

The principle of equivalent living conditions

- The German perspective –

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I.

It is widely accepted that everyone in Germany should be faced with equivalent living conditions wherever he lives. This is stipulated in article 72 of the German Constitution too. This does not mean perfect equality in an economic, ecologic, social or cultural sense. But in sum there should be some kind of equivalence of course according to the preferences of people who have the right to settle down where they want. The definition of equivalence in terms of the Gross National Product or a similar indicator alone does not cope the meaning of equivalence – although I will firstly refer to that indicator.

To handle the topic mentioned there are different levels of viewpoints. First of all there is an overall European perspective. One of the main targets of the European Union is the principle cohesion that means to decrease namely the economic disparities between different regions of the Union. The GNP reaches its maximum in Luxemburg by (2009) 75.900 Euro per capita while in Bulgaria the amount is only 4.400 Euro. The disparities do not disappear if an adjustment by an consumer price index is made. After this adjustment Luxemburg still has 275% of the European average while Bulgaria stays far below by 41%. The European Union tries to reduce this gap by giving subsidies to the less developed regions out of its budget. During the period 2007 – 2013 the Budget to finance specific regional politics has a volume of a little more than 300 billion Euro, most of it addressed to the regions with a GNP below 75% of the European average. This money is directed to the new eastern member states in the main. Additional there are some programs for the peripheral regions such as Lapland in northern Scandinavia.

During the last ten years the new member states caught up quite well. Bulgaria as an example rose from 28% in 2000 up to 41% in 2009. The most impressive story was the enormous growth in Ireland now clearly above the European average. But this growth was partly based upon feet of clay – this was apparent during the financial and economic crisis after 2008. The Irish economy was very vulnerable compared to other member states.

The subsidies are given according to a national strategic plan further specified by an operational program on the regional level. So every member state is involved in the European Regional Policy – but the programs have to be approved by the European Commission. The content of such an operational program differs widely between the regions. It may focus on the improvement of (public and private) infrastructure; but there are also measures to enforce the competitive capacity of the regional economy. One of the interesting ideas behind these subsidies is to induce private investment – so to get an accelerator effect.

There is no strong correlation between the GNP per capita and the population density. Luxemburg is not much more densely populated than Bulgaria. In Sweden there is a difference of about 50 percentage points between the “poorest” and the

“richest region even if the density of the Stockholm region is 200 times higher than the density of Norrbotten in the North. In Germany the difference amounts to 125 percentage points while the density of North Rhine-Westphalia is only 7 times higher than in Mecklenburg-Vorpommern.

II.

This leads me to the next level of viewpoint – the national policy. Within Germany there also are disparities namely between East and West. Not mentioning the city states the GNP differs between 19.200 Euro in Mecklenburg-Vorpommern and 33.400 Euro in Hessen. To overcome this gap different measures have been taken. First of all there is a fiscal equalization scheme between the German Länder. I will not go into the details but there are three different instruments:

- The distribution of the Value Added Tax Revenue in favor of the “poorer” Länder;
- Direct compensations between “rich” (donors) and “poor” Länder (beneficiaries);
- Direct payments out of the national budget to smaller and/or “poor” Länder.

As an example Rhineland-Palatine got 346 million Euro out of the compensation scheme and 223 million Euros from the national budget in 2006. On the other side Hessen paid 2.418 million Euros and got no money from the national budget. In this context I will not mention the specific aid to the so called New Länder – the former GDR. This aid (“Pact of Solidarity II”) has a volume of 156,5 billion Euros during the period from 2005 – 2019.

Secondly the spatial placement of public institutions is a traditional instrument to strengthen weaker regions. Very well known is the placement of universities during the late sixties and early seventies in Western Germany. After the unification two of the High Courts were transferred from Berlin to Leipzig in Saxony respectively from Kassel to Erfurt in Thuringia. In the past subsidies for the settlement of new plants was another measure to improve the economic base of regions. But under the regime of the European Subsidy Control the use of it is strictly limited at least in Germany as a well developed member state.

Thirdly there is the improvement of public and private infrastructure. In the Sixties and Seventies many new motorways were built. Beginning in the Nineties the system of high-speed trains linked main cities together, but often letting aside the so called hinterland. A very recent discussion is concerned with the development of high-speed-internet connections all over the country to ensure that communication as a main condition for economic activity. While motorways and railway were undertaken by the state or public entities the high speed internet is a public/private form of infrastructure.

III.

The third viewpoint is related to the regional level. Within every Land there are disparities; f. ex. in Rhineland-Palatinate the GNP per capita ranges from 120% above the average to 18% below. So another fiscal equalization scheme on the local level takes place. It cannot and shall not eliminate different levels of revenues but every municipality should have at least enough resources to meet minimum requirements in relation to the average municipality. I must admit that the minimum

requirements are not always met because the amount given to fiscal equalization is too low. So even the average municipality does not get enough money to fulfill its duties.

A characteristic of fiscal equalization on the local level are specific grants to build up public infrastructure. The allocation of these amounts – in Rhineland-Palatinate they sum up to nearly 40% of the total budget for fiscal equalization – surely can influence the specific living conditions in space. But they cannot be spread all over the country – this would be too costly at least. The allocation should follow the path of development policy or program. One of the most important general principles of spatial policy is the concept of central places: In space there are some bigger municipalities surrounded by a number of smaller ones. The central place shall cover all the needs which cannot be met in every municipality. This can be health care, public administration, cultural institutions, financial services or shops. The concept of central places is not only related to public infrastructure but to private infrastructure as well.

IV.

Of course there are central places of higher, medium and lower level according to the catchment area or commuter belt for the specific service. It is indeed wider for an Opera House than for a baker shop. But what sounds good in theory is not easy to translate in practical action. Historical development has led to quite different placement of municipalities of all size in space. As for instance in the Rhine-Neckar Region there are a lot of central places within a quite small radius; in contrast the city of Kaiserslautern as well as Trier is a classical central city surrounded by smaller communities as satellites. But – as always in such processes – the valuation of the position of a specific municipality within the system of central places differs not only between the local politicians and others. In North-Rhine Westphalia a city like Bergisch-Gladbach (with about the same population size as Trier) will not rank among the high level Central Places – this position is held by the nearby Cologne.

The fundamental idea of the system of central places asks for a limited number of such places. This is one major challenge for the so called regional development plan which has been renewed every 10 to 15 years. The last program dating from the year 2008 dealt for the first time with the problem of demographic change. With a shrinking and – more important – ageing population the system of central places must be redefined. On the one hand the population basis will be – at most in the peripheral regions – smaller making it more costly to offer all the services. On the other hand an older population might be of limited mobility so distances to central places may become a problem. This will become even more important because of the creeping demographic change. Rhineland-Palatinate is not faced with a shrinking population size yet; but the ageing of the population is a very actual problem. Aged people with less mobility and specific needs in e.g. health care need a Central Place in shorter distance or even should live just in this place.

Germany but especially Rhineland-Palatinate is good example for the importance of central places. There exists no dominating capital city as Paris in France or even Vienna in Austria. The value of central places especially in the rural regions of our Bundesland is shown by a small study undertaken by the association of cities 3 years ago. The highest density of doctors outside hospitals is not in the bigger cities but in the rural central cities. Similar results were found for employment opportunities. Central cities often held 50% of all jobs within their district. Or put it in another way:

The relation of jobs to the resident population rose up to $\frac{1}{2}$ and more which means that statistically at least every second inhabitant could have a job in this municipality. Normally these places are the locations for schools and other public institutions. This might spotlight the importance of central places especially in rural areas.

There exists another concept in regional politics. It is the definition of growth poles. This concept was established when manufacturing was big or dominant sector of the economy. This is no longer the case in Germany or in Rhineland-Palatinate. While agriculture – even in a region full of wine – does not have a higher proportion than 1,5% of the GNP (2009) manufacturing (including construction) contributes only 28,4% to the GNP. The main part falls upon Services. As service offices are more mobile the definition of specific growth poles seems to be no longer adequate at least for Germany.

V.

Equivalent living conditions cannot only be measured by economic opportunities or good access to services. Other elements are the quality of the environment or social cohesion within the municipality. They cannot be measured like economic development or the travel time to reach e.g. health services. So the concept of central places is only one – but important – aspect when living conditions have to be evaluated.

What are the perspectives? Germany is still quite densely populated; so the concept of central places still can be used. There are some regions in the East with high population losses within 20 years where perhaps new answers have to be given. One main theme is the location of primary schools. Until yet children (if a specific distance between home and school is exceeded) are brought by bus to their school. In some parts of Brandenburg (with very low population density) this can lead to travel times of one hour and more per direction! So a kind of deconcentration, e-learning and other concepts might take place. In case of the supply of goods and services mobile solutions can be appropriate.