

THE CITY OF LEIPZIG AS A EUROPEAN SUCCESS STORY IN ECONOMIC DEVELOPMENT

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ABSTRACT: *The article defines the role for public administration in a society still in transition. It describes how civil servants in the city of Leipzig cope with the challenges stemming from the uneven economic conditions that continue to exist between the Länder even after the reunification of Germany. It also reviews a series of recent successes achieved by the managerial leaders of Leipzig. The city of Leipzig, and in particular its mayor, has been successful in boosting economic competitiveness. The article also investigates the local civic culture. It develops a concept of local political culture and defines its key elements. In addition to looking at the professional strength of the city civil servants, the article also analyzes the new organizational theories and models being used by the mayor and the city managers of Leipzig to achieve these successes and discusses the so-called Leipzig model.*

THE BUREAUCRATIC TRANSITION AFTER REUNIFICATION

The German Democratic Republic (GDR)'s first (and last) freely elected government after the March 1990 election explicitly rejected the idea of a professional civil service and its traditional principles that can be found in Article 33 of the Basic Law. However, that decision quickly became meaningless. The overwhelming victory in that election of the Alliance for Germany effectively put the German state professional civil service in the GDR's future, regardless of the immediate will of the newly elected East German government (Kvistad 1999). In June 1990 the last democratic government in the GDR began to restructure the state and its administration. Reunification was imminent, so creating compatible administrative institutions was the main goal. Work began on the level of the old *Bezirke* (districts), the regional level, on which the reestablishment of the *Länder* would be based. Parallel to that activity, local self-government was reintroduced to towns and cities. It was at that time that the first administrative reform aid was provided by the West. Two overlapping phases can be identified. In the beginning, acting administrators were sent to the East for a limited time. It quickly became clear, however, that a permanent elite transfer

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was necessary, since the East German administration would depend on the professional knowledge of Western experts for a very long time (König 1999, 87). Limited-time consultants were not seen as a long-term solution. It was necessary to keep them in the East. That way, it was hoped, they could develop more empathy for the people and knowledge of local conditions. Thus, a significant number of West Germans were transferred to the East to occupy high-level political and bureaucratic positions. This was made possible by the political, administrative, financial, and economic might and will of West Germany. These factors made the bureaucratic transition in East Germany a unique case in the spectrum of former socialist countries (Wollmann 1996).

For a variety of reasons, the approval of Western civil servants was not unanimous. For some of these expatriates, the East was formerly a distant and unknown world. Problems of integration and little interest in becoming familiar with Eastern problems were common. In addition, this development introduced a hierarchy in the new administrative institutions, which instantly put easterners in a subordinate position. Western elites went east with the purpose of retraining indigenous personnel. The existence of a blueprint for administrative institutions, complete with the transfer of West German programs and routines, left little or no room for substantive contributions from the past experiences of eastern Germany (Yoder 1999). Up until today, West German civil servants hold many leading positions and therefore play a key role in Eastern administrative processes, although they only account for a small percentage of the total staff.

Although most of the top positions were cleared of old *nomenklaturists* on 3 October 1990, the staff restructuring was an unsolved question at the time of reunification and had to be analyzed as an element of the general system transformation. Remaining administrative institutions had to be remodeled, obsolete ones shut down, and new ones created. There was one basic principle for remaining institutions: in the interest both of administrative continuity and the civil service, public employees would not lose their jobs (König 1999, 88). If they worked for a structure that was no longer necessary, employees were placed on hold. Some of them found new positions at a different administration, but often they had to accept a lower rank (Garcia-Zamor 2004). However, several criteria could be used to lay off staff:

- STASI (secret police) activities;
- violations of (internationally recognized) human rights and the rule of law;
- lack of qualification;
- overstaffing; and
- dissolving of an institution.

It was still a tremendous task to move the old socialist administration to principles of classical administration with its specific elements of professionalism, efficiency, and effectiveness. East Germans who had to deal with the federal German bureaucracy after 1989 experienced the culture shock of German unification (Garcia-Zamor 2003).

After reunification, the new *Länder* placed more emphasis on working together to pursue their specifically East German interests than on trying to work in concert with the western *Länder*. They have in some cases, notably in education policy, pursued a

policy agenda clearly different from that of the western *Länder*, although they were willing to accept a high degree of federal influence over their affairs in return for extra financial assistance from the Federation (Jeffery 1995). Policymaking in Germany is highly interconnected. In addition to the coordination of decision making between the *Länder*, a wide range of tasks are jointly financed by the *Länder* and the federal government, sometimes with the involvement of European and local actors (Sturm 1996).

The end of communism in the GDR created a host of new and unexpected challenges for the West German government and public administration. Unlike the other Central and Eastern European countries where the building of new political and administrative institutions evolved in an almost incremental and partly erratic manner, institution building in the former GDR was shaped by a massive institutions transfer in which the entire ready-made legal and administrative model of West Germany was literally exported overnight and implanted in the new eastern part of the country. This was a unique task: the transformation of the real-existing socialist state and its administration was part of a fundamental system change. Since any socialist economy was part of the state administration, one of the main challenges (and transformation starting points) was the necessary re-differentiation of state and economy—a crucial aspect to any capitalist, liberal, and democratic society. And this process itself was subject to political influence (by the new political power, of course), as the different ways to approach that task in Eastern Europe show (with Germany choosing the *Treuhand* model of privatization). The whole process could be analyzed as re-modernization, after communism had de-modernized Central and Eastern European states. One measure of bureaucratic performance is often the administrative capability of civil servants in the economic sector. In the case of the former East Germany, the slow development of the economy could be traced to several obstacles. However, it has also been proven that when some very efficient technocrats took control of the management of certain economic sectors they were able to overcome some of these obstacles (Garcia-Zamor 2002).

The orderly disappearance of the GDR left no institutional void. The dissolution of the East German state and the transfer of West German political institutions were managed with remarkable efficiency as far as the legal groundwork and the merger of organizations were concerned. East German local-level governments were almost entirely absorbed by rebuilding their organizational structures, that is, demolishing the old GDR-type institutional patterns and implementing new West German organizational blueprints (Kuhlmann 2004). Some analysts mentioned the crucial role that time played during this period. It would have been impossible, they argued, to design a completely new set of rules quickly. The political pressure of the East's collapse created the need for a fast solution, which was to use Article 23 of the Basic Law to reunite Germany. Article 23 of the Basic Law simply extended the West German constitutional framework to East Germany. The main change on the local level after the events of 1989 was the reinstatement of the old German institution of local self-government that had been abandoned under the communist system in the early 1950s. Until reunification, local administration simply meant being the lowest hierarchical element within the framework of democratic centralism (*Demokratischer Zentralismus*). All important decisions were handed down. Furthermore, local-level

administration was not only a tool of central government, but also of the party. This so-called double subordination was an important feature of democratic centralism. For example, the city council was elected by the citizens, but all the candidates were nominated by the Socialist Party (SED). Hellmut Wollmann calls this the typical discrepancy between formal democratic appearance and factual power politics (1998, 151). On 17 May 1990, with the GDR still in existence, a new basic municipal code came into effect. It featured most of the elements of comparable West German codes (154).

The most important change was the return of local self-government. The following institutional changes took place: reintegration of cities into a democratic (free elections of the mayor and city council) and federal (local self-government in specific fields—for example, the right to have a city budget, city planning for schools, cultural institutions and other public infrastructure, etc.) framework. The consequence of this different institutional setting required a completely new organizational structure of local government: new responsibilities, new departments, and personnel changes (elite change, personnel transfer, training plans). It was estimated that 150,000 civil servants in local administrations alone had to be educated quickly in terms of basic knowledge of law and the juridical system. At the same time, between 1991 and 1994 the number of civil servants employed in local-level administrations in the East shrank by 28.3 percent (Wollman 1998, 154). Wollmann identifies a first and second wave of institutional changes at the local level. After the initial period in 1990-1991, the following additional major changes had to be implemented at the local level:

- new municipal codes in the eastern *Länder* (which in Saxony, where Leipzig is located, strengthened the position of the mayor);
- county and city redistricting (important for Leipzig because the loss of population to suburban areas could be handled by making formerly independent suburbs a part of Leipzig, which also allowed Leipzig's city planning to integrate them into an overall city development);
- functional reforms; and
- modernization of administrative structures that allowed the introduction in Leipzig of a so-called new steering model which fostered ideas of privatization and the introduction of business elements into the administration (164).

There was also an almost complete renewal of the political elite on the *Länder* level. The local councils elected in May 1990 consisted entirely of East Germans. About three-quarters of the newly elected council members were new politicians who had not had any political position or public function prior to 1990. This pattern has continued in subsequent local elections. Thus, on the local level, the political elite change has been almost complete (Wollmann 2003). The June 2004 local elections in Leipzig left the same three political parties with an overwhelming majority. They now have fifty-seven of seventy seats, with the remaining thirteen seats won by five minority parties. The balance of political power did not change. Regarding the ideological positions of the parties, one must clarify that in local issues there are no real hardcore ideological wings.¹

THE CITY OF LEIPZIG

The city of Leipzig seems to have an unusual economic weight in the German context. It compares positively with similar cities in West Germany on a range of indicators, including innovation, workforce skills, how well connected the city is, and the perceptions of private-sector investors. Leipzig seems also to be doing well on the tax front. The city is able to deal with the relative competitiveness not only in Germany but also in Europe. Obviously, there are things that Berlin needs to do and things that local and regional players need to do, but Leipzig is able to explore further freedoms and flexibilities for local government.²

A description of Leipzig's past is a key to understanding the current situation. It is only by looking at the city's past, seen as glorious by so many, that one can fully understand how a certain civic culture could become a driving force behind city management. The first and perhaps the most important element in the city's past is probably its tradition as Germany's main center of trade fairs. The *Leipziger Messe* was the most important trade fair in Germany, if not Europe, until the Nazi period and helped to create the entrepreneurial spirit of the city. Despite the declining political fortunes of the kingdom of Saxony after 1815, Leipzig continued to prosper, with ever more of its wealth earned from industry rather than trade. The city was especially well positioned for the upswing in intra-German commerce resulting from the formation of the German *Zollverein* (customs union) in 1834 (Dobson 2001). Trade brought with it currency and the city became a significant banking center, a fact that allowed local banks to finance the construction of the first rail lines on the continent in 1834, linking Leipzig and Dresden.

Several other factors must also be pointed out for an understanding of Leipzig's past. One is the city's influence in the life and compositions of famous German and European composers. Another important element in Leipzig cultural life is its university. Leipzig University has always played a productive role in the city's intellectual life (Elsenhans and Lange 2004). Another cultural tradition in Leipzig is the role of books. The first book was printed there in 1481. Leipzig became known then as Germany's literary emporium, and booksellers and publishers aided the spread of progressive ideas.

Its glorious past is reflected in the self-confidence of the citizens and leaders of the city, and cannot be ignored if one is to fully understand the city's political culture. In 1979 the West German news magazine *Der Spiegel* reported on a public resurgence of a phenomenon called *Heimatgefühl* by the Germans, a feeling of personal connectedness to local and regional cultures. Jennifer Jenkins wrote that the concept of *Heimat* is not exactly translatable into English, and means home, or homeland. It is rich in emotional vibrancy and political complexity and is expressed in local culture programs, plans for urban renewal, and environmental protection initiatives (Jenkins 2003). Although several historical studies of the *Heimat* idea and the *Heimat* movement in nineteenth- and twentieth-century Germany have revealed numerous meanings, it is quite appropriate to associate the term to the new civic culture that seems to inspire the leaders of the city of Leipzig.

Three important events in Leipzig history have also had some impact on the civic culture of the city. The first took place in 1539 when the Reformation was introduced

in Leipzig. The second took place in October 1813 and still contributes to the pride that the citizens of Leipzig have of their city. It was the Battle of Nations, when the Napoleonic army was soundly defeated in Leipzig by a coalition of European allies. The effects of the defeat in Leipzig were the destruction of a major portion of the French army, and the collapse of Napoleon's German empire (Nafziger 1996). This historical event is reenacted every October with the participation of traditional groups in uniform from all over Europe. The third event occurred in 1989, when Leipzig became once more the center of world attention during the peaceful demonstrations that precipitated the end of the socialist era. After a series of Monday prayers in Leipzig's St. Nicholas Church, civil disobedience grew and prompted the reunification of Germany. These events gave Leipzig the widely recognized image of being the city responsible for toppling the communist regime. The revolution of 1989 in Leipzig was a remarkable civil rights movement and captured the imagination of the world (Garcia-Zamor 2002).

After 1990 and until the end of the 1990s, Leipzig had the dubious reputation of a shrinking and perforated city of empty homes and office buildings that had been vacated by East Germans who had fled to the West. However, since 2001 the population of Leipzig has started to grow again. This is due primarily to some initiatives in urban research, planning, and municipal politics by city officials who viewed the situation as an opportunity to initiate a period of social transformation. They obtained federal government funding for a research project entitled Leipzig 2030 to help them develop planning and urban policies (Daldrup and Doehler-Behzadi 2004). The project is co-chaired by the deputy mayor for urban development and construction and a well-known urban planner who worked for five years in the city planning office. Other members of the project are from Germany, Great Britain, and the U.S. One of the purposes of the project is to develop a plan for the repositioning of a city with an excess of buildings and space in such a way as to preserve the qualities of that city, seize opportunities presented by the transformation, and ensure that the city remains exciting, safe, and attractive for its inhabitants. The task required an active stance on the part of planning and politics. But one of the major assets of Leipzig is its population. The people of Leipzig love their city. They are participants in, and witnesses to, the urban transformation process, and they possess sufficient imagination and optimism to help the process into the future.

But developing a concept of Leipzig civic culture by analyzing public discourses might not be enough to specify its role in administrative decision-making processes. Since it is not possible to exactly measure the impact of a cultural or psychological factor like civic culture, there will probably always remain an element of speculation. That speculation consists of the alleged causal chain between a certain type of local culture or identity and a certain managerial style or decision-making process. On one hand, one will have to acknowledge that a cultural element is, of course, only one of many factors that contribute to a decision-making process. On the other hand, the fact that one looks at a local example is something special. A local context is always a reduction of complexity, and it could be argued that this is crucial for a management theory. In the case of Leipzig, the local context was a crucial precondition for the evolution of something like civic culture to become a driving force in administrative decision making.

SUCSESSES OF ECONOMIC DEVELOPMENT POLICIES IN LEIPZIG

The administrative leaders of the city Leipzig, under the leadership of mayors Hinrich Lehmann-Grube (1990-1998) and Wolfgang Tiefensee (1998 to the present), have achieved some great successes in recent years. As mentioned earlier, they were able to compete against other West German and European cities. The railway station in Leipzig underwent extensive modernization, and in 1998 became one of Germany's most modern railway stations with a large, multistory shopping and service center. Leipzig/Halle International Airport was also enlarged and modernized, combining a train station and a shopping mall, and a multistory car garage was completed in 2003. It should be noted that airport enlargements, especially the construction or extension of runways, have caused ugly confrontations all over Europe between governments and environmentalists—for example, the disturbances in Frankfurt when a new runway was added to its airport in 2000 (Garcia-Zamor 2001). In Leipzig, however, city officials were able to sell the project to the public and a new runway was built. Although there was no formal consultation with the public, the project was very well marketed. Thus, there was no resistance from the local population similar to those seen all over Europe when airports are being extended. A second new runway is presently being planned. An old one will be demolished and a new, longer one will be built soon. These two intercontinental runways will enable the airport to compete in the international air cargo business. The project has already passed several levels in the planning process and is now being debated by the public. There seems to be no strong resistance and construction will probably start in 2005. At the present time, negotiations between state and city officials and the German postal service are also underway to build a big air cargo center at the airport. Leipzig is directly competing with Brussels and Hanover. Deutsche Post subsidiary DHL has a huge air cargo center in Brussels, but they are running out of space there. So, they basically have two options: to expand their Brussels facility or to find a new location further east. The case for going east is the economic integration of the new European Union member states and Russia. In past years, trade growth was rapid and led to a substantial increase in cargo traffic. This growth is expected to accelerate after the enlargement of the EU in May 2004. This new investment will create up to 1,500 new jobs. If Leipzig wins, it will be another big investment success.

Two other good examples of successful economic development policies occurred recently. The first was in 2003 when Leipzig became Germany's official applicant city for the 2012 Summer Olympic Games. Leipzig's competitors were four cities from the West: Hamburg, Düsseldorf, Frankfurt, and Stuttgart. All four are far more powerful and wealthy than Leipzig. Unfortunately, Leipzig was not among the five finalist candidate-cities chosen in May 2004. The second example was the selection of the city to host some of the Soccer World Cup matches in 2006. The international soccer organization, FIFA, was very interested in having some of the matches in the former East Germany. Several eastern German cities had applied. In addition to Leipzig, Dresden (the capital of Saxony), Magdeburg, Erfurt, and Rostock had positioned themselves as potential venues for World Cup matches. But the leaders of these cities could not muster enough enthusiasm and financing for the World Cup despite the prestige and obvious economic benefits that would derive from hosting that event.

Leipzig immediately realized that being selected would bring thousands of additional tourists in 2006 and would give an incalculable boost to the city's image. They acted quickly and started plans for building a large stadium and for renovating and modernizing other sporting facilities. In the end, Leipzig was the only city in the former East Germany to be selected.

But Leipzig's greatest administrative triumph was achieved when it was selected by BMW as the location of a new manufacturing plant in 2001. More than 250 European cities were competing for the new plant, which will eventually create over 10,000 jobs. The selection of Leipzig by BMW prompted the federal government to significantly accelerate the implementation of planned infrastructure projects in that region. A government investment of billions of Marks had provided the once-dilapidated East with state-of-the-art motorways, railway lines, and airports. BMW selected Leipzig because of:

- the flexibility of labor (they will be able to run the plant six days a week, nonstop if necessary, which would have been not possible in most of the other cities that had also applied);
- the availability of highly skilled workers;
- good logistics and infrastructure;
- the lack of language problems when establishing the plant (at their U.S. plant, BMW had many quality and process-management problems, which led to many delays);
- marketing reasons (BMW wants to maintain its made in Germany image);
- a good structure of suppliers (in southern Saxony and northern Bavaria);
- EU and German subsidies (30-35 percent of the investment);
- the geographical location (Leipzig is closest to Bavaria and the main plant);
- the low cost of the factory site; and
- a flexible administration (the Leipzig city administration team did a great job), good housing opportunities for BMW staff, and last but not least an attractive cultural scene.

So, this mixture of hard and soft factors shows once more that investments do not only depend on costs and wages. It is also about the human factor and productivity (Garcia-Zamor 2002). However, it is important to point out that in addition to the above-mentioned factors, massive subsidies from the government of the state of Saxony and the federal government were probably the most decisive factors. But to fully understand why this economic decision is so important for Leipzig, one needs to look also at the issue of East German identity, the results of the transformation process, and its role in a unified Germany. The new BMW plant in Leipzig is a good example for that. When the selection was announced, it was as if Saxony had won the soccer world championship. There was celebration in the streets. The point behind this excitement is mainly related to identity. The public discussion on East Germany usually deals with unemployment, population loss, brain drain, neo-Nazi crimes, and sluggish growth. Despite what has been achieved since 1990, people focus on the remaining problems. And since 1998, people began to lose hope that East Germany would be able to catch up with the West in the next ten years due to growth rates that are lower than in West Germany. There was a certain loser image starting to emerge,

fostered by unhelpful statements made by important politicians talking about the East Germany economy as being on the edge of collapsing.

Leipzig's elected officials decided to do something about that. They established a regional education network to provide BMW and other potential investors with skilled workers. Its purpose is to be a tool for regional development. This private company will coordinate its efforts with regional educational and governmental institutions. BMW acknowledged that this innovative idea was one positive factor in their decision. The level of performance of the Leipzig bureaucracy in the BMW case is a good example of the new efficiency being exhibited by the former East German civil service. The BMW investment brought back hope and self-confidence—first and foremost for Saxony, which is about to regain its old prewar status as a center of the automotive industry.

Not only the city of Leipzig, but also virtually all local and state administrations in East Germany have developed an understanding of the necessity to respond to the reality of globalization. The will to transform East Germany into a high-performance economy again is very strong among civil servants. Both identity and tradition play an important role in this phenomenon. A large part of the self-confidence of the East Germans, particularly those from Saxony, comes from the status this area had before 1945 when it was one of Germany's leading industrial areas. After 1990 some thought that the economic wealth could return. This desire is part of a whole set of motivations and circumstances that creates the new spirit of customer-oriented initiatives with the eastern bureaucrats doing everything possible to please investors—maybe more so than anywhere else in Germany. The relative poverty of the East and its dependency on money transfers from the West may have also been at least as important by creating specific forms of manifest political pressure from without and within the administrations, whereas the historical dimension would be of a more latent nature. Although such direct causal chains are speculative to a certain extent, there is little doubt that these factors played a central role in forging the new Leipzig spirit. Leipzig's various successes are interesting examples of public-private cooperation, and they illustrate how city officials are trying to succeed in a global environment by fulfilling the needs of the economic sector.

A GOVERNANCE APPROACH TOWARDS ECONOMIC DEVELOPMENT

During the initial transition period in the early 1990s, several of Leipzig's administrative departments had an exchange program with West German twin cities, and returning civil servants were able to borrow from the West whatever management approaches were workable in the city. Originally, the Bertelsmann Foundation developed the concept of this project.³ The role played by Leipzig's first mayor after reunification, Hinrich Lehmann-Grube, was quite prominent. He strongly believed in citizen participation and partnership working with the private sector. Although some of these partnerships still exist, the extent of exchange programs is most likely negligible today. Even if it is not done as often now, it surely was very important in the beginning.

Six high-ranking Leipzig officials were interviewed during the fall of 2003 and were asked a wide range of questions about the management of city affairs.⁴ Their empirical experiences reaffirmed some of the general theoretical reflections expressed in this article. The micro-level information obtained from these interviews is a good illustration of the more abstract theoretical arguments that are mentioned above. One of the officials interviewed used the BMW case to describe the internal administrative process that takes place when officials are planning a new policy. He said that after the objective of a policy is clearly defined, the inputs of all the different offices involved are harmonized. "If there is a precise factual issue, everyone will gather around the table, thus coordinating and concentrating the power of the decision-making process. An absolute focus on achieving the goal helps the city's civil servants achieve the needed consensus. Hierarchical positions play a minimum role. Everybody involved participates regardless of his/her position or qualification. People treat each other equally, as team members, while working on these task forces. It does not matter if you are head of an office or a simple administrator" (Schimansky interview). The interviewee found that working in a group to solve an issue is very motivating. He cited the important decision made by the city not to outsource the economic development office, as many cities in Germany have done, but to keep it as part of the city administration. He stated that an external economic development company might have provoked arguments and friction with the city administration that could eventually have delayed or weakened the decision-making process. Another interesting point was the fact that the city has been going against the German privatization trend. Recently Leipzig became the first German city to resocialize a 40 percent share of the municipal utility company that had been sold to a private investor some years ago, because there was an attractive opportunity to finance that reacquisition.

Leipzig has had only two mayors since reunification in 1990. The first, Hinrich Lehmann-Grube, was mayor from 1990 to 1998. The present mayor, Wolfgang Tiefensee, took office in 1998. Both were highly praised by some of the officials who were interviewed (Pönisch, Kunz, and Gerkens).⁵ They credit them for developing the political style that became known as the Leipzig model. The new style attempted to minimize conflicts and foster constructive cooperation among the political parties represented in the city council. An early illustration of how the model works came when Lehmann-Grube brought up the decision to build the new trade fair center. The question of whether to move it from its inner-city location to the outskirts was emotionally debated. Considering how in previous years decisions from the top were simply imposed by the socialist government on local officials, what happened in the Leipzig city council was really revolutionary. For the first time, while debating certain issues in the council, it was possible to influence the process by making constructive arguments. That style continued with Tiefensee but the new mayor used his power to put pressure on the parties to cooperate. His continuous, changing alliances with different political parties represented in the council are viewed by some as a pragmatic and practical approach to clever management. But others in the city council are publicly saying that new control mechanisms are needed to curb his power (Müller 2004). Johannes Hähle, a former member of the city council who served with both mayors, said that at the beginning the Leipzig model worked because everyone was

learning and few had governance experience (Orbeck 2004a). But he thinks that the continuous changing majorities in the council created some instability. Although he credits the Leipzig model for some great achievements, like the construction of the Hauptbahnhof shopping mall (one of Leipzig's major attractions), he stated that the new style of party politics brought by Tiefensee in 1998 killed the model (*Ibid.*). However the Leipzig model, which originally put constructive political cooperation above party conflicts, continues to be seen by many as a key element in the progress made recently by the city in various sectors. Mayor Tiefensee wants to continue using it: it is neither dead or alive, according to him, but must be filled with life every single day, again and again. (Orbeck 2004b, 19). He does not think that the model was about changing majorities. In his view, the Leipzig model means a cooperation of the majority and minority fractions in the city council, taking everyone's suggestions seriously, and involving everyone in the decision-making process (*Ibid.*).

Interestingly, the two mayors achieved their successes through contrasting managerial styles. Their personal backgrounds probably contributed in shaping their approaches to management. One of the officials explained that Lehmann-Grube is an experienced administrative jurist while Tiefensee is an engineer. She added that Lehmann-Grube is a distant figure and very formal in his public appearances, while Tiefensee is almost the opposite (Boysen-Tilly interview). Before Lehmann-Grube came to Leipzig, he had the reputation of a Prussian civil servant: accurate and correct, but without special charisma. He was a city council member in the West German city of Hanover before the collapse of the GDR. He moved east after the collapse and in 1990, in the first free elections, he was elected mayor of Leipzig. His task in Leipzig made him blossom during those initial years of rebuilding. His personal authority helped him greatly in his work. He is patient, very professional, as well as fair and just in his actions and decisions. He enjoyed a respectable reputation in all local parties and people always had the feeling that everything he did was real and honest. A person like that was, of course, very helpful in that transformational period (Kunz interview). Another city official who is an office head said that Lehmann-Grube was more concerned with the establishment of macrostructures and mainly dealt with questions of institutional and process organization. His competent work of those years had much to do with the present good status of Leipzig's administration. Being a professional civil servant, he exhibited a typical administrative style, which meant his focus was on managing the administration (Pörner interview).

Tiefensee, on the other hand, has more charisma and a greater effect on the public, although that is a development of recent years. A tall man in his late forties, he has a political career that can be traced back to September 1989 as a participant in the famous Monday meetings at St. Nikolai Church in Leipzig. These prayer vigils led to a movement for civil rights throughout eastern Germany that is now called the peaceful revolution. Mayor Tiefensee is a member of Chancellor Gerhard Schröder's ruling Social Democratic Party (SPD). When he came into office, he benefited from Lehmann-Grube's work, which had built up the most important administrative structures. But he had to deal with many local issues, such as mounting housing problems, neo-Nazi demonstrations, and persistent, high unemployment. However, his personal leadership abilities have allowed him to develop an effective managerial style. Tiefensee has proven to be an effective leader. Like many other political leaders

in eastern Germany, he is concerned about the continued dependence in the economies of eastern Germany on subsidies from the German government and the European Union.

Leipzig presently faces a difficult situation. There are still many tasks to be done but less money is available. Under these circumstances, cooperation between the administrative levels is becoming more difficult but still absolutely necessary. How do Leipzig officials deal with this problem? Using programs that are funded by the European Union, they try to develop new forms of citizen participation and process management. It is a strategy that aims at the integration of participating actors in the regeneration process. They try to use advisory boards to achieve that integration. These new approaches to management are hard to implement. One obstacle is the inflexibility of local administrative structures. Because the financial situation is worsening, fights between offices and departments about funding issues often prevent holistic concepts that would be ideal for urban redevelopment processes. What Leipzig officials need is the kind of cooperation that produces synergy effects, but this is hard when everyone is fighting for his own interest.

CONCLUSIONS

Although a tradition of civic pride and a certain historical consciousness are thriving factors in the administration and local politics in many European cities—especially the larger ones—Leipzig has a relatively stronger tradition of civic activity and civic commitment. The mentality or attitude of obedience that can usually be found in the *Residenzstadt*⁶ is not present in Leipzig. People there always had to rely on their own skills and resources, and a certain degree of pragmatism can be found in Leipzig. Some characteristics of the novel approach to management found in the city of Leipzig can be summarized as follows:

- a new dynamism and the willingness to try new ways of doing things in the public, private, and voluntary sectors;
- public officials are encouraged to question everything, and not to sit at their desks watching the clock;
- administrative structures that match an attitude of great confidence that allows city officials to achieve more things faster. The consequences of that attitude are noticeable in the infrastructure that the city has built in the past decade;
- the political consequence of the local spirit is the predisposition of political groups and parties to reach consensus for the sake of the city's prosperity;
- regular coordinated meetings among departments, where processes and tasks are openly debated;
- hierarchy plays a minor role when task forces meet to address and/or solve a complex problem; and
- political leadership of a strong mayor.

A recent study by Cordula Winkler (2004) analyzes the economic development of major East German cities (excluding Berlin) between 1995 and 2001. Leipzig and Dresden, being the biggest eastern cities, are compared separately. Winkler uses a set

of indicators to compare city development. She stresses that her work does not allow a ranking, because there are no proper scientific methods to correlate all the indicators she used. Nineteen indicators (such as unemployment, population movement, GDP, the pool of highly skilled labor, tax revenues, the number of new businesses, public investment, etc.) are examined in the study. It is interesting that Dresden is ahead of Leipzig in all fields except two. But the two indicators in which Leipzig leads Dresden are the number of new business starts (14.3 percent above the East German average) and public investment by the city (14.6 percent above the East German average). This finding supports some important points made in this article, such as Leipzig's effective policies and their impact on the entrepreneurial spirit. Effectiveness resulting in investment is a feature of Leipzig's civic culture and its administration. Winkler's study supports the hypothesis of this article, that the innovative managerial style of Leipzig officials and the so-called Leipzig model have had a great positive impact in the highly complicated economic and social environment of that city.

NOTES

1. The June 2004 elections gave nineteen seats to each of the three majority parties: CDU (*Christlich Demokratische Union*), SPD (*Sozialdemokratische Partei Deutschlands*), and PDS (*Partei des Demokratischen Sozialismus*). GRÜNE (*Bündnis 90/Die Grünen*) received seven seats, FDP (*Freie Demokratische Partei*) received three seats, and one seat each went to the DSU (*Deutsche Soziale Union*), FORUM (*Neues Forum*), and WV VS-BA (*Wählervereinigung Volkssolidarität – Bürgerallianz e.V.*). A ninth party, BÜRGER (*Bürgerfraktion*—a coalition of DSU, FPD, and *Volkssolidarität*), that had received four seats in the previous elections in 1999 did not get any in June 2004. Since there is no clear ideological profile of the different parties in local matters, it is difficult to predict which party will have a specific position on an issue. One conflict might be about road construction: CDU and many SPD members may favor more and larger roads, a position that PDS might oppose. Conservatives and FDP often support privatization, while the others prefer that the status of the large number of city-owned companies does not change. PDS often takes the lead in fighting against cuts in the social sector.

2. German local authorities have a high degree of autonomy and a key strategic role. However, German local government is embedded in a federalist system consisting of four levels, all of them relatively strong, with the effect that potential tensions between central and local government are continually broken and mediated by an intermediate level, that of the federal states. The relationship between federal, state, and local levels is on the whole based on partnership, but the German welfare state is largely transfer oriented and less of a service producer (Naschold 1996).

3. Under the name of Cities of Tomorrow, the Bertelsmann Foundation also initiated an international network for better local government. The employment cluster of the project conducts its studies within a framework that addresses local conditions and develops strategic management approaches to other issues. A key concern of cluster cities is not only addressing current problems but also anticipating future manpower needs to avoid problems of displacement in the future.

4. Interviews were conducted by the author with six Leipzig officials in the fall of 2003. These interviews were conducted in German, and notes taken were later translated into English by Ronny Mücklich, the author's research assistant at Leipzig University. Officials interviewed were 1) Heide Boysen-Tilly, Department I: General Administration, Legal

Services, on 8 October; 2) Karsten Gerken (office head), Department VI: Department for Urban Development and Construction, Office for Urban Regeneration and Residential Development, on 21 November; 3) Wolfgang Kunz, Department VI: Urban Planning and Buildings, Office of City Planning, on 16 October; 4) Dr. Dagmar Pönisch (deputy office head), Department V: Department of Youth, Social Welfare, Health and Sports, Social Service Office, on 24 November; 5) Frank Pörner (office head), Department I: General Administration, Personnel Services, on 3 December; and 6) Dr. Michael Schimansky, Department VII: Economics and Employment, Economic Development Office, on 6 October.

5. A recent party donation scandal related to a stadium project unfolded in Leipzig in early 2004. The vice mayor and the head of the finance department were both involved in the scandal. The mayor suspended the department head while the allegations are being investigated. This case has incited some German newspapers, especially in the West, to cite Leipzig as an example of local incompetence and corruption. But these newspaper articles must be read in the context of complex East-West cultural problems, and should not be considered serious reflections on the managerial style of city officials.

6. The German connotation of *Residenzstadt* (or residence city) can be pejorative. It refers to the German model of federalism that dates back to the pre-1871 years when Germany was split into many small principalities with small state capitals. The orientation towards king and state in these cities was very distinctive, and even today state capitals are special because of the state government's presence.

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