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**DO WE NEED A RE-THEORIZATION OF GLOBAL  
URBANISM FROM EASTERN EUROPE?**

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## **DO WE NEED A RE-THEORIZATION OF GLOBAL URBANISM FROM EASTERN EUROPE?**

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### **ABSTRACT**

Eastern Europe had been at the forefront of discussions on the global nature of urbanism during the 1990s, but lost its theoretical influence in the past 10 to 15 years because of various reasons. The objective of this paper is to reconsider the role of Eastern Europe as a semi-peripheral region in global urbanization processes. It extends the theoretical discussion about the unevenness of global urban development, primarily through the case of Budapest (Hungary), and one of its districts, Józsefváros.

After a literature review of the conceptualization of the semi-periphery in urban studies, two case studies are presented. The first example is looking at the equalization part of uneven development, how an urban redevelopment project in the 1970s and 1980s ran (with its successes and failures) parallel to global economic cycles of capitalism. The second example puts the differentiation part of uneven development into focus, and analyses the large-scale urban redevelopment of Józsefváros, with the help of global capital flows and private investments into the area – capitalising on the higher profitability of investments in Eastern Europe, compared to core countries.

The main result of combining uneven development, Eastern Europe and the empirical case study is a call for re-conceptualisation of Eastern Europe in urban theories.

**KEYWORDS:** uneven development, urban theory, semi-periphery, Budapest, Józsefváros.

## **1. INTRODUCTION**

Eastern Europe had been at the forefront of discussions on global urbanism during the 1990s. Although sometimes biased by Western hegemony of knowledge production (Timár 2004), Eastern European scholars had made significant empirical and theoretical contributions to urban studies. The interest for the region dropped in the early 2000s, because of two important reasons. First, the study of non-Western macro-regions outside Eastern Europe regained importance in urban studies, mostly following the extent of the urban processes in these areas (such as global cities in the Global South – Davis 2005). The second explanation is the EU integration of most Eastern Europe which seemingly repositioned these countries' urban processes as not different from Western European core countries. This line of argument corresponds to mainstream explanations about how transition from socialism to capitalism ended with the EU accession (Gorzalak and Goh 2010). The 2008 crisis and its aftermath, however, both globally, and at the European periphery (including Eastern and Southern Europe) showed well that urban processes are not exactly the same than in major cities of Western Europe.

Following that, the objective of this paper is to reconsider the role of Eastern Europe as part of the European periphery, and as such, a semi-peripheral region in global urbanization processes. Hence, it extends the theoretical discussion about the unevenness of global urban development, primarily through the case of Budapest, Hungary, and one of its districts, Józsefváros. In the next part, I revisit uneven development as a key concept in theorisations of Eastern European urbanism and other countries of the semi-periphery of the world-economy. Following that, I present two lines of argument, one looking at the long-term parallel nature of Eastern European urbanism with core countries (following the same global economic cycles), and the other emphasising difference, i.e. how capitalist difference explains the differences of Eastern European urban development processes.

## **2. UNEVEN DEVELOPMENT AND THE URBANIZATION OF THE SEMI-PERIPHERY**

Uneven urban development, and its global nature has led to a growing interest in the past decades. Although there have been significant shifts regarding the focus of this research (for an overview see Davis 2005), the majority aimed at understanding general driving forces behind unevenness. Following the initial literature about interrelations of capitalism and urban development (Harvey 1978; Smith 1982), recent interest turned to the concept of neoliberalism and neoliberalization (Brenner, Peck and Theodore 2010; Czirfusz and Jelinek 2015; Theodore and Peck 2012). Another strand of the literature has aimed to refine the vocabulary describing urban processes, such as with the concept of planetary urbanization (Brenner and Schmid 2012; Slater in press).

What remains challenging is how to embrace empirical case studies from diverse geographical realities into existing theoretical frameworks. In many cases the temptation is high to address 'specificities' not fitting to core concepts, thereby not taking uneven development seriously. Within this literature, the Global North often represents an entry point for theorizations. In this paper I do not endeavour to go into detail about this part of academic research, but look at how European peripheries and non-European case studies from semi-peripheries of the world economy (Wallerstein 1976) have been included in studies about global urbanism.

Recently, studies from the Global South have gained momentum in urban studies, such as from Latin America and Asia. López-Morales (2015) called for a rejection of the diffusionist logic of urban processes and taken-for-granted Western definitions of urban

processes in gentrification research. Roy (2009, 821.) aimed at dislocating urban theory by looking at ‘a variety of dynamic topologies and deep relationalities’. However, in Roy’s paper, only Latin America, South Asia, East Asia, Africa and the Middle East appear as terrains of a new urban theory, without mentioning Eastern or Southern Europe also needing dislocation of existing epistemological frameworks. Wu (1997) takes four elements in his theoretical approach of understanding Chinese urbanism: circuits of capital, institutional settings of building provision, rent gap and property rights. Although he discusses the socialist city literature and unevenness, relations between core countries and China are less explicit in the analysis. The attempt of Shin, Lees and López-Morales (2016) to conceptualize East Asia as the Global East regarding gentrification was also an important move in looking at historically different trajectories (such as specificities of the capital-state relations) of urban processes, compared to Global North.

Among non-core regions, Eastern Europe has received wide attention during the 1990s, but after initial discussions on the nature of post-socialist urbanization and whether it ‘fits’ Western European processes it almost disappeared from current theoretical debates.

From the Eastern European perspective, Bodnár (2001) summarized the urban studies literature before 1989 and the first decade of academic debates after socialism. She identified three basic approaches of thinking about socialist and post-socialist urban processes. The first renders socialist urbanization as fundamentally different from Western urbanization, the second approach concentrates on backwardness *vis-à-vis* general urbanization processes, and the third refers to historically qualitatively different processes in cities of these countries. After summarizing the traps which these ways of seeing incorporate, Bodnár puts forward a combination of these approaches, an understanding which emphasises the semi-peripheral role of Eastern Europe and its urban processes within broader and general logics of global capitalism. In my paper, I also follow this understanding.

During the past 15 years the main lines of argument in Eastern European urban studies have not diverged significantly from those identified by Bodnár. They recapitulate or refine the main points of the three approaches and underline them with new empirical work. Grubbauer (2012) for example discusses recurring challenges in Eastern European urban studies: to coming to terms first, with convergence of urban processes in the region and the particularities of cities, and second, the continuities or discontinuities (whether the end of socialism was a rupture in urban processes). She attempts to refocus urban theory from Eastern Europe with two new perspectives, the context-dependent neoliberalization of cities in the region, and ethnographic work to understand multi-scalar social and material change in these urban contexts.

What these aspects, however, fail to address is the interrelated character of the world-economy, i.e. how urban change here is reproduced by urban change elsewhere and vice versa. This means that the works cited by Grubbauer are not able to free themselves from the insular character of Eastern European urban processes (cf. Ferenčuhová *in press*); they often emphasise large variations of urban change within Eastern Europe. A typical example is Kovács, Wiessner and Zischner (2013) which refers to simple national-level policy change (public administration reform and privatization of housing) in explaining gentrification processes in Budapest, and only marginally takes into account actors and processes outside the national container logic. Empirical ‘deviations’ in Eastern European cities from processes described by Western theories are mostly explained by the path-dependence of urban development and specific (largely national-level) policy environments (Kovács 2009) or broad institutional transformations (Sýkora and Bouzarovski 2012). This

understanding does consider the semi-peripheral role of Eastern European cities in global urban development.

Another group of scholarship used the concept of uneven development in understanding current urban processes in Hungary and elsewhere in Eastern Europe. Timár and Nagy (2007) show how uneven development as a concept helps us to understand gentrification in post-socialist Hungary's 'second-tier' cities. Although they embed their explanation into the discussion of global capital flows, and conceptualise post-socialist specificities in the process of gentrification, they do not address systematically the question how Eastern Europe's urban processes are historically dependent on capitalist development of core countries.

Urban scholars have also dealt with the unevenness within the region: the fact that capitalism unfolded differently within Eastern Europe complicates the understanding of urban development. Berki (2014, 324.) argues that it is not easy to assess whether certain urban processes are a 'result of post-socialist transition or that of the global restructuring (or, possibly, the particular hybridisation of the two)'. I emphasise that the two are the very same processes – semi-peripheral uneven development in Eastern European cities –, and there is only a phenomenological distinction between post-socialist transition and global restructuring.

This leads to the importance of the historical aspect of uneven development in Eastern European urban processes. Timár and Nagy (2007) show in their case study of a middle-sized city in Hungary that the possibility of gentrification under capitalism was made possible by policies and practices of the socialist state: how industrialisation of the country in the 1960s and 1970s proceeded and how the state managed social housing explains to a high extent how urban processes have unfolded since 1989. This historical methodology of linking socialist industrialisation with housing and class politics in explaining current urban processes is also followed by Petrovici (2012). The strength of this argument is that it moves beyond the apparent neoliberalization of past two decades of urban processes in Eastern Europe (Brenner, Peck and Theodore 2010; Smith and Timár 2010), or neoliberalization as a heuristic tool for understanding the majority of what happens currently in cities of the region (see also Golubchikov, Badyana and Makhrova 2014). By putting uneven development into the core of my argument, I follow this historical understanding in the next two parts of the paper.

### **3. PARALLEL STORIES OF UNEVEN GEOGRAPHICAL DEVELOPMENT AT THE URBAN SCALE**

This chapter rethinks urban development of Eastern Europe parallel to global economic cycles. The focus will be on how urban processes of the semi-periphery echo that of core countries, thereby emphasising the equalization aspect of uneven development (Smith 1982).

The case study for this part is a 1970s–1980s housing redevelopment project in Józsefváros, one of Budapest's inner-city districts (for an overview map see Figure 1). On the basis of this redevelopment I show how the secondary circuit of capital (Harvey 1978) is important in understanding historical cycles of urban change in the semi-periphery. In order to take a historical view of the redevelopment, I also look at two other economic cycles: the end-of-19<sup>th</sup>-century industrialization from which the original, redeveloped urban structure of the district originates, and the first decade of the 2000s when the pre-2008-crisis economic boom established convenient policy and economic environments to invest in a small-scale renovation of this neighbourhood.

Capitalist development in Józsefváros, as elsewhere in inner-city Budapest took impetus in the 19<sup>th</sup> century, accelerating after the economic crisis of the 1870s. The stable political-economic structures of the heyday of European liberalism and that of the Austro-Hungarian Empire channelled in a significant amount of capital: both from profits in the Hungarian countryside's agricultural boom and from credits into housing development of the rapidly industrialising city. According to 2011 census data 57 per cent of the district's flats were built before 1919, during this construction cycle of the turn of the century. In Józsefváros, largely characterized by working-class people, larger share of the newly built tenement houses were built in sub-standard quality (for example, many of the flats did not have bathroom); contrary to other inner-city districts in Budapest.

The renovation of this housing stock was already on the agenda of both national and city-level politicians, as well as the general public in the inter-war period (Csanádi and Ladányi 1986; Kocsis 2009), but no action was taken in the aftermath of the Great Depression. World War II bombings caused a further deterioration of the housing conditions in the district.

State-led industrialisation after 1945 and Budapest's need for labour force led to an acute housing shortage. The national level answer was a 15-years-long state housing programme between 1961 and 1975 (Kocsis 2009). In Józsefváros this national framework materialised in a complex regeneration plan for the middle part of Józsefváros (Figure 1), accepted in 1963 (Brenner 1965). The original development area of 55 hectares (about one fourth of the district) was planned to reach more than 30,000 people in around 10,000 flats in 550 buildings. Three quarters of the buildings were to be demolished, mostly one or two-storey-buildings (Brenner 1965).

The redevelopment could be financed by the economic boom of that time (between 1960 and 1979 the yearly average growth rate of the GDP was 5.4%), but the project started slowly because of the slow relocation of tenants, the costly demolishing of the houses and technological issues with the pre-fabricated building method. Estimated prices for building a single flat in Józsefváros witnessed an eightfold increase between 1965–1970 and 1978–1980 (inflation at the same period was around 50%).<sup>1</sup> It is not surprising, therefore, that the development project slowed down following the lack of state funds in the aftermath of the 1970s economic crisis which ran parallel to the slow-down of large-scale housing projects in Western Europe. Eventually only 4,000 new flats were built in Józsefváros until the late 1980s (Figure 1, Photo 1). The economic problems were known also by the general public, the local newspaper continuously reported on the changing economic conditions:

*'The economic situation of the country has become more severe which calls for exercising increased caution in urban policy and urban development. The aspects of thrift and reasonable use of money has come to the fore.'* (Józsefváros 1979/3, p. 1.)

In the 1980s, the redevelopment increasingly favoured renovation of the old, 19<sup>th</sup> century housing stock, thereby cutting the costs of the project. State-owned companies were started to be involved in financing housing projects in the district (although economic recession also reduced these companies' available financial resources). Another solution was to build the planned number of flats in outskirts: cost of one flat in Józsefváros was estimated at being twice of one new flat elsewhere, because of the costs of relocation of tenants and demolishing of houses. As the head of the Department of Investment of the Budapest Council reported to the local journal:

*'Renovating Józsefváros was sound and needed in terms of aims and ideas. However, the concept had to be changed in the past years, as it turned out that in this densely-built, classic Budapest neighbourhood the rate of demolishing is high, new constructions do not bring excess housing, do not reduce Budapest's housing*

*shortage. (...) Józsefváros is one of the least economical areas of reconstruction in Budapest.* (Józsefváros, 1981/2., p. 1.)

The housing stock diminished between 1945 and 1990. Despite significant efforts and investments, according to the 1990 census, only 11 per cent of the housing stock of the district was built after World War II.

How the economic boom until the end of the 1970s changed the urban structure of Józsefváros had significant impact on further cycles of urban development in the district. Before the 2008 economic crisis there has been an increasing need to renovate the pre-fabricated housing stock of the 1970s and 1980s, for which the state started national programmes. Within this programme a large share of the pre-fabricated housing blocs in Józsefváros undertook energy-saving modernizations, thereby increasing the quality gap between the 19<sup>th</sup> century housing stock and the area redeveloped in the 1970s and 1980s. The 19<sup>th</sup> century housing stock experienced systematic disinvestment. During socialism, as the whole area was to be demolished (Figure 1), no renovation took part. Later on, at least for the privatized part of housing, no specific state or EU funds were available for redevelopment. The district government launched an EU-funded social rehabilitation programme of one part of the area in 2005, with mixed results (Czirfusz, Horváth, Jelinek, Pósfai and Szabó 2015; Lepeltier-Kutasi and Olt 2016). Large-scale, privately funded gentrification started in the early 2000s which will be the focus of the next part.

#### **4. FOR A RELATIONAL UNDERSTANDING OF EASTERN EUROPEAN URBANISM**

Wallerstein (1976) argues that semi-peripheral countries might perform better in times of crisis than core countries and the periphery (because of their relative profit advantage in production), and that these countries see less intervention from core countries during times of economic downturn. Although this passage might be sympathetic for scholars coming from semi-peripheral countries because of the positive content for their region, it offers less explanatory strength for urban studies. Wallerstein's ideas do not explicitly take into account secondary and tertiary circuits of capital (Harvey 1978), but the scholarship focusing on relative positions of countries within the world-economy is still important in focusing academic literature on capital flows, the geographical unevenness of capitalism and political-economic interrelations of certain regions of the world.

If we follow the concept of uneven development, and especially its differentiation part, Eastern Europe – as well as the whole semi-periphery of the world economy – becomes a space in which capital expects higher profitability than in core countries. From the perspective of urban studies the main question is how certain parts of the city become integrated into global capital flows which then value or devalue different neighbourhoods.

The case study to which I turn is an area of 22 hectares within Józsefváros, called Corvin Promenade, which has been gentrifying heavily for the past ten years (Figure 1). This area was originally conceived to be the part of the 55 hectares redevelopment during socialism discussed in the previous part, but the development never reached this area, adjacent to the 1970s and 1980s pre-fabricated housing blocs.

In the 1990s the district municipality opted for a complete dereliction and a mixed-use redevelopment of this neighbourhood for which a private investor was sought. It was planned that for the majority of the tenants relocated from the 19<sup>th</sup> century houses (mostly municipal social housing) a new home will be offered in other parts of the district, thereby (at least at the district scale) mitigating gentrification.

From the perspective of the municipality the crucial issue in the redevelopment was to find the developer who can bring the capital needed for the project. Eastern Europe, and especially its larger cities like Budapest were significant places to invest in since the mid-1990s, including investments into urban infrastructure (housing, office and retail development). In the next paragraphs I follow the redevelopment project from the perspective of uneven development.

The international profitability of investments into urban infrastructure in the semi-periphery is one of the key drivers in urban development. As an illustration I compare office sector yields across Europe in 2015, using the data of Colliers International (Figure 2). Uneven development is telling: yields are at least twice as high in Eastern European cities than in capitals and financial centres of core countries of the EU, with Southern European cities performing in-between the two. With subsequent rounds of EU enlargement in the 2000s, new and easily accessible European markets opened for investors with excess capital before and after the financial crisis of 2008 (Aalbers 2009).

This is also true for the Corvin Promenade redevelopment project in Józsefváros. The development company, Futureal, is owned by a Hungarian billionaire (the 12<sup>th</sup> richest person in Hungary in 2014 – napi.hu) and his son. The whole redevelopment is worth 850 million € (extended with 72 million € public money), including 130,000 sqm new offices, 62,000 sqm retail space (a shopping centre), and 2,700 new flats. (The development is in progress, about half of the project is finished.) International finance was involved in backing parts of the project, such as Raiffeisen Bank (futureal.hu). Global capital flows have also been important after construction ended: international real estate companies were commissioned as letting agents for office buildings (such as DTZ and GVA – futureal.hu). Several international companies are involved as users of the building: an office building currently in development was financed by Raiffeisen and will house offices and an R&D centre of Nokia Networks (futureal.hu).

This latter example is a materialisation of uneven development in four aspects: first, an international company (Nokia Networks) offshored service activities to Hungary in the global quest for foreign direct investment; second, the company chose Budapest within the country, increasing the unevenness of economic development between the capital city and the countryside; third, the specific location within Budapest has one of the largest rent gaps currently in the city (because of the continuous disinvestment in the past century, as discussed in the previous part), thereby profitable for the investor (Futureal); and fourth, financing the project is secured by a Western European giant, Raiffeisen, capitalizing on relatively high yields in Eastern Europe.

What we see as exemplification of uneven development in the office development is also true for the retail part. Klépierre is the owner and manager of the newly-built shopping centre (futureal.hu); the company's majority shareholders are the U.S.-based Simon Property Group and APG, a Netherlands-based pension fund (klepierre.com). It is important to note that the success of inner-city shopping centres is driven by the globalisation and uneven development of commerce in Hungary since the mid-1990s (Nagy 2009). Although the Corvin shopping centre was opened in the middle of the economic crisis (Autumn 2010), it currently observes a success, with 14.6% increases in sales in 2015 and a decreasing vacancy rate (Klépierre 2016). From the perspective of uneven development it is also important to stress that the profitability of such shopping centre investments is dependent on the shops themselves, which to a large extent are belonging to international chains, even Eastern European ones.

The housing redevelopment of the area is managed by a subsidiary of Futureal which has been one of the largest housing development companies in Hungary. Financial background



for the projects was partly given by international players, such as Erste Group Immorent (erstegroupimmorent.com). The development started in 2006 which was a blossoming era of the Budapest real estate market, forex loans for individuals buying new homes were abundantly available following the dependent financialisation after the EU accession (Gál 2015; Pósfai 2015). During the crisis, the housing part of the development only slowed down a bit, 1,500 new flats were finished until 2016. The developer sold all of the flats (about 20% to foreigners) which doubled their market values in the past ten years (jozsefvaros.hu).

Uneven development at the local scale, however, was characterised by gentrification processes. 1,100 old flats were demolished in the redevelopment area (74 per cent was municipal social housing), almost 40% of which had no toilet or bathroom and had an average size of 35 sqm. Although the municipal company coordinating the relocations emphasises that tenants in social housing units who get new flats live in better conditions than before and almost exclusively within the district, there is no systematic study on the displacement of those families who were remunerated in cash or were in 'specific' conditions – such as living in the flat without contracts or having arrears. The social housing stock of the district was reduced by 330 (instead of the 700 demolished sub-standard flats only 370 were acquired, although these flats are larger and in better condition) (rev8.hu). It is assumed that as the result of the project – both directly and indirectly, such as because of rising rents – urban marginality was reproduced elsewhere in the district (Czirfusz, Horváth, Jelinek, Pósfai and Szabó 2015). Considering the two residential blocs built between 2006 and 2011, about 400 new inhabitants moved in with tertiary education and only about 50 with primary education (this rate of 7.2:1 in the two blocs, compared to the 1.1:1 district average, is a sign of gentrification).<sup>2</sup> As the result of the project, the physical urban structure changed significantly (Photo 2).

## 5. CONCLUSIONS

In the past decades of urban studies there have been repeated attempts to decentre the field from its Global North vantage point and to include theorizations from non-core geographical realities, including Eastern Europe (cf. Ferencuhová in press). However, these attempts to decentre urban theory often fail to take into consideration the interlinkages between cities of core countries, the semi-periphery and the periphery of the world-economy. In order to embrace realities of Eastern European urban processes we have to take into consideration the global nature of capitalism and how it reproduces uneven development of urban areas.

The semi-periphery has proved to be a useful concept in understanding mobilities of urban development. This is true for first, connections between the Eastern European semi-periphery and the centre: for example the redevelopment of Skopje with the help of international urbanists after the earthquake of 1963 (Stefanovska and Koželj 2012). Second, connections between the semi-periphery and the 'Third World' are important fields of research, such as exporting Polish architectural labour to the Middle East in the 1970s (Stanek 2012), or attempts to export Hungarian housing construction capacities to the Arab world (Kokas and Majtényi 2001). These examples fit very well into the political-economy of the time, including the continuous lack of capital and relative technological backwardness of Eastern Europe.

Instead of the issue of underrepresentation of Eastern European urbanism in the 'international' academic debates I insist to focus on real processes within cities of the region. For the unevenness of the reproduction of academic knowledge there have been

important contributions recently (Ferenčuhová in press; Timár 2004), but I am truly aware that after the 2008 crisis it is more important to concentrate our efforts on understanding the unevenness of urban processes in Eastern Europe. This might involve, for example, a triangulation of academic research with policy practice and activism (rather than restricting ourselves to academic representation – cf. Collective for Critical Urban Research n.d.), to ensure global urban justice and critical dialogues, as proposed by the title of this conference.

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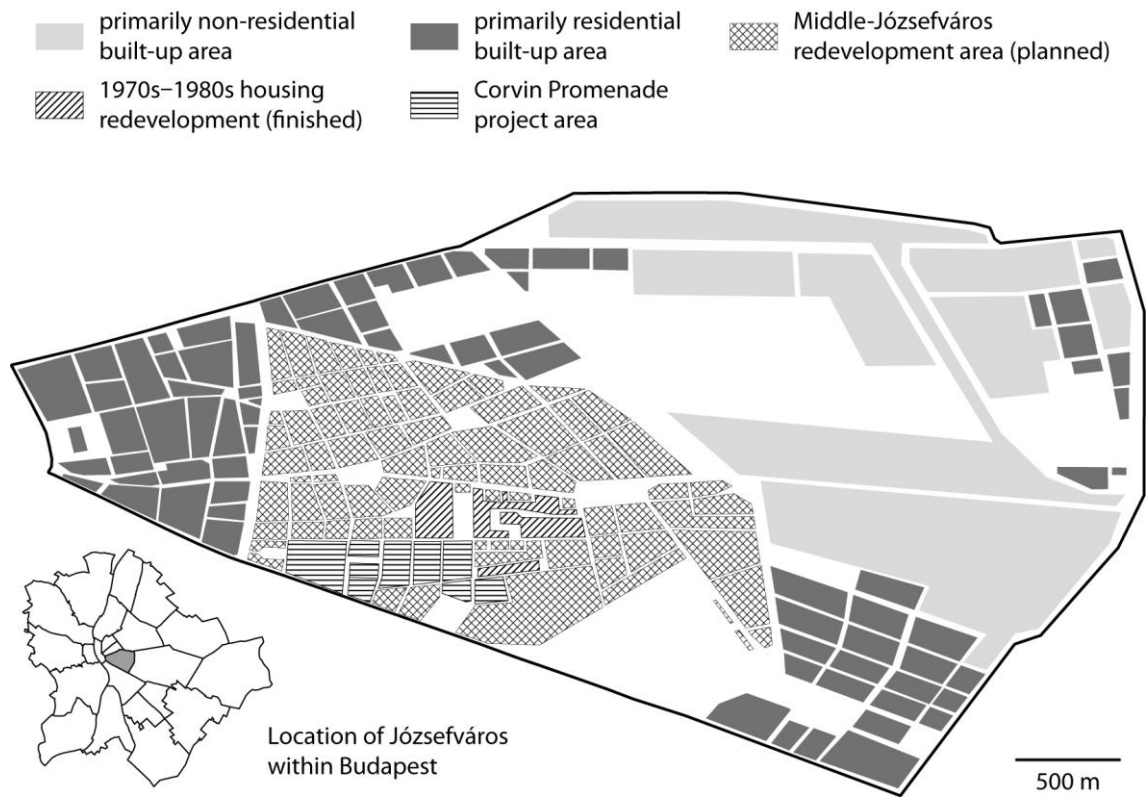
<http://www.klepierre.com/en/who-we-are/shareholder-base/> (Accessed 29 May 2016)

[http://www.napi.hu/magyar\\_gazdasag/itt\\_a\\_lista\\_ok\\_a\\_leggazdagabbak\\_es\\_a\\_legbefolyasosabbak\\_magyarorszagon.580954.html](http://www.napi.hu/magyar_gazdasag/itt_a_lista_ok_a_leggazdagabbak_es_a_legbefolyasosabbak_magyarorszagon.580954.html) (Accessed 29 May 2016)

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**TABLES, FIGURES, PHOTOS**

**Figure 1:** Overview map of Józsefváros



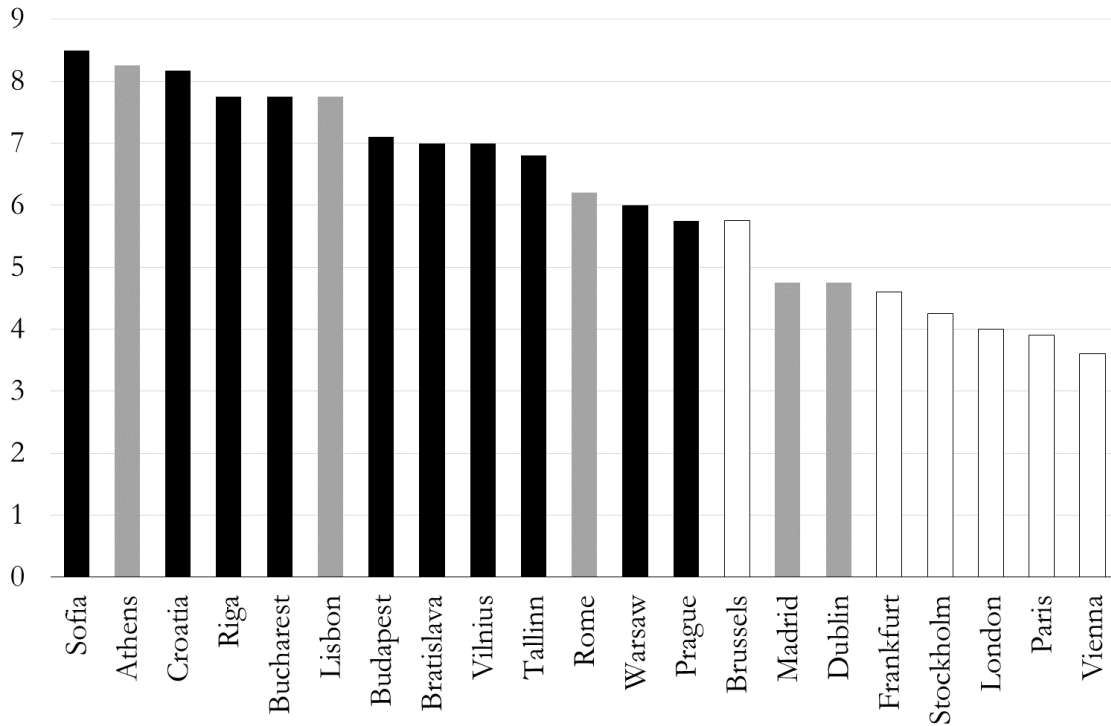
**Source:** map by the author.

**Photo 1:** The housing redevelopment in 1980



Source: Photo by György Jankovszky, <http://fortepan.hu/?img=10259> (Accessed 28 May 2016)

**Figure 2:** Comparison of prime yields (%) in the office sector in some cities of the EU (1<sup>st</sup> half of 2015)



**Note:** Eastern European cities are depicted with black, the Southern and Western European periphery with grey, cities of the core countries of the EU are white.

**Data source:** <http://www.colliers.com/en-gb/emea/insights/interactive-rents-map/offices-interactive-rents-map> (Accessed: 29 May 2016)



**Photo 2:** Corvin Promenade redevelopment in 2015 (the main, newly established pedestrian axis of the project, with the shopping mall and some office blocs in the back, residential area on the two sides)



**Source:** Photo by the author.

## Footnotes

- 1 Own calculations based on decisions of the Budapest Executive Committee of the Hungarian Socialist Workers' Party, 3 September 1962 and 26 April 1974. Budapest City Archives, XXXV.1.a.4.
- 2 Source of the official census data is the Hungarian Central Statistical Office (HCSO). The HCSO is not responsible for any results and conclusions drawn from this dataset. I thank for the HCSO for providing access to the census micro-data.