ostrava (economic development, brownfield management, social cohesion), too, but they are positioned in the middle between high and low resources since their financial and power resources to act are there but limited, and they dispose also at fewer (personal, knowledge, experience)

capacities to act. Sosnowiec focuses its activities on brownfield reuse and attraction of (economic) investment whereas Ostrava does the same but largely neglects the sector of social cohesion and sustainability.

Donetsk (brownfield management, budgeting) and Timisoara (suburbanization, brownfields, economic development) are to be found in the lower right section of the matrix disposing at high resources but (comparably) low capacities to act. These examples are particularly important because they show us that to cope with shrinkage is less connected to the presence of resources than to the way you use it through vertical and horizontal governance tools. In the case of Donetsk, a fiscal withdrawal and a subtle conflict between central State and regional governments make the condition of Donetsk difficult as much as other Ukrainian cities. In the case of Timisoara, the sudden increase in the circulation of real estate investments in the 2000s and the lack of regulation of land market outside the municipal borders causes a residential expulsion through suburbanization. In the two cases, governance issues come *before* the lack of resources. We have to specify therefore that the capacity to act as a *grant coalition* and to deliver a clear path of development for the years to follow it is not taken for granted and seems to be rather disconnected from the presence of available private resources, because through multilevel-governance, local governments strive to obtain flow of resources.

In the upper left section of Figure 2 we find Halle as a municipality who was able to create capacities through state programs and multi-level networks, but has a lack of resources because of its unfavourable location close to the more prospering Leipzig. Last but not least, in the lower left section of the matrix there are assigned Makiivka and Bytom as two shrinking cities lacking both resources and capacities to act against shrinkage. It is, strictly spoken, the two cases that confirm 100 per cent Hypothesis 1 according to which shrinking cities suffer from a lack of resources and a lack of capacity to deal with impacts caused by shrinkage. Another fact which should be pointed out here is the fact that the three last mentioned cities with the weakest performance in terms of resources and capacities all form part of a bigger conurbation with other cities nearby performing better (such as Leipzig, Donetsk and Sosnowiec or Katowice which is not part of our in-depth research but meets the same criteria).

Figure 2: Resources and capacities across case studies



## Discussing Hypothesis 2

In the last paragraph we have seen how most of shrinking cities are not characterized by an absolute lack of capacity in dealing with singular shrinkage effects, but showed governance arrangements built during the years according to the three factors explained above. These governance arrangements show on the one hand a remarkable capacity to arrange policy actions in order to contrast the effect of shrinkage but on the other that does not mean they are able to overcome these effects. Even “succeeding cases” did not find themselves again on a stable path of growth. It is essential therefore to stress how the urban governance of shrinkage is only part of a process that could bring a growth of population again. At the most, in the cases where the urban renaissance driven by the regeneration plans has been pretty effective we have seen a stabilization of population rather than a proper re-growth.

So if governance arrangements produced from the combination of three factors already mentioned are inadequate to solve definitely shrinkage problems, there has to be some incoherence making ineffective the policy response.

This incoherence could be is partially related to the hypothesis 2 which foresees an existing contradiction between “entrepreneurial city” and “logic of bureaucracy” in building of urban policy.

But what the evidences from case studies show seems to demonstrate which two way of the institutional behaviour are coexistent and force the urban government to act in a *flexible way*. This flexibility is visible in the following characteristics:

- addressing actions to the tasks which can be pursued in that moment,
- tackling specific policy issues or fields,
- shaping the size of their instruments to the available funding and
- connecting the follow-up policy action to previous ones.

This flexibility makes the shrinking cities able to reach partial results, but rarely put them in the conditions of elaborating and realizing a holistic plan. Nonetheless, this flexibility has to be seen as a sign of the capacity to establish a temporary governance arrangement in order to give a response to the effects of shrinkage.

Moreover, the coexistence of two poles is demonstrated from the fact that some shrinking cities turned out to be particularly efficient - as grant machines - in collecting and/or spending resources, being part of a national programme (it is typical function designed according to the logics of bureaucracy). These actions are anyway devoted to stimulate a re-growth (and when are thought to demolish housing stock –as in the German case- this infrastructure down-sizing is anyway inserted in a growth perspective) representing a typical case of entrepreneurial attitude. This could be considered a typical paradox within urban development leading to “selective decision-making” rather than incoherent urban policy. On the one hand, the logic of bureaucracy is not sufficient to cope with the problems caused by shrinkage because it implies a day by day action which obstacle a long term strategy. On the other hand, the research of an entrepreneurial view cannot be realized in the deprived conditions of shrinking cities. The big tasks which entrepreneurial logic has decided could be realized according a precise schedule only relying on a sufficient and assured amount of resources, which instead is not given.

The story of urban regeneration in Liverpool and Genoa or urban restructuring in Leipzig and Halle are examples for this action-taking. It leads, finally, to an *incremental policy* that is not (automatically) the same as instability, fragmentation or “muddling through”. Here, local stories show a great variety and have to be looked at individually. The city of Leipzig, for example, has followed a (coherent) pro-reurbanization policy since the late 1990s but launched different approaches to reach this policy goal, focused on different policy fields such as upgrading streetscapes and public spaces, making the residing population stay, creating innovative forms of housing in order to prevent out-migration from the inner city or convincing students to make Leipzig their principal place of residence. Similar to Leipzig, Liverpool followed the strategy of a reurbanization of the inner-city by a stepwise implementation of different regeneration activities. This was supported by the reuse of former brownfields through service infrastructures to attract people. In Timisoara, representing another example for an *incremental policy*, the city has recently created a plan for the metropolitan area to bring suburbanization under control. Other problems such as oversized social infrastructure (kindergartens and schools) or brownfields were tackled in a stepwise manner. Though lacking a vision or strategic plan, Genoa has developed solutions for shrinkage problems in different policy fields like regeneration and social cohesion, supported by state programs. Sosnowiec and Ostrava, last but not least, see the solutions for its problems in a neoliberal policy as trickle-down effects of its economic boosterism. As a result of new industrial locations, a part of existing brownfields can be reused (depending on



the investors' decision), new jobs can be created and hence new population can be attracted. Bytom and Makiivka are examples for a "muddling through" policy on a low level of satisfaction or high level of frustration and despair. Both cities are lacking both resources and capacities and are hardly able to cope with shrinkage in any way. Probably, problems such as lacking jobs, decay of the built environment and poor maintenance of infrastructures will result in a vicious circle of further out-migration and shrinkage. Since Donetsk finds itself in a better situation concerning resources and capacities being the centre of a conurbation, the city is (still?) able to cope with shrinkage, but did not elaborate an alternative vision or strategy to its industrial past as well.

One further aspect: the policy field which is mostly under-represented is social cohesion, poverty concentration and counteracting further social polarization. This seems to be true for most of our cities, in a more or less explicit manner. It is less obvious in cities such as Liverpool and Genoa with a long tradition in social cohesion policy, less visible, too, in Leipzig and Halle because of moderate housing costs and comparably low living costs in general. The ignorance of social polarization is of increasing importance in cities such as Ostrava and Donetsk, poverty concentration is an issue in Bytom and Makiivka. In general, in the postsocialist cities except eastern Germany, social cohesion policy is not top on the agenda and often dwarfed by the primacy of economy and investment. Urban governments have often dealt with social problems only in case they got urgent or exceed a certain level which is tacitly accepted.

Last but not least, it needs also to be acknowledge that whilst many shrinking cities are experiencing overall population loss, some parts of these cities are growing and that our hypotheses and the governance arrangements may play out differently in different parts of the city, e.g. in Liverpool where the city centre sees growth, the inner city sharp decline while outer areas remain largely stable. In Leipzig or Halle, decline and (re-)growth of districts can be found in close neighbourhood, too. In Ostrava, we find a similar pattern in some inner-city neighbourhoods. Even in Bytom, a city where poverty concentrates, there are areas which are especially affected by decline while others do better.

What we see is a variety of approaches ranging from attempts to cope with shrinkage in a more comprehensive way to widely powerless "muddling through". Whereas "muddling through" marks the non-governance of shrinkage, incremental approaches seem to be the common way to deal with it. A coherent plan for action or a comprehensive strategy seems to be rather the exception. But in this regard, the governance of shrinkage doesn't differ so much from the governance in growing cities. Although it is more powerful and based on both, resources and capacities, governance in growing cities basically follows an incremental policy as well.

## 6. Summary

D12 summarizes the discussion on the governance analyses carried out in the Shrink Smart project. It created generalizable conclusions that form the base for recommendations to improve local knowledge for action, i.e. strategies, instruments and tools.

Our study clearly shows that shrinkage does have an influence on the ways cities are governed. It also reveals that the relation between governance and shrinkage does not follow one common pattern because the interplay of local and supra-local contexts creates very specific local condition. In fact, we observe a wide spectrum of coalitions between public and private actors as well as civil society organisations that determine how problems of shrinkage are dealt with in a particular context.

It is the specific local trajectories of shrinkage and the particular nature of the problems related to shrinkage within the cities under research that set the frame for governance arrangements and lead to differences in the way shrinkage is dealt with. Different opportunity structures depend on the institutional settings in the context of a case study city in which local actors can find partners with which they can form coalitions and from which they can gain resources.

In shrinking cities, as a rule, local actors lack the necessary resources (money, power) and capacities (strategies, knowledge, networks) to deal with the challenges of urban development in the most appropriate way. As a consequence, there is a need to acquire additional (external) resources and to integrate actors who have resources (this is more extensively discussed below). However, the context in which external resources can be acquired and the conditions under which this can be done is very different among our case studies.

The actual interplay of power, normative settings, different actors' interests and chances to achieve their goals on the local level has a decisive impact, too. Cities have their own traditions and cultures which lead to a hegemony of certain narratives about the nature of urban problems, about their causations as well as about possible solutions.

Governance arrangements on the local level are always embedded in multi-level arrangements reaching from the municipal via the regional, national to the supranational level. Three main features – the existence and power of different government tiers, the competences of the different levels and the sources and flows of fiscal resources – determine how these institutional/spatial levels interact.

With respect to our two hypotheses, we can confirm Hypothesis 1 in a general manner but have to say that local reality is in many cases that were investigated more complicated than the hypothesis assumes. The relationship between shrinkage and a lack of resources and capacities is not an explicit one, and there is also resource and capacity building with relation to shrinkage. Hypothesis 2 can be partly confirmed since the majority of our cities “moves” between the two poles of entrepreneurial and bureaucratic logics of governance but, at the same time, cannot be clearly assigned to one of the two.

## References

- Andersen, H. S. 2002. Excluded places. On the Interaction between Segregation, Urban Decay and Deprived Neighbourhoods. *Housing, Theory & Society*, 19, 3/4, 153 - 169.
- Atkinson T., Marlier E., Nolan B. 2004. Indicators and Targets for Social Inclusion in the European Union, *Journal of Common*, Wiley Online Library, Blackwell Publishing.
- Bachrach, P., Baratz, M.S. 1962. Two faces of Power. *The American Political Science Review* 4, 947-952.
- Begg, I. 2002. *Urban competitiveness: policies for dynamic cities*, Policy Press Bristol.
- Berger-Schmidt R. 2000. Social Cohesion as an Aspect of Quality of Societies: Concept and Measurement, EU Reporting Working Paper 14 – A TSER-Project Financed by the European Commission, Centre for Survey Research and Methodology (ZUMA), Social Indicator Department, Mannheim.
- Bernt, M. 2009. Partnerships for Demolition: The Governance of Urban Renewal in East Germany's Shrinking Cities", *IJURR* 33, 3, 754–769.
- Cameron S. 2006. From Low Demand to Rising Aspirations: Housing Market Renewal within Regional and Neighbourhood Regeneration Policy. *Housing Studies* 21, 3-16.
- Davidson K. 2009. A critical assessment of urban social sustainability, Working in progress, University of South Australia.
- Di Gaetano A, Strom E. 2003. Comparative Urban Governance. An Integrated Approach. *Urban Affairs Review* 38, 3, 356-395.
- European Commission 2010. Fifth report on economic, social and territorial cohesion, November 2010, Brussels.
- Eurostat 2010. Structural indicators - Social cohesion, <http://epp.eurostat.ec.europa.eu>.
- European Commission, Cohesion Policy and Cities (2006): the urban contribution to growth and jobs in the regions, Brussels, COM (2006) 385 final.
- Farole T., Rodriguez-Pose A., Storper M. 2009. Cohesion Policy in the European Union: Growth, Geography, Institutions, Working paper, London School of Economics.
- Frazer, H., Marlier, E. 2008. Building a Stronger EU Social Inclusion Process: Analysis and Recommendations of the EU Network of Independent National Experts on Social Inclusion, Brussels, European Commission.
- Forrest, R., Kearns A. 2001. Social Cohesion, Social Capital and the Neighbourhood. *Urban Studies* 38, 12, 2125–2143.
- Healey P. 1997. *Collaborative Planning: Shaping Places in Fragmented Societies*. London, MacMillan.
- Ho, P. 2005. *Institutions in Transition. Land Ownership, Property Rights and Social Conflict in China*, Oxford.
- Howlett, M., Ramesh, M. 2003. *Studying Public Policy, Policy Cycles and Policy Subsystems*, Oxford University Press.
- Jenson, J. 1998. Mapping Social Cohesion: The State of Canadian Research, CPNR Study F/03, Canadian Policy Research Network.
- Jessop B. 1999. Changing Governance of Welfare: Recent Trends in its Primary Functions, Scale and Modes of Coordination. *Social Policy & Administration* 33, 4, 348-359.

- Kazepov, Y. 2010. Rescaling Social Policies toward Multilevel Governance in Europe: Some Reflections on Processes at Stake and Actors Involved. In: Kazepov, Y. ed. *Rescaling Social Policies: Toward Multilevel Governance in Europe*, Ashgate, Vienna.
- Kearns, A., Paddison, R. 2000. New Challenges for Urban Governance, *Urban Studies* 37, 5–6, 845–850.
- Kingdon, J.W. 1984. *Agendas, Alternatives, and Public Policies*. Harper Collins, New York.
- Le Gales, P. 2007. Governing globalizing cities, reshaping urban policies. In: *What policies for globalizing cities: rethinking the urban political agenda*. OECD-Club de Madrid, Paris.
- Lever William F. 1999. Competitive Cities in Europe. *Urban Studies* 36, 5-6, 1029-1044.
- Liverpool City Council. 2010. *Liverpool Core Strategy, Preferred Option*, Liverpool, Liverpool City Council.
- Marks, Gary. 1993. Structural Policy and Multilevel Governance in the EC. In: Cafruny, A., Rosenthal, G. eds. *The State of the European Community*, Boulder, CO: Lynne Rienner, 391-411.
- Maxwell J. 1998. *The Social Dimension of Growth*, The Eric John Hanson Memorial Lecture Series, Volume VIII, University of Alberta.
- Moulaert F., Hillier J., Vicari S. 2009. *Social Innovation and Territorial Development*, Ashgate.
- Storey A. 2006. *The Struggle for Europe: Resistance to Neoliberalism*, IPEG Papers in Global Political Economy 22.
- Savitch H. V., Kantor P., Haddock V. S. 2002. *Cities in the international marketplace: the political economy of urban development in North America and Western Europe*, Princeton University Press Princeton.
- Van Berkel, R. 2007. *Governance structures in local social policy. Analytical framework and two experiences from municipal elderly care policy in Germany*, Paper presented in ESPAnet Conference, Vienna September 2007.