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# Neoliberalization in Post-Wall Berlin

## Understanding the City through Crisis

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### **Winner of the 2015 Edward Soja Prize**

Over the past twenty-five years, Berlin has undergone a rapid process of neoliberalization. This article argues that the city's transformation has been heavily crisis-driven and fueled by a strong political agenda. Two watershed events are crucial for an in-depth understanding of the dynamics at work: The collapse of the German Democratic Republic (GDR) in 1989, followed by a neo-conservative and nationalist, entrepreneurial strategy for the reunified German Capital; and the financial crisis of 2001, which brought a coalition between Social-Democrats and Socialists into power that strongly emphasized Berlin's (sub-)cultural and cosmopolitan identity, but effectively put the city on a fierce austerity track.

## 1. Introduction

Berlin “still remains a paradise for independent, non-commercial artists,” Berlin’s city magazine TIP wrote in January 2014.<sup>1</sup> “There is still much more affordable space than in New York,” said Daniel Brunet, artistic director of the English Theater in Berlin in the same article (Ibid.).<sup>2</sup> Indeed, the city’s international reputation as a creative hub, home to myriads of off-scene artists as well as heavyweights of the culture industry like the world-famous electronic music clubs “Berghain” and “Tresor,” the leading fashion convention “Bread and Butter,” and one of the most vibrant start-up communities outside Silicon Valley, to name just a few examples, is inseparably entwined with Berlin’s record of being a place where one can live well for little money.

Undeniably, rents and general living expenses remain relatively low in Berlin, if compared to global cities like New York, London, or San Francisco. But the neoliberal *tour de force*, on which Germany’s capital embarked after the fall of the Wall in 1989, has taken its toll. Since 1991, over 50 percent of the city’s public housing stock has been sold to private investors, and the city has become a highly desirable destination for international property investment (Holm 2007). With 85 percent of the population living in tenant buildings—one of the highest rates among German cities—the effects of free-market dynamics on the housing market, such as rising rents and the conversion of rental units into condominiums, are strongly affecting a majority of Berlin’s residents. State-owned properties and buildings have been sold to private investors through a special property trust (Liegenschaftsfonds), and important parts of the city’s infrastructure such as water and electricity, have been (partially) privatized over the past two decades. Public expenditures have been cut significantly, leading to understaffed district administrations, the closure of neighborhood libraries, and prolonged emergency response times of firefighters and ambulances (due to lack of staff and equipment).

Drawing upon the debate on urban neoliberalism (Aalbers 2013; Peck and Tickell 2002; Theodore, Peck, and Brenner 2011) and the concept of “crisis-generated restructuring” (Soja 1996; 2000), I argue that a deeper understanding of Berlin’s transformation during the 1990s and 2000s—and specifically of the role that creative industries have played in this process—needs to pay special attention to crisis-related dynamics. In particular, two watershed events appear to be crucial in this context: a) the collapse of the German Democratic Republic (GDR)—and more specifically of East Berlin—in 1989, followed by a neo-conservative and nationalist, entrepreneurial strategy for the reunified city; and b) the financial crisis of 2001, which brought a coalition between Social-Dem-



ocrats and Socialists into power that strongly emphasized Berlin's (sub-)cultural and cosmopolitan identity, but effectively put the city on a fierce austerity track.

In what follows, I will briefly develop the theoretical perspective used in this article. The subsequent analysis of Berlin's neoliberalization differentiates between the two phases of 1989 to 2001 and 2001 onwards and looks at political-economy-related dynamics as well as more culturally driven processes. In the concluding remarks, I summarize the central findings of the analysis and ask how this might also help us understand similar dynamics in other cities.

## 2. Theoretical Perspectives: Urban Neoliberalism and Crisis-Driven Restructuring

Critical scholars have argued that place-specific forms of neoliberal urbanism have developed in almost all Western democracies roughly since the early 1980s (Brenner and Theodore 2002; for an overview of the debate see Theodore et al. 2011). Among the many and often contradictory facets of neoliberalism ranging from new urban governance regimes (Swyngedouw 2005) to law-and-order policies (Smith 1999) and the ambivalent celebration of diversity (Lentin and Titley 2011), three interrelated aspects seem especially relevant in the context of this article: The first one is the entrepreneurial turn that David Harvey (1989) and others (Aalbers 2013; Brenner and Theodore 2002, Hubbard and Hall 1998) describe as a process in which urban governments increasingly engage in global interurban competition, emphasize the development of local and regional economic resources, and forcefully stimulate private-sector investments. In many cities, this process went hand in hand with a decline in industrial production and a shift towards the service sector as well as real estate (for the case of Los Angeles, see Scott 2002; Soja 1989). The second aspect relates to the emergence of so-called creative industries, and the development of urban policies that aim specifically at promoting this sector. In this context, Richard Florida's concept of the "creative class" has become extremely influential, asserting that "creativity" has become the driving force behind much of the growth of the new economy (Florida 2002; for a critique see Peck 2005). However, Stefan Krätke (2010; 2012) and others (see for example Howkins 2001) have argued that much of the creative industry is based on "the growth of a freelance or informalized workforce with low wages, excessive working hours, and discontinuous job flow" and should therefore be interpreted "as a 'crisis symptom' articulating the post-Fordist restructuring of major urban economies" (Krätke 2012, 148). Speculative investment strategies of so-called creative professionals stimulate economic

growth, but also destabilize urban economies and contribute to income polarization and the gentrification of inner-city neighborhoods (Ibid.). The third aspect concerns cities developing 'soft strategies' of neo-liberalism, a term referring to Nikolas Rose's concept of 'governing through community' (1996). These strategies consist of often-very-localized efforts to activate and integrate civil-society actors, communities, and so-called third sector organizations into local systems of governance (Evans, Richmond, and Shields 2005). But while these new forms of participatory governance enhance democratization and strengthen social coherence by involving "local stakeholders," they are not designed to question the general course of neoliberalization, facilitate material redistribution, or promote popular control over urban resources (Swyngedouw 2005).

These dynamics are shaped at various scales and historically intertwined with the material and ideological crisis of Fordism and the Keynesian welfare state. City-regions around the world have transformed in the past three decades as a result of a global reconfiguration of accumulation structures, as Margit Mayer notes (Mayer, in Soureli and Youn 2009, 39). It is in this context that the analytical focus on "crisis and restructuring" becomes highly relevant for critical urban studies. Especially fruitful seem approaches that draw from (neo-)Marxist political economy, since a close reading of Marx's *Capital* not only reveals the profound systemic shocks and even existential threats that crises constitute, but also their potentially regenerating effects (for an introduction to Marx's crisis theory see Clarke 1994; Heinrich 2012; Milios, Dimoulis, and Economakis 2002). Joseph Schumpeter, although not a Marxist himself, famously described the Janus-faced character of crises as a process of "Creative Destruction": an "industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one" (Schumpeter 1994, 82-83).

Building on these theoretical foundations, urban scholars have developed a multifaceted perspective that explores crisis-driven restructuring as a process in which sociopolitical, economic, and cultural dimensions are inseparably entangled with each other (for an overview of the "restructuring debate" see Harding and Blokland 2014, 56-87). The Los Angeles School, along with global city theories, was among the first to conceptualize such dynamics (Mayer, in Soureli and Youn 2009, 39). A particularly innovative approach comes from Edward Soja, who analyzes the urban transformation of Los Angeles since the 1960s. He focuses on changes in the geography of production, but also looks at the reconfiguration of the penal state, race relationships, migration, culture, and identity formation in the city. At the core of his work we find an investigation into "crisis-generated restructuring" and "restructuring-generated crisis" driven

by spatialized class conflicts closely entangled with new modes of production and the revolution of information and communication technologies (Soja 1996; 2000). In the following section, I will use this framework to argue that Berlin's recent process of restructuring needs to be understood as strongly mediated through crisis-driven dynamics and fueled by strong political agendas that have enforced particular strategies for how to deal with each crisis.

### 3. Neoliberalization through Crisis in Post-Wall Berlin

With a population of 3.4 million and a size of 344 square miles, Berlin is not only the capital of Germany, but also its largest city. Its political structure encompasses the municipal level (Berlin consists of twelve districts or *Bezirke*, each having its own mayor and elected district council) as well as the state level (Berlin is a State or *Land* and the city's mayor carries out the function of a state governor). Given Germany's federal system as well as Berlin's ability to raise taxes at the municipal and state levels, the city has an annual budget of approximately 22 billion Euro and enjoys a relatively strong autonomy from the central state.

If we want to understand Berlin's recent political, economic, and cultural transformation, we need to depart from a particular singularity: For forty years, East and West Germany existed as two separate states and, as a result, Berlin was divided by the Wall since 1961. The fall of the Wall in 1989 presented the two cities with incredible challenges: West Berlin, which had been surrounded by "enemy land," lost its status as a highly subsidized "display window of the Golden West" and faced a process of tremendous structural adjustment from outdated industrial production and a strong public sector to a competitive service and information economy. East Berlin, with its highly centralized and authoritarian political system and socialist economy, had to adapt to, or more precisely, be forcefully integrated into a Western market economy.

### 3.1. 1989 to 2001: The Aftermath of the Fall of the Wall

#### **State Collapse, So-Called Primitive Accumulation, and Global City Dreams**

Accounts of Berlin of the 1990s usually emphasize the local elite's global city dreams, which eventually crashed in 2001 (Riedmann 2005; Scharenberg 2000). With the East Berliner government unseated after the fall of the Wall, there was hardly any doubt among politicians in the West that privatization, large-scale urban development, and the recruitment of international investment were the only means through which the reunified city could maneuver the interurban competition it was facing. In 1990, then-Senator for Construction and Housing, Wolfgang Nagel, announced a "New Gründerzeit" for Berlin (Nagel 1990 quoted in Lenhardt 1998, 48). Berlin was supposed to become a global city, like New York and London; attract the headquarters of important transnational corporations; and turn into a control center for the European, if not global, economy (Sassen 1991): "New Berlin – Departure of a World City," as the national news magazine *Der Spiegel* termed it in one of its headlines.<sup>3</sup>

But before private investment and capitalist development could take place in the eastern part of Berlin, it first had to undergo what Marx called a process of *Primitive Accumulation*. *Primitive Accumulation* in Volume One of *Capital* means that the workers have to be separated in a historic and often violent process from their means of reproduction in order to make them available to the labor market as "free" wage laborers (Marx 1990, Part Eight). In the context of late-twentieth century Berlin, it meant that goods, resources, and properties—housing, industries, banks, infrastructure, means of transportation, land and water, etc.—formerly state-owned by the German Democratic Republic (GDR) and formally owned by the people of the GDR, had to be integrated into and subsumed under a private-property regime.<sup>4</sup>

An insightful example of how this process was carried out "on the ground" is the case of the "Koordinierungsausschuß für innerstädtische Investitionen," the "Commission for the Coordination of Central City Investment" for the so-called "City-Ost" (see Lenhardt 1998). The commission operated from 1991 to 1993 and consisted of high-ranking city officials and staff members of various city agencies as well as representatives of the Federal Secretary of Finances and of the "Treuhandanstalt."<sup>5</sup> A number of city districts such as "Berlin Mitte" (located in the center of East Berlin) were formally invited to participate, too, but really had no say in what was going on (Ibid.). In a nutshell, the commission's mission was to accelerate the process of establishing Western-capitalist conditions for proper-



ty use in Berlin's new center: in the area between the Brandenburg Gate and Alexanderplatz, including what was to become the major shopping and office zone of Friedrichstraße. Within its two years of operation, it facilitated more than fifty large deals with investors, with sixteen of them on Friedrichstraße. Maximum flexibility was achieved by circumventing the relevant legal parameters and zoning procedures, not least to avoid the minimum of public participation in planning that would have been mandatory under the standard development plan (Ibid. 56-57). While the city of Berlin literally *performed* a public debate on urban planning in the new center of Berlin during the early and mid-1990s<sup>6</sup> (but focusing very much on aesthetic and architectural issues of “good and bad taste,” as the architect and critic Wolfgang Kil noted<sup>7</sup>), the material aspect of this transition was carried out behind closed doors, beyond any kind of parliamentary control, and avoiding any kind of public attention.

### **The Economic Crisis of the 1990s**

The first signs that Berlin's policies to attract international investors were not yielding the desired effects and that the economy was heading into a crisis began to appear already in the early and mid-1990s. But the governing coalition between the Christian Democratic Party (CDU) and the Social Democratic Party (SPD), under the conservative Mayor Eberhardt Diepgen, decided to carry on with its “entrepreneurial agenda.” Between 1989 and 1998, Berlin lost about 270,000 manufacturing jobs, which amounts to about 67 percent of the industrial workforce of that time. The modest growth of the service sector was not able to compensate for these losses. In fact, many new service jobs were in the low-paid segment of the labor market, and critics sarcastically termed Berlin the “new capital of janitors and private security contractors” (Krätke and Borst 2000, 7 ff.). Berlin also lost most of its federal subsidies—in 1989, 50 percent of West Berlin's budget had consisted of federal grants and subsidies (Hoff and Krüger 2004). The international headquarters that were supposed to move to Berlin failed to come, and the vacancy rate of office space increased from 1.3 percent in 1993 to 9.7 percent in 1998 (Krätke and Borst 2000, 7 ff.; see also Lebuhn 2008, 71-75). As a result, social polarization and segregation grew significantly over the 1990s (Mayer 2013).

At the same time, regional developments started to materialize that had been prevented until 1989 by Berlin's enclave status, with its international borders in the West and its Socialist top-down planning in the East. Much of the regional employment growth of the 1990s was actually taking place in the periphery of

Berlin-Brandenburg, and many affluent residents moved to surrounding towns like Köpenick and Potsdam, avoiding the decayed inner-city neighborhoods adjacent to the former Wall. Except for the East Berliner neighborhoods of Mitte and Prenzlauer Berg, it was not until the mid-2000s that young professionals, middle-class families, and investors would (re)discover central neighborhoods like Kreuzberg, Friedrichshain, and Neukölln as the new “hot spots” and kick off the current phase of gentrification and working-class displacement.

Nevertheless, even in the late 1990s and into the 2000s, the conservative government continued to speculate on a lucrative boom, especially in the real estate sector, and turned Berlin into a textbook case of neoliberalization. But economic recovery failed to materialize. The continuous and intentional overvaluation of the city-owned regional state bank (Berliner Bankgesellschaft) and the issuing of closed real estate funds (catering explicitly to “prominent citizens”) generated guaranteed profits for the investors, but turned out to be unsustainable. In 2001, the CDU/SPD government effectively maneuvered the city into the so-called Banking Scandal and bankruptcy. The 900-page strong investigative report of the Berlin Parliament, published in 2006, mentions “greed, megalomania, incompetence and criminal energy”<sup>8</sup> as the driving forces behind the Berlin Banking Scandal (Untersuchungsausschuss 2006; see also Ugarte Chacón 2012 for a detailed analysis). As we will see below, in 2001 it led to the fall of the conservative government and to the election of a coalition between Social Democrats (SPD) and Socialists (PDS/Left Party).

### **The New German Capital**

Throughout the 1990s, discourses of “urban entrepreneurialism” and “global city politics” were accompanied by pleas for nationalism. Since the Federal Parliament decided in 1991 that the capital of the reunified Germany should be moved from Bonn (a small city, to which West Germany had relocated its capital after World War II) to Berlin, the city gained center stage for the authoritarian spirit of the German reunification. As Jörg Schönbohm (CDU), a former military General and Berlin’s Secretary for the Interior from 1996 to 1998, put it, “The architecture of Berlin’s center needs to express the relationship between spirit, power and morale....Berlin is more than the sum of its neighborhoods; as the capital it is the visible representation of the German Nation” (quoted in Siemons 1998, 27). In 1997, his colleague Klaus Landowski, then the parliamentary group leader of the CDU, added in a dismissive comment on immigrants, grassroots groups, and subcultures in Berlin, “Where there is garbage,

there are rats, and where there is neglect, there is rabble” (*Berlinische Monatschrift* 1997, 103). The local elites of the 1990s left no doubt that Berlin was supposed to become a global city with a very German touch and a clear preference for “law and order.”

To be sure, countercultural activities—taking place in mostly non-commodified and unregulated spaces distant from mainstream institutions—were strong in the 1990s. Dissidents, artists, and bohemians from East and West were moving into run-down GDR buildings with no clear ownership, taking advantage of the prolonged process of restructuring in the former Socialist part of Berlin. Illegal techno clubs, informal open-air locations for electronic music parties, underground fashion shows, and art spaces were breeding Berlin’s international reputation to-be as a cultural hub (Bader and Scharenberg 2010). But in the 1990s, counterculture remained for the most part an underground movement, very much at the margins of the hegemonic discourse.

Social movements and progressive grassroots groups were even less welcome and had no natural allies in the government. But even if they had, it seems questionable whether it would have made a difference. The fall of the Wall had taken the Left by surprise, just like everyone else. Many activists felt paralyzed, not least after the strong squatter community on Mainzer Straße, located in the East Berlin neighborhood of Friedrichshain, was violently evicted in 1990. Grassroots groups in East and West often didn’t even know of each other, and had never been to each other’s neighborhoods. Political activism was highly fragmented: The rise of nationalism and neo-fascist violence became an important focus for *Antifa* (antifascist) groups. In the East Berlin neighborhood of Prenzlauer Berg, tenants were among the first ones in the city to battle post-Wall gentrification and displacement (for an English introduction to European autonomous movements including several chapters on grassroots struggles in Berlin in the 1980s and 1990s, see George Katsiaficas’s 2006 work on “The Subversion of Politics” 2006; see Holm 2006 for a detailed account of urban renewal and tenants’ struggles in East Berlin in the 1990s and early 2000s). The “Innenstadtaktion” (central city action) addressed privatization and surveillance of public spaces in the central city. But other than the campaign against Berlin’s run for the Olympic Games in 2000, there was hardly any common ground between the various groups and campaigns, and no perception of a shared problem or a shared vision, which could have served as a framework to build a citywide movement that could take on Mayor Diepgen and his political agenda.

### 3.2. 2001 Onwards: Financial Crash, Austerity, and the Creative Turn

In the early 2000s, the participation of public financial corporations in speculative real estate bonds, blatant corruption, and the economic crisis culminated in the “Berlin Banking Scandal” mentioned earlier. In 2001, Mayor Diepgen and his government finally had to resign.<sup>9</sup> This event would have far-reaching economic implications for years to come; it also marked the most important political rupture in post-Wall Berlin.

After Diepgen’s government stepped down, early elections unexpectedly brought a coalition between the Social Democrats and the Socialists (PDS/Left Party) into power.<sup>10</sup> In April 2002, shortly after the new government had taken office, the SPD and PDS passed the so-called “Risikoabschirmungsgesetz,” a rescue-law, which established that the city would assume the financial responsibilities arising from the “Banking Scandal.” The volume of the financial risk was estimated at about 21.6 billion Euro, the equivalent of one entire annual budget.<sup>11</sup>

In practice, passing the rescue-law meant that the neoliberal agenda of the 1990s would continue, but now mediated through austerity policies and fiscal crisis management.<sup>12</sup> For the period of 2001 to 2011, Berlin ranked last by far among all sixteen German states in terms of growth of public expenditure.<sup>13</sup> However, under the new Mayor Klaus Wowereit (SPD) and the red-red coalition, austerity urbanism (Peck 2012) took an entirely different political form. Stefan Lanz (2013) has termed it the *dispositif* of the “Cosmopolitan-Diversitarian Metropolis”: On one hand, the city was reinterpreted as a place of diversity. By doing so, Wowereit’s agenda strongly related to the citizenship-reform at the national level, initiated by the SPD/Green Party coalition in 2000, and to the changing status of immigrants in Germany. On the other hand, the figure of the *culturepreneur* (Lanz 2013) was established, which—in contrast to the 1990s—focused on the various resources that *subcultural* activities from all over the world were bringing to Berlin, and allowed Berlin to capitalize on them in a “Richard-Florida-manner” (see Florida 2002). Rather than working within the ideological framework of the 1990s, which interpreted Berlin as a global city that needed to (culturally) represent the German nation, policymakers reinterpreted diversity as a valuable resource within the context of interurban competition, gentrification, middle-class consumption, tourism, and place-marketing (see Peck 2005, 740-41).

Bearing in mind that much of Berlin’s reputation as a creative hub is rooted in the subcultures of the 1980s and 1990s, which developed distant from mainstream institutions and often in fundamental opposition to Berlin’s conserva-

tive politics, cultural innovation needs to be understood as a phenomenon of the crisis (Bader and Scharenberg 2010). Post 2001, these dynamics served as a basis for the development of the “global trademark Berlin” (Ibid.): “The sub-cultural diversity of post-*Wende* Berlin became increasingly commercialized and attracted all kinds of culture industries” (Lanz 2013, 216)—ranging from companies like MTV and Universal Music, blockbuster exhibitions at locations like Neue Nationalgalerie and Gropiusbau, and Germany’s largest start-up campus Factory, to mega-events on the spectacular site of the former airport Tempelhof.

While much of this development is attributed to Mayor Wowereit and the Social Democrats, it seems less clear what the role of the PDS/Left Party was in this game. From 2001 to 2011, the Socialists were the junior partner of the governing SPD. As such they were co-responsible for the ongoing privatization of social housing, for example, and the implementation of a Public Management reform that introduced a strong economic logic to the city’s administration (Lebuhn 2010). On one hand, it seems questionable whether the SPD could have pushed through its project of neoliberal crisis management without the PDS/Left Party on its side, especially in East Berlin, where residents’ vote for the Socialists remains strong. On the other hand, one could argue that neoliberalism would probably look even uglier in Berlin if it hadn’t been for the Socialists. In international comparison, Berlin still retains many remnants of the Fordist welfare state such as state-sponsored daycare and public education, tuition-free universities, and modest forms of rent control. And the political culture became much more participatory and attentive to the neighborhoods during the period of 2001 to 2011—although critical scholars don’t fail to point to the ambivalent effects of new socio-spatial strategies to “activate” local residents and integrate them into neoliberal urban governance structures (Kemp, Lebuhn, and Rattner forthcoming; Holm and Lebuhn 2013).

After the elections in 2011, the SPD decided to team up with the conservative CDU, rather than with the Left Party. What seems noticeable since then is a slight shift towards the right, especially when it comes to law enforcement, but no significant political rupture has taken place. The local economy seems to be slowly recovering, with real estate, tourism, the new economy, and the health industry being among the most dynamic sectors. For 2015, the Investitionsbank Berlin (IBB) expects economic growth of 1.8 percent.<sup>14</sup>

In December 2014, Mayor Wowereit finally stepped down after thirteen years in office.<sup>15</sup> His successor, Michael Müller, is a center-Left Social Democrat, who continues to govern in coalition with the CDU and will most likely follow the political course of the past decade. But resistance from the grassroots has become



much more coherent. Twenty-five years of neoliberalization not only changed Berlin's political economy and party politics, but also led to a reconfiguration of urban protests. Social movements still suffer from fragmentation, but in comparison to the 1990s, activists in East and West have managed to establish a shared discursive framework. More and more, they are able to unite "against gentrification and privatization" and "for the democratic control of urban resources," and to overcome the lack of cohesion that characterized the past two decades. One of the most recent and impressive examples of this development was the grassroots referendum on the former inner-city airport Tempelhof held in spring 2014. Against a massive counter-campaign run by private interest groups, much of the media, and the Berlin government itself, a network of grassroots groups, neighbors, and activists managed to collect more than 185,000 signatures to launch the referendum. Eventually, 46.1 percent of Berlin's voters went to the polls, and 65 percent of them voted in favor of the bill proposed by the Tempelhof activists. The successful referendum will prevent the city from developing the 953-acre airfield in the future and ensure that the entire area will be kept open as one huge park for the public.<sup>16</sup>

#### 4. Conclusions

It is beyond the scope of this article to develop a comprehensive analysis of neoliberalization in Berlin and embed it into the larger picture of regional and even global developments. Nevertheless, I hope that the cursory discussion presented here conveys the core argument: A substantial understanding of how neoliberal restructuring played out in Berlin needs to explore the specific connections between urban crises and political projects. In this context, two events are particularly critical: the collapse of the GDR in 1989 and the financial crisis of 2001. Both ruptures present crucial entry points for an in-depth understanding of restructuring in Berlin—a process that reaches far beyond the purely economic sphere.

This is not to say that other factors such as federal German policies or the politics of deregulation and austerity enforced through the European Union don't matter. Rather, the perspective developed in this article hopes to offer a framework that helps interpret how a variety of factors played out locally, and how the city as a site of production, consumption, settlement, regulation, and contestation has been reorganized and transformed (Brenner, in Soureli and Youn 2009, 37). Why were specific local actors able to enforce their political agenda at given times? How did their strategies come into place? And what were the political constraints and scopes of action?

For example, without the context of the GDR's collapse and the post-Socialist ideology of the early 1990s celebrating "the End of History," the hegemony of the conservative party and the entrepreneurial "sell-out" of the city's public infrastructure would remain largely incomprehensible. Similarly, the crisis management of the 2000s that combined a "creative turn" with fierce austerity policies needs to be understood against the background of economic decline and speculative policies, an emerging subcultural scene, and fragmented social movements of the mid- and late-1990s. Interestingly, critical Berlin scholars interpret the recent growth of the creative sector not necessarily as a sign of economic recovery. Instead, they see it "as an expression of the city's overall shortage of employment opportunities, that is, as a crisis symptom rather than as a unique 'strength'" (Krätke 2012, 145).

The analysis of crisis and restructuring in Berlin might also help us understand similar dynamics in other cities: Berlin's situation as a city divided between Capitalism and Socialism shielded it from unleashed market forces until the early 1990s. While neoliberalization in other cities started much earlier—sometimes brutally, sometimes hesitantly, and often overlapping with earlier strategies of urban development—Berlin's elite of the 1990s fully and openly embraced well-tried policies of deregulation and privatization. "Entrepreneurial urban politics will be the solution for Berlin," then-Mayor Eberhardt Diepgen infamously stated in 1994 (Diepgen 1994), twisting the meaning of David Harvey's critical analysis of urban governance right around (Harvey 1989). As a result, many features of neoliberalization, like the active role of the (local) state in shaping market forces, become unusually clear when looking at the recent history of Berlin.

Finally, there are only very few cities in the world where the primary ideological battle of the twentieth century—Capitalism versus Socialism—has been as present as in Berlin; and it is noteworthy that Socialist ideas are surfacing again twenty-five years after the fall of the Wall. Tenants' struggles against rising rents and gentrification are growing and have brought the issue of social housing back onto the political agenda, a topic that was widely discredited only a few years ago.<sup>17</sup> The city has also experienced a series of grassroots campaigns that have used the instrument of the referendum to prevent the commercial development of public spaces, demand the remunicipalization of water and electricity, and call for democratization of the public utility agency. Even when these efforts have failed, they have brought activists across the political spectrum together and triggered a public (counter-)discourse about the democratic control of the city's resources. However, whether or not political pressure "from below" will finally manage to mobilize for a much-needed alternative agenda and change the course of neoliberalization still remains to be seen.

## Notes

<sup>1</sup> An earlier version of this paper was presented at the Metropolitan Temporalities Conference at TU Berlin on November 21, 2014. I would like to thank Kanishka Goonewardena as well as the anonymous reviewers for their helpful comments and critique.

<sup>2</sup> See: <http://www.tip-berlin.de/kultur-und-freizeit/gentrifizierung-bedroht-die-freie-kunstszene> (accessed March 6, 2015).

<sup>3</sup> Translation of German quotes into English by the author.

<sup>4</sup> Der Spiegel, September 6, 1999.

<sup>5</sup> Strictly speaking, Marx reserved the term “primitive accumulation” for the historic creation of capital as a social relationship between two classes. An alternative approach that focuses on contemporary developments is David Harvey’s concept of “accumulation through dispossession” (2003).

<sup>6</sup> The Treuhandanstalt was a Federal “Privatization Agency” founded in the context of the German reunification with the specific purpose of privatizing all GDR public enterprises.

<sup>7</sup> The debate took place, for instance, in the context of the “City Forum” (Stadtforum), a series of public events initiated by the Senate for Urban Development and Environment.

<sup>8</sup> Berliner Zeitung, January 27/28, 1996.

<sup>9</sup> Berliner Zeitung, June 3, 2006.

<sup>10</sup> 2001 was actually the second time that Eberhardt Diepgen and the CDU fell over a public affair. In 1989, the CDU had lost the West Berliner elections to the Social Democrats, because of the so-called “Antes Affair.” It was named after the CDU politician Wolfgang Antes, who had received bribes from local developers during the early and mid-1980s (Sontheimer 1986). The affair linked a number of conservative politicians in West Berlin to organized crime and also involved Mayor Diepgen. As a result, several members of Diepgen’s government had to step down and the SPD won the elections in 1989.

<sup>11</sup> The PDS (Party of Democratic Socialism) was the successor party of the Socialist Party of the GDR. In 2007, the PDS merged with the recently founded West German Party WASG (Wahlalternative Arbeit und Soziale Gerechtigkeit/ Electoral Alternative Labor and Social Justice) and was renamed Left Party (Linkspartei).

<sup>12</sup> According to the Federal Agency for Statistics, Berlin's total debt now amounts to about 60 billion Euro (Bundesamt 2013).

<sup>13</sup> One could argue that, in 2001, the Berlin government actually anticipated the Too-Big-To-Fail logic that characterized many rescue packages for financial institutions in the aftermath of the global financial crash of 2007/2008.

<sup>14</sup> From 2001 to 2011, Berlin's public expenditures grew by only 2.4 percent. By comparison, the second-last state's expenditures grew by 8.9 percent (Bremen); the state of Hessen ranked first with 28.9 percent (see the annual report of the Berlin Senate for Finances: Senatsverwaltung 2013).

<sup>15</sup> Berliner Zeitung, Dec. 27/28, 2014.

<sup>16</sup> Klaus Wowereit had already lost much of his original popularity, but eventually stepped down because of the scandal that broke over the incomplete Berlin-Brandenburg Airport (BER) and its exploding costs of more than five billion Euros.

<sup>17</sup> The referendum was initiated by activists working within a diverse group called "Tempelhof 100 Percent"; see <http://www.thf100.de/start.html> (accessed June 4, 2015). See also Deutsche Welle: Berlin Voters Claim Tempelhof, May 27 2014, at <http://www.dw.de/berlin-voters-claim-tempelhof/a-17663944> (accessed June 3, 2015).

<sup>18</sup> See for example the recently released documentary film on "Rent Rebels" in Berlin: <http://rentrebels.tumblr.com/film> (accessed Jan. 5, 2014).

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## Lead Photograph

Budapest, Hungary. This image explores Jane Jacobs's criticism of modern planning: during the day, most residents of this multi-unit development building are not at home, and since there is nobody to promote natural surveillance, local households "solve" the problem by placing images of people on their balcony to be the "eyes on the street". Photograph by Fernanda Jahn Verri.