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## Post-socialist metropolises in transition

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## **Post-Socialist Metropolises in Transition**

### **1. INTRODUCTION**

The transformation of socio-economic life, which began in post-socialist countries at the turn of the 1980s manifested itself first of all in the cities and the cities were the initiators of these changes. The bigger the city, the higher its administrative status, financial, economic and cultural potential, the more spectacular the changes are. Such a situation is quite natural and anticipated, as the cities, being involved in a national and global economy, are the points that are especially 'open' to transformations. Moreover, they are the 'nerve' centres in a live fabric of socio-economic space.

Of course, among the different countries of the former socialist bloc, whose territory stretched from Central Europe up to the Pacific, the degree of urban transformation is far from identical. In this chapter the emphasis will be on the cities of Russia, where the socialist roots are much deeper than in Central and Eastern Europe. No wonder, then, from the point of view of the rates of transformation the Russian and the other CIS cities lag behind the cities of Central and Eastern Europe. As for the rural areas of Russia (and other CIS countries), where the state-farm and the *kolkhoz* economy in fact still dominates, they are practically untouched by the transformation.

The recent transition process is a fundamental re-evaluation of the territory (either a city or a region) with respect to the location, functioning and reorganisation of productive activity (Hamilton, 1995). The transition represents the tendency toward the 'commodification' of places, which are exposed not only to economic, but also to social, cultural and ecological re-evaluation. Places must undergo a strict re-examination, answering the question what they offer for effective production within the framework of the local, regional, national and international economic system. Under such an examination the comparative advantages and shortcomings of cities become clear. The market forces check the efficiency of the former functional interrelations and the division of labour which have been formed under socialism, as well as generate new functions and business ties.

In the socialist economy the non-economic factors of production - political, ideological, symbolic, social, military, technical - had enormous, if not primary, importance. Their purpose was to demonstrate the superiority of communism over capitalism. This favoured totality and gigantism in the organisation of space and physical planning, as well as the orientation toward symbolic meaning of specially distinguished objects which led to the favouring of large cities, capitals, and of any centre, in general. The planning was based on the rigid, normative beginnings, fixed for each type of settlement (French, 1995).

The collapse of planned and centralised economy at first caused chaos, which appeared impossible to overcome in short time by a cancellation of old and an introduction of new political institutions and market mechanisms. Hence, a comparatively long transition period is required.

The transition period began with liberalisation of consumer prices, deregulation and destatisation of economy. The following undesirable companions of the transition period appeared: the breaking of old economic ties between the enterprises and loss of former spheres of reliable sales by many of them, unemployment, fall of the living standard for the majority of the population. True, in parallel with these problems the saturation of the consumer market occurs, and people encounter ample opportunities: for money now it is possible to get practically everything.

The basic stages of the transition period are: 1) a pre-transition (with obvious degradation of the economy within the framework of the old system under tentative attempts at its reformation; 2) a crisis (the destruction of old structures and ties outstrips the formation of the new ones); 3) a post-crisis (processes of construction and regulation begin to prevail) (Nefedova, Treivish, 1994).

Dismantling of state ownership and control together with a simultaneous development of institutions of market economy and privatisation of property and land in commercial and housing sectors qualitatively strengthen the process of commodification. In accordance with the growth of market exchange on this or that territory and with the growth of its commodification the new attitude toward urban territory and new principles of location begin to be outlined in cities.

On the macro-level, that is at the level of a national settlement system, socialist countries in general differed slightly if at all from the advanced capitalist countries. Therefore, it was hardly possible to speak about any specific 'socialist' hierarchy of settlements, special rank-size order, or peculiarity of leading cities' primacy. The distinctions among cities of these two social systems manifested themselves rather at a local level, that is at the level of a city and urban agglomeration. Specificity of cities in socialist countries was displayed not on a macro- and even not on a meso-, but at a microlevel - in peculiarities of intra-urban structure, in character of urban centre, suburban zones, and types of accommodation (Musil, 1993).

## 2. PECULIARITY OF SOCIALIST CITIES

### 2.1. Factors, influencing urban development under socialism

Specificity of cities of the former socialist countries can be better understood, if we distinguish between two groups of factors generating this specificity. The first group includes those factors that are caused by system properties of socialism (centralisation of power, central planning, distributive system, underdevelopment of a civil society). The second group unites the specific factors, connected with cultural and historical peculiarities of the separate countries, with peculiarities of the urban policy and traditions of municipal government. Speaking about recent transformations in the fabric of cities, we first of all must pay attention to those that occur under the influence of socio-economic factors. It is necessary to take into consideration that 'soft' elements of economy (for example, the reorientation of people toward entrepreneurial activity) vary faster, than rigid elements (infrastructure, production means). The adaptation to the market proceeds faster in the sectors of economy that demand lower investment outlays and where the basics of entrepreneurial activity have already developed (Domanski, 1994).

As has been found (Musil, 1993), the following major factors influenced development of cities on a socialist pathway:

1) The non-existence of the market in land and the introduction of fixed land prices, therefore the concrete location within a city became for a user (firm, enterprise, establishment) an almost irrelevant economic parameter.

2) Centralised management and regulation of housing sector (control of flat exchanges, purchasing of houses, sub-letting) by local authorities.

3) Nationalisation of exogeneous and endogeneous urban base (including retail trade and services); policy of their consolidation based on the ideas of economies of scale) and convenience for management.

4) General priority of public interests over personal, and of interests of a higher level territorial unit over those of a lower level unit.

The listed factors acted in the socialist countries constantly, but they were especially powerful at the initial stages of socialist construction, characterised by industrialisation.

Priority was given first of all to heavy industry, instead of housing construction and infrastructure. Only since about 1960 has a new stage in urban development begun: significant attention has been given to housing construction and to the development of services to the population. The policy of mass housing construction has resulted in a radical change of shape and character of cities in the socialist countries: on the urban fringes (and in small cities - often in the centre) vast estates of standard multi-storey houses appeared. In the socialist cities such residential districts are much more extensive than similar areas in the advanced capitalist countries. This type of mass construction counteracted socio-spatial differentiation of population in the socialist cities. The differentiation, however, existed by virtue of distinctions in differences in income, of cooperative housing development (for the better off households), of occurrence of market elements in the latent form and frequently in the black market.

## 2.2. Specificity of the cities of Russia

The general concept 'a socialist city' as applied to all socialist countries is convenient, but it is necessary to take into account the specificity of cities in each of these countries, as frequently even the same type of cities appear to be very different. To the 'socialist' the following features of cities used to be attributed:

- State control over urban land-use,
- Complete absence of private ownership of land,
- State control over the housing economy (financing, realisation of development, distribution of housing stock and its management),
- Wasteful land-use, quite in conformity to the theory (and practice) of the absence of land rent under socialism,
- Centralised organisation of services and supply,
- Underdevelopment of the sphere of services and location of objects regardless of the structure and volume of market demand,
- Domination of public transport over individual cars,
- Exclusive importance of ideological symbols in the urban environment, monumental architectural style of public buildings, and emphasis on the special importance of the urban centre.

Russian cities definitely differ from cities not only in the countries of Western Europe, but also of Central and Eastern Europe (Czech Republic, Hungary, Poland, Slovenia, Croatia, Slovakia). The main feature of Russian cities is the absence of the foundations of a civil society and territorial self-organisation of citizens. This should not be attributed only to notorious '70 years of socialism'. In Russian life there was no place for normal urban self-management even before the October revolution. For example, in the 1870s the electoral right was given only to one-third of the home-owners.

The idea of civic responsibility, which everywhere has been produced at the level of municipal political life, till now has not become a feature of the Russian mentality. The idea of self-management is still exotic even for the active minority of the cultural elite, which continues to connect their expectations with 'a good and educated chief' (Glazychev, 1995).

In Russia the self-organisation of citizens is extremely weak. It has made no progress since the period of communal flats and patriarchal urban courtyards. In the 1960s - together with the cooperative housing movement, perhaps, there was the last burst of self-organisation. Now, even in a city of 9-million like Moscow one can count no more than a couple of dozen self-management organisations of city-dwellers in the form of public councils (committees). The city-dwellers, for decades practically without any rights,

intimidated by the officers, are passive and do not trust in a possibility of anything to change. Inhabitants of multi-flat blocks are unable to manage them in a proper state. Lower structures of a civil society - neighbourhood communities, even if they somewhere exist, are only in an embryonic state and their influence on local official authorities is miserable. At the same time, only the neighbourhood communities are able to give rise to organised groups of population by place of residence and to ensure direct mass democracy. A strong civil society for Russia and other CIS countries is still a remote perspective.

### 2.3. The influence of new factors in the transition period

The transformations in spatial organisation of cities are provided by three specific processes:

- 1) Spontaneous development of certain branches of private business and the increase of the number of small and medium enterprises,
- 2) Diminishing role of the state as a regulator of socio-political life and an owner of the enterprises,
- 3) Development of urban government (at city and intra-city level), whose purposes differ from those of oblast and state authorities.

The emergence of the market economy (market for real estate together with privatisation) in the post-socialist countries has given an obvious impetus to the progress of two urban sectors: 1) the commercial (trade, professional services and services to population) and 2) the housing. As for the industrial sector, it is in deep decline. In comparison with the end of the 1980s the level of industrial output and the share of industry in urban budgets have sharply decreased; the appearance of new industrial plants is now an extraordinary event. 'Compression' of industry is accompanied by branch restructuring. The branches that are orientated to the needs of the population, first of all of a given city (food-processing industry, industry of building materials, etc.) gain in importance.

The changes in the system of property have caused a huge increase in the number of entrepreneurial agents. Their activity leads to apparent transformations in spatial patterns of socio-economic life. These changes, which appear in the central parts of cities, are especially noticeable in the structure of retail trade. The shops with luxury items benefit most of all. The centre is also very attractive for office activity and residence. The last circumstance has an effect on the demographic structure of an urban centre. Elderly people and poor social layers (frequently the dwellers of 'communal' flats), whose share in the centre is much higher, than in the other zones of city, have been economically displaced to more remote parts of a city.

Small elegant private mansions and multi-storey tenant houses, constructed in a pre-revolutionary epoch are the objects of prime transformations. The former are used first of all as offices (especially as banks), while the latter - as luxurious apartments. To live in the centre in a spacious apartment in a 'respectable' house is regarded as a symbol of well-being and prestige, a necessary attribute of a new class of rich people under formation. These large apartments, which became in soviet time the communal flats are the arena of rigid battle between the housing agencies, which make good money on resettling the tenants selling the vacated and renovated flats to rich people (Kostinskiy, 1994).

The commodification and rising cost of housing, diversification of its types, growing differences in income and the expected introduction of land market is a pledge of further significant changes in the housing sector.

## 3. COMMERCIAL SECTOR

The overwhelming majority of Russian cities, being overloaded by industry, at the same time for decades suffered from a serious shortage of services, retail trade and infrastructure

for entrepreneurial activity. Recent change in societal needs and progress in the movement along the market pathway urgently require the formation of the market infrastructure network, as a necessary condition for a structural reorganisation of the urban economic complex.

### 3.1. Changes in retail trade and services

The positive changes in retailing displayed themselves earlier than those in other spheres of economic activity and in a more apparent way. The reasons are clear: the retail trade does not require very big start-up capital (in comparison with manufacturing, for instance) and does not encounter the rigidity of foreign competition. At the same time this sector was known under socialism as a permanently underinvested one that produced an eternal consumer 'shortage' and never satisfied the customers. Now, with liquidation of a consumer shortage problem it received a perfect impetus for fast growth.

Retail trade in a socialist city was concentrated predominantly in its centre, which under the condition of the permanent commodity 'famine' drew the shoppers not only from the fringes, but also from suburbs and even distant villages. As distinct from suburbs of the western cities, the outer areas of the socialist cities lacked big shopping centres orientated to 'motorised' customers. The allocation of objects of trade and services under socialism have been determined not by free market forces, but by decisions of urban administrations (gatekeepers, in fact), which determined where to locate a 'trade point'. Certainly, it is impossible to assert that this allocation was completely indifferent to the needs of buyers, but, it goes without saying, that it was buyers who needed to adjust to a network of shops, and not vice versa.

Transformations are both quantitative and qualitative. Firstly, the number of 'trade points' has grown sharply. Secondly, the quality of retail enterprises has risen remarkably. The most spectacular increase of the retailing level was displayed in the centre and in a few 'protuberances' along the avenues. As a result, from the centre, where the competition for place was extremely savage, the large part of ordinary shops with the everyday goods was quickly superseded by the highest order shops, that earlier in the socialist cities were simply not available.

Transition to the market in the beginning of 1992 began from the legalisation of street trade. Just this kind of activity brought fast and real (albeit, rather modest) income. At first, everyone who wished could trade, no license was necessary. Numerous hawkers grouped in rows and clustered outside large shops, department stores, metro, bus and railway stations or other crowded places. They sold the goods directly on sidewalks - from hands, from boxes and (less frequently) from folding tables. As sellers literally used to pour onto sidewalks, a few months later urban authorities were compelled to regulate the process of street trade. Firstly, the sellers were obliged to have a license, and secondly, certain places have been prohibited from street trade. It was forced to leave the CBD - the spots, adjoining important official buildings. This extraordinary stage in the history of post-socialist urban trade was very bright, but short-lived.

At the second stage, the sellers, standing along sidewalks, have been replaced by lines of booths. From the beginning, kiosks, delivered from different places, were unspecialised and had about the same set of consumer goods (drinks, packed food-stuffs, cigarettes, cosmetics, haberdashery). Kiosks with their extremely diverse shape, lacked electricity and refrigerators and, in general, were poorly adapted for trade.

Then, as the norms of control on the part of urban authorities became increasingly rigid, these primary kiosks have been replaced by rather attractive kiosks of a more standard format. At last, modern well equipped easy pavilions and trade mini-complexes appeared. The number of kiosks is now falling and their role is taken firstly by pavilions and then by

shops (Riley, Niznik, 1994). Booths and pavilions appeared to be the forced substitutes of normal shops, which were in deficiency. The shortage of the premises in the existing trade stock was accompanied not by construction of new shops (at the beginning businessmen simply had no money and time for new construction), but by simple parcelling of existing premises at minimal costs for refurbishment.

The specific role in wholesale and retail trade in the current transition period belongs to food and clothes markets which emerge outside the central parts of the cities - closer to their 'sleeping' districts and transportation hubs. To allocate them the urban authorities allot empty spots in crowded places near railway, metro or intercity bus stations, and large stadiums.

### 3.2. Privatisation of the objects of trade and services

In the very beginning of the process of reforms concrete property of shops and service enterprises was offered to its staff at intentionally reduced prices (much below the market one). But now in Moscow premises are sold at prices which are close to the market ones. Ninety-five percent of the potential buyers are not ready to redeem rented non-residential premises. The premises are redeemed only by those enterprises, which have clear prospects. An emphasis on competitive (auction) sales and investment contracts has been gradually increasing.

Municipal governments regulated privatisation, defining initial auction costs of objects offered for sale which took into account also their spatial location inside the city. They established the system of bid-rents based on the urban zone and differentiation according to the type of shop or service enterprise (Riley, Niznik, 1994). Such a system was aimed at retaining certain socially important types of retailing and services.

Nevertheless, when as a result of the privatisation the state-owned objects of trade became private, many of them, despite state regulation, changed their profile. The subsequent changes of the private owners resulted in further change of profile. Very frequently the change of the profile was unavoidable, as many kinds of services in the socialist cities were simply unavailable (currency exchange bureaus, tourist bureaus, casinos, etc.).

As the shopping area is catastrophically insufficient, shop-holders renting a premise in their turn let part of it to other businessmen. Frequently a former 'socialist' shop in process of privatisation have been partitioned into several of lesser size. For example, the owners of food shop let a part of its floor area in the form of subrent to the shop, selling, say, footwear or books. It was necessary just to build a light partition to divide the premise, but at times even the partition was regarded as an over-indulgence. Leasing of premises to small private retailers is very widespread - this is the easiest source of profit for the big shops of a traditional 'socialist' type.

The retailing sector is experiencing radical changes in its spatial pattern. Lower order retailing, such as, for example, vegetable or grocery shops are superseded from the centre. Simultaneously, higher order outlets are concentrating there as only they are capable to pay high rent to win the competition for attractive sites. As a result the city centre becomes a more specialised trade area than before.

An even more acute shortage of premises is experienced by the sphere of professional services, as neither booths, nor pavilions suit for offices. The way out was found in the rent of premises at first only by official state organisations and departments, and later by the private and mixed sectors. For example, 'budgetary' research institutes or the objects of culture (museums, libraries, etc.), finding themselves in a heavy economic position, are compelled to let a part of their premises as offices to the new 'capitalist' sector. Even the objects of the entertainment sphere, which without the state support appeared not to be

profitable, partly change their profile. For instance, numerous cinemas designed in the 1960s and 1970s and having spacious glass halls, as it turned out, are very convenient as automobile and furniture demonstration salons.

Rent and subrent, evading state and municipal financial bodies, are a perfect field for financial abuse and corruption. A special inspection has shown, that the Moscow Committee on property let out for offices only 14 mln. sq. m. of city-owned non-residential premises out of 50 mln sq. m. The bargains concerning the rest 36 mln sq. m were illegal, carried out evading the Moscow Committee on property.

#### 4. HOUSING SECTOR

##### 4.1. Provision of housing and its quality

The provision of housing in Russia and the countries of Eastern Europe is low by western standards: the floor area per person is correspondingly 18 and 20 sq. m, whereas in the countries of Western Europe - 32 sq. m (Hegedus et al, 1996). In addition, Russia lags behind the advanced countries in the quality of housing stock, its operational characteristics and in the organisation of the living environment outside the house. The majority of houses even despite their short terms of operation are quite dilapidated and badly need repairing.

Usually, the smaller the size of the Russian city, the worse is the quality of its housing stock. This tendency is connected with the system of financing which has existed through decades: money has been transferred first of all to big administrative and industrial centres. Small historical towns as a rule are problematic places with absolutely unsatisfactory housing conditions.

Rather distinctive feature of a socialist city is a standard character of houses and apartments with a limited choice of types, styles and levels of residence opportunities. The overwhelming majority are apartments in a multi-storey (predominantly of 4-9 storeys) house. Multi-storey houses built of the standard prefabricated concrete panels are characteristic not only for cities, but also for small towns and suburbs, though high-rise blocks do not dominate in the latter type of settlements and their height does not exceed 5 storeys. Individual one- and two-storeyed houses within big cities are comparatively rare, and, if they still exist, almost entirely are situated on their fringes (as the legacy of that time when they represented independent rural settlements). Such low-grade individual houses (usually, made of wood and lacking indoor modern conveniences) are characteristic for small and partly for those medium-size towns, that were not touched by intensive industrialisation.

The majority of urban families live in two and (less often) three-room flats in multi-storey houses. By the starting point of the reforming of the economy, that is by 1992, 42-45 percent of the housing stock of Russia was made up of two-room apartments, 32-34 percent - by three-room, 15-20 percent - of one-room. Flats with more than 3 rooms accounted for only 5 percent the housing stock. Certainly, the human needs grow and surpass the present level. For instance, a questionnaire conducted in Moscow revealed, that, according to the wishes of inhabitants, the structure of dwellings should be the following: 30 percent - apartments with no less than four rooms, 1/3 - with three rooms, 1/4 - with two rooms, 10 percent - with one room. These figures confirm rather modest claims of the city-dwellers who would be satisfied by expansion of their already available dwelling by only one room, assuming, that the total number of rooms in the apartment should equal the number of the persons in the family plus one.

The differentiation of population by housing provision is not high. This may be explained by the fact that in the socialist countries the housing conditions of a family only to an insignificant degree depended on money income. To a much greater degree they were determined by place of work, the ability to use advantageous connections and juridical



privileges, or carrying out ruse manipulations with accommodation. Other things being equal, the provision of housing is determined by the size of family. As a whole, the bigger the number of family members, the less is the floor space per capita. The singles and the couples without children as a whole have a higher than average floor area size per person. Especially serious problems arise in large families (to this category the families already with 5 persons could be attributed) and young families, which frequently are compelled to live together with in-laws. The correlation between housing provision and monthly income per family member is felt only in extreme groups: in the richest and poorest, but, nevertheless, even between them the ratio for housing provision (measured in floor area per person) is just 1.5 to 1 while the difference in income is 10 to 1 (Pchelintsev, 1994).

In large cities of Russia the qualitative parameters of housing correspond to the housing level in more prosperous countries, where household income averages \$ 6,000 per year. Now, however, owing to fall of the living standard of the population the incomes of Russian households are much lower (Belkina, 1994). At the current level of average Russian income the population cannot afford even the costs of housing operation and maintenance. Consequently, a very bad condition of the urban housing stock exists.

#### 4.2. Privatisation of housing

By January 1992, that is at the beginning of economic reforms the urban housing stock in Russia was almost entirely in state ownership. In urban areas 79 percent (and in large cities 90 percent) of it belonged to the state - either to local authorities, or state enterprises, ministries and departments. Private ownership of dwellings was common only in villages and small towns.

Before the reform the legal market of housing was completely unavailable. To sell or buy housing was legal only for small private houses.

The reformation of the housing sector was projected in the form of privatisation. Privatisation was intended to bring to the masses the feeling of the advantages of private property, as an apartment for the overwhelming majority of citizens is their sole significant property.

The initial stage of the housing reform was determined by two main factors - the appearance of the law on mass housing privatisation and transfer "departmental" housing stock to local authorities.

The dwellers got the opportunity to receive the occupied housing free-of-charge. This, of course, gave benefits to the best off layers of society (French, 1995). A household privatising its housing unit, simultaneously received the right to dispose of it by its own choice: to let it or to sell without any restriction. For citizens the privatisation of housing was first of all an act of legitimisation of property, which gave additional reliance that it will not be expropriated by a new power in the case of radical change of socio-political regime.

Very quickly purchasing and sale of housing have become widespread. Now, not the new construction, but the purchase-sale of already existing stock form the housing market. As for the primary market of housing, it is growing very slowly.

Currently, under conditions the privatisation of housing gives to the citizen not so many advantages of possession of property rights. Today the positions of the tenant of the apartment and the apartment owner, living in the same house, do not differ with the exception that the owner of the apartment can freely sell or rent it out.

Those who prefer to privatise housing are, first of all, those who 1) intend to bequeath a unit to their successors, not living together with them, 2) to grant, and also 3) to sell (on the condition, for example, of life support of the owner, this option is attractive for old people). Especially interesting is the opportunity to transfer housing by right of succession. The fact is, that those who rent an apartment from the state can transfer it by right of succession only

to those members of the family, who are registered in it, while those, who do not, can not receive it. In the case of privatisation the apartment can be transferred by right of succession even to those relatives who are not registered in it. Consequently, the interest of the aged in privatisation of the previously rented housing unit is high.

The authorities in the beginning of the reform tried to speed up the process of privatisation. But then has become obvious, that this process is expiring and the level of privatisation is approaching its 'natural' limit (50 percent in Moscow). If in 1993 there were 600 thousand Moscow apartments privatised, then in 1994 and 1995 only 100 thousand were. Privatisation embraces first of all expensive apartments and those in the city centre. By 1996 in the Central administrative district of Moscow 50 percent of the housing stock was privatised, whereas in the whole city 40 percent was. Those, who firmly know, what to do with their residence in the housing market, privatise their apartments, while those without such confidence do not hurry to take this step.

Municipal housing has been privatised easier, than departmental. The enterprises and the departments offer resistance to privatisation of the houses they hold; they are not eager to part with what they consider their property. In accordance with continuation of economic transformations, an increasing number of enterprises, probably, will be convinced that operating their housing stock is too expensive, and will pass it on to the local authorities.

#### 4.3. Affordability of the improvement of housing conditions

In recent years the cost of construction of housing has grown sharply. It has come closer to a price level in those countries, where the incomes of households are no less than \$ 30 thousand a year, which ten times surpasses the incomes of Russian families. This circumstance makes the perspective of purchasing new housing absolutely elusive for the overwhelming majority.

The material condition for the solvent demand, as the examples of the western countries show, is the appreciable excess by monthly average earnings of the average cost of construction of 1 sq. m of housing at mortgage less than 10 percent a year.

If in the countries of Western Europe the average price of a new standard flat represents an equivalent of 4-6 years of average net wages and in Eastern Europe of 10 years, in the case of Russia this figure surpasses 20 years (Housing in ..., 1996). The situation is aggravated by the practical absence of housing credit as well as an effective mechanism in the credit and tax spheres of the housing sector.

So far the housing policy objectively works in favour of the top and bottom social layers - that is those who are capable already to purchase a cottage or an apartment and those who, though lacking means at all, according to the existing rules have a right to receive municipal housing free of charge. This policy fails to take into account the interests of the urban majority with a medium income (3/4 - 4/5 of all city-dwellers). Such families have certain money savings, but they are obviously insufficient for purchasing a housing unit. At present, according to the survey of city-dwellers, 80 percent of them (mainly belonging to the middle class) see no opportunity to improve their housing conditions. Long-term mortgage credit would help them to solve the problem of purchasing a new residence. However the mortgage is still practically unknown: lending institutions do not trust the solvency of the population and vice versa the population does not trust the reliability of banks. In Russia even the law on mortgages is not available, as the question of land-ownership laws is still has not been solved. These problems stem from the fact that for more than 70 years land was owned by the state. During the life-span of several generations buildings, roads, and public open-spaces were developed without any regard for property rights (Purgailis, 1996).

In the socialist epoch the system of granting the free-of-charge municipal housing to the so-called '*ocheredniks*' (persons in a waiting list) dominated. Such a privilege was given to the families, having less than 5 sq. m of floor area per person, and among them first of all to the invalids, war veterans, large families and the inhabitants of communal flats.

Being on a waiting list for a free-of-charge flat was and still is a long process: for example, in Moscow in 1996 apartments were granted to the families, whose names were put in a waiting list in 1982. Such waiting lists comprise approximately 22-26 percent of Russian urban families (in Moscow, where the housing situation is in general better, the share of such families is lower - 13 percent) (Belkina, 1994). It is noteworthy, that the mass consciousness in Russia still regards housing as something that should be given by state free-of-charge. No wonder, that even now the most frequently expected way of getting housing by people is a waiting list (1/3-1/4), while the second most important opportunity is an apartment exchange - 20 percent (Abankina, Zuev, 1994).

However today the authorities have a little possibility of granting housing free of charge even to the most indigent and socially weakest families.

Only the sales of commercial housing provide the construction of free-of-charge municipal apartments. Today, in order to provide an indigent Moscow family with a free-of-charge apartment, it is necessary to sell 2 or 3 apartments at the 'market' price (though recently a ratio was just the opposite).

The forms of the normal, commercial way of getting housing, orientated to the layers with average income, are gradually developing (a housing bonded loan, accumulation of means in combination with credits on favourable terms).

The housing waiting-list families ('*ocheredniks*') can accelerate receiving a dwelling under the condition that they partially invest their own means (in addition to the subsidy of the urban authorities). In Moscow *ocheredniks* are to pay from 30 up to 95 percent of the cost of an apartment. The size of the grant is calculated in accordance with a special table, which takes into account the duration of waiting time and per capita income in the *ocherednik's* family. The majority of the subsidised receive the help in the amount of 60 to 70 percent of the cost of the housing unit.

The authorities are ready to enter the system of discounts, grants and other mechanisms provided that a certain part of the cost of purchasing housing will be covered by the dwellers themselves. Currently, the major problem of housing policy is the formation of effective demand on housing with the help of 'sparing' models of housing credit. Social guaranties were rather widespread, thus a radical departure from them is perceived by citizens very oversensitively.

#### 4.4. Housing construction

In the socialist epoch housing construction was based on budget assignments and plans; thus, the problems with financing of works did not arise. Nowadays, when the opportunities of either local or federal budgets are extremely limited, the question of financing of construction pushed to the forefront and became the key one.

The transition period is characterised by sharp reduction of volume of housing construction. Only the stagnation of urban population smoothes the housing problem and makes it not so catastrophic. True, the standard of housing construction rises: new dwellings become more spacious and of better quality.

Currently, neither plans, nor central authorities, allocating investments in housing construction, determine its size. Now it is largely a consequence of consumers' decisions, which are caused first of all by household incomes (present and prospective). Instead of the offer, the **demand** becomes the major factor, and the market of the producer is replaced by the market of the investor. Former socialist countries for the first time in many decades met

mass cases of the absence of buyers, that is with a situation of overproduction. As already constructed dwellings have not found their buyers, it was necessary to stop the realisation of many planned building projects - a phenomenon, unknown before.

The fall of demand on housing is caused by three interrelated factors:

- 1) General impoverishment of population, caused by the devaluation of money savings and the decrease of real incomes,
- 2) Sharp growth of the cost of apartments in the condition of stopping of the state subsidies in the sphere of housing construction,
- 3) Commercialisation of the housing credit with the absence (actually) of the state support of investors.

Nowadays, as a rule, the larger the city, the comparatively more housing is constructed in it (in relative figures, per one thousand inhabitants). The situation in housing construction is tightly connected with the incomes of city households.

Private investors' housing construction is growing in importance and private investors have become the main builders. In Moscow in 1995 92 percent of the new housing stock was built using non-budget means. The private companies even during the recession period manage to increase the volume of construction. They set the general high standard of new urban and suburban housing.

Large industrial and transport enterprises, ministries and organisations sharply reduced the volume of housing construction. The 'departmental' segment of construction, previously very strong, now has curtailed. As the industrial enterprises have no money for operational and maintenance costs (central heating, water supply) and capital repairs of the houses belonging to them, urban authorities, if they can afford to, accept the departmental housing stock and objects of social infrastructure (kindergartens, clubs, stadiums, etc.) on their balance sheets. The industrial enterprises which build housing search for the new forms of providing their workers with flats (by instalment selling, by reducing the price of an apartment depending on the experience of work, using the sales of a certain share of apartments at market prices); in any case, the system of completely free-of-charge housing for the staff is over.

Housing cooperative societies (housing cooperatives), rather widespread in the 1960s - 1980s, have reduced their erection of residences both in relative and absolute figures. For instance, in Poland the volume of cooperative housing, built in 1994, made up 1/3 of the level of 1992. The reason: this form of construction also was significantly subsidised by the state.

In the former USSR cooperative housing only partially (30 percent) was financed by tenants, whereas the basic part of the charges was covered by urban and federal budgets. In Russia by 1994 the federal and local subsidies ran low. As a result support of housing cooperatives by local authorities was kept practically only in Moscow.

Thus to enter a housing cooperative is very difficult; the right of priority to enter them is given to preferential groups of the population: first of all to the citizens from the waiting list for free-of-charge municipal housing (if they want to speed up receiving housing), then follow those from the waiting list for entering the housing cooperatives (priority is given to the invalids and the war veterans, and to the families of the lost soldiers, to Moscow-born people).

In 1996 in Moscow 50 percent of the costs of cooperative housing should be paid by the family, 40 percent is planned to be covered by the city budget, and 10 percent will be provided by selling of 10 percent of apartments in each cooperative society at market prices. The citizens should pay 30 percent of the cost of housing at once, prior the beginning of construction, while the remaining 20 percent to be repaid during the construction period.

## 5. SOCIAL SEGREGATION

Social disparities in socialist cities were incomparably smaller, than in the cities, functioning in conditions of market economy. The orientation to minimisation of these disparities was proclaimed as the key purpose of the state policy conducted both at the central and municipal level. Nevertheless, a certain spatial differentiation of population, connected with its social stratification existed over the whole socialist epoch (French, 1995). True, earlier it manifested itself at the level of separate houses and was caused by differential quality of the apartment and house, instead of the residential areas.

The process of equalisation of socio-economic disparities in the cities occurred, then, perhaps, only in the 1950s and 1960s. In the 1970s it was replaced by the obvious increase of distinctions in the level and quality of life of the urban population. Then, the implicit tendency toward territorial redistribution of population subject to social position rather than well-being increased. That was a boom in the construction of houses for the privileged groups and the ruling elite, and the corresponding apartments have been strictly allocated ('distributed').

That change of trends correlated with the introduction into the economy, in general, and into housing construction, in particular, at first of the pseudo-market, and then (with the fall of the communist regimes) of the overt market elements, that reflected the growing interest of the ruling elites in material privileges, housing including. The seemingly forgotten ideas of 'prestigious' and 'non-prestigious' districts and streets became again popular.

The prompt stratification of urban population by level of income should lead to their spatial differentiation. A new suburban settlement of private cottages, surrounded by a continuous stone fence with a protected entrance, serves as a concrete example of overt spatial segregation by income.

The growing tendency towards segregation is testified to, for instance, by the fact, that the 'mixing' of different income groups in a house is very unstable and even 'explosive': the rich families will try to leave such a house at the first opportunity. At the moment often one part of apartments in the multi-storey house is sold at market prices, another part is transferred to the contract organisation at cost, while the remainder is transferred to the city and is allocated among the housing waiting-list households free of charge. As a result one house combines the families from various social and income groups. Those who paid from their own pocket are dissatisfied with the fact that their poor neighbours do not want and cannot bear the additional charges to maintain the entrance and courtyard in a decent condition or even are inclined to vandalism. In their turn, the families, that received accommodation free-of-charge, feel a psychological discomfort from seeing the opportunities of rich life. Not surprisingly, it is difficult to sell apartments, in such 'mixed' houses, since the buyers do not want to live 'nobody knows with whom' (Kaganova, Katkhanova, 1994).

And nevertheless, despite a rapid stratification of the society on a material basis, at the moment it is hard to expect a strong social polarisation of urban space with the formation of vast regions of poverty and of wealth. This statement is grounded on the following circumstances.

- 1) The process of housing privatisation in the cities has gone rather far: the apartments belong to those who dwell in them and the majority of owners are not inclined to sell their apartments.

- 2) The state certainly will hardly refuse the different forms of guardianship and social help to the citizen-owners of apartments, who cannot afford to cover the rent and operational costs.

3) As broad masses cannot afford to buy new accommodation, therefore, a very active process of moves is not expected. Only a solvent demand and active housing construction have created in the western cities not only the socially more or less homogeneous residential areas of various grades, but also a mechanism that ensures the process of moves between socially stratified districts.

4) As the 'nouveau riche' moving to the centre and to the prestigious suburbs comprise people originating from different social layers and from different districts, there is no corresponding obvious 'clearing' of certain residential areas.

5) Post-socialist cities lack distinct 'ethnic' regions, similar to those in big western cities.

Thus, even the complete freeing of market forces will not bring radical transformation of spatial patterns and social segregation in the post-socialist cities. The structures that have formed over the decades of socialism appear to be very inertial.

## 6. PROBLEM OF THE LAND MARKET

In the socialist cities no land market existed and all forms of land-use were supervised by state authorities.

The absence of a land market meant the absence of the effective mechanism for transition from less economic to more economic patterns of land-use. As a result, residential density does not diminish with distance from the centre to the urban fringe and often even increases. It is just the opposite trend to what takes place in western cities, functioning under the conditions of market economy. As for the residents of multi-storey houses on the fringes of the cities, they are not rewarded for long commuting by ecologically cleaner and aesthetically more pleasant environment. Plants, factories, and warehouses which found themselves located close to the city centre have no economic incentive for withdrawal outside the city limits, as land costs them practically nothing. Under the absence of a true land market the factor of land value is not strong enough to compel the factories to economise in their land requirements.

Even taking a market view, housing construction still is conducted under the conditions of the absence of land market. The distributive mechanism of allocating building sites and the logic of socialist city building, which continue to determine the situation in cities, completely ignore the key mechanism of urban land-use in cities in the market economy - the demand (Kaganova, Katkhanova, 1994).

The major part of multi-storey construction occurs on the sites, allocated for mass housing construction according to the former urban master plans, thus continuing the tendencies of socialist economy. As for cottage construction, it is conducted in casual places (where the developer managed to make a bargain with the local authorities).

In the secondary market of housing (purchasing already existing apartments from their former owners) the location factor is distinctly reflected in price. On the contrary, in the primary housing market the factor of the house location works poorly, as the developers are not free in choice of building sites. Consequently, the buyers of new housing also lack choice. At first practically all new housing was bought out, but later when the most acute demand was satisfied, the developers faced non-competitiveness of their production: the housing they offered on the urban periphery had the same quality and price as much better located equivalents offered by the secondary market.

At the moment nobody can sell or buy land in Russian cities: it can be only leased. The zoning of urban territory and the rates of land taxation for each zone have been elaborated. Nevertheless in practice the problem of determination of land payments still exists. The tariffs of land taxation are apparently understated and are many times less than in western cities. As a result city budgets receive much less money than they should. In Moscow in

1994 the receipts from land payments made up just 1.3 percent of the city revenue (in the revenues of western cities this share equals to 20-40 percent).

In the situation of the formation of market relations the authorities are afraid to lose control over urban land. They are not ready for urban land market formation, being afraid, that it will be promptly bought out and will become a basis of hitherto unprecedented speculation. In addition, a psychological and a xenophobic fear of foreign dominance through land-ownership is added (Purgailis, 1996). Therefore, most likely, urban land will be given the legal status of 'the property for usage'. Such approach envisages that land can be sold, bequeathed, exchanged, leased, mortgaged, or included as a share in total assets, but it must belong to city. The 'proprietor for usage' should regularly pay land taxes to the city, unlike the proprietor, who buys land in private property and repays its cost at once. The object of purchasing-selling in this case is fixed capital, located on the site, and there is no division between cost of land and cost of the real estate. In the case of privatisation of the object its owner automatically becomes the owner of the land, on which the object is located. It is considered that in this case the land remains in state (city) hands and simultaneously does not impinge upon the rights of the land-users, giving them all opportunities for extracting entrepreneurial income.

Thus, the most urgent and dominant problem of housing market development is the elaboration of the market-orientated municipal land policy. Of course, the ideal would be a policy which sets up the mass market of rights on land parcels. But as the authorities of many cities are not prepared for this kind of policy, at the first stage it would be possible to be content with the reorientation to the 'centripetal' concept of urban development and to introduce mechanisms of accounting for real territorial demand of the developers and buyers of all types of real estate.

## 7. CHANGES IN THE CITY CENTRE

Especially striking transformations, as already mentioned, took place in the centre of the post-socialist city, and the centre of Moscow is an uncontestable leader in these changes. Such a powerful renovation the centre of Moscow did not know for several decades: in the period of mass housing construction on its periphery (that is since the late 1950s) the gentrification of the historical nucleus has been neglected.

The transition period has coincided with the termination of the fast population growth of Moscow and other big cities, which provoked urban sprawl. As inside the city there are practically no vacant parcels free for mass construction, the Moscow authorities now pursue a course of using the interior territorial reserves (including the former fields of aeration or inconvenient hill slopes) and of reconstruction of the existing built-up quarters.

As socialist cities always experienced a severe shortage of facilities for retailing, catering, and services, in the transition period they at times in a spectacular quantity invaded the urban centres. It is trade and services that fill too strict and prim central streets with genuine life. This has been a very unaccustomed feature of the post-socialist city centre landscape - a quick transformation of the type of usage of the ground floor level. On the one hand, the tenants of the premises are constantly changing and, on the other, they refurbish the interiors of shops, restaurants, etc.

After trade and services the centre is filled by numerous offices - at first they use the already existing houses, but then the new buildings, specially designed for office activity, appear.

The metropolitan authorities initiate the process of reconstruction of urban centre on a wide scale, but the scope of work is restrained for financial reasons (the city treasury lacks enough money). The reconstruction of the housing stock in the centre is not limited to

cosmetic repair. The capital refurbishment of seriously dilapidated buildings very often is forced to retain only a facade out of the whole previous house.

In the centre, where land has become especially value, the built environment (for either accommodation or economic activity) is becoming more dense and rational. One-storeyed constructions without serious value, which hinder development, are being removed. On empty spots in the courtyards houses designed especially for offices quickly appear. When possible, the existing buildings grow upwards: top floors or attics are added.

Vacant parcels, which are extremely rare in the centre, attract investors and developers. Rather widespread is the practice in which private investors in exchange for the payment for construction works receive from municipalities the right of a long-time lease of a part of new premises.

As the centre is especially attractive for the wealthy, there occurs a very fast relocation of the dwellers of communal flats. Paradoxically, now the inhabitants of the centre move to new apartments much more frequently than even in the years of high rates of mass construction.

The focus in commercial housing construction also shifted to the central quarters from urban periphery, where for over four decades mass construction was conducted. The reason: solvent people (and only they can afford buy new accommodation) do not want to settle on the urban fringes: they are inclined to purchase more expensive accommodation, but in the prestigious central area (the cost of an apartment in old houses varies from \$ 1,000 to \$ 3,000 per 1 sq. m). The construction in the centre is profitable for the building companies; the infrastructure there is well developed and the effect of capital investments is high.

## 8. SUBURBANISATION

In the former socialist countries the processes of suburbanisation did not play such an essential role, as in the advanced capitalist countries. Socialist cities as compared with their counterparts in the West in general were more compact and more densely populated. There was no mass rehousing of inhabitants from the nucleus of the agglomeration to its suburban zone. Under the conditions of the '*propiska*' restriction of settling in large cities proper, the population of their suburban zones grew due to in-migration from outside agglomerations (that is from rural areas and small towns).

One of the main directions of current changes in the suburban zones is the construction of one- or two-storey houses and cottages on personal plots of land. The ratio between cottage construction and multi-storey construction will change in favour of the former. High-rise construction will be retained only in big cities equipped with all engineering infrastructure needed. Cottages and small houses will be built on free (often on recultivated) sites within the big cities, but mostly in suburban zones. The share of cottage and small house construction should increase even in Moscow - from 10-15 percent up to 30 percent.

Suburbanisation in Russia is closely connected with traditional '*dacha*' settlements - summer houses, seasonally used by city-dwellers as second homes. Up to 20 percent of families in big cities have such dachas - as a rule, wooden houses, with a very limited set of conveniences (usually only electricity and running water are available) and a garden. The dacha settlements stretch along basic railways and (to a lesser degree) along highways, radiating from big cities. Such dacha settlements around Moscow spread alongside certain railway radii without breaks for 30 kms.

The desire to have a holiday house in the garden is an important feature of Russian life and culture. For many households it is a good opportunity for spending week-ends and holidays in nature, outside their small and standard urban apartments. In the 1970s and 1980s a wide and planned allocation (practically free of charge) of small garden sites took



place. But, these spots, being already unavailable close to the cities, could be received only rather far from them. True, the state policy allowed the erection only of a small light house. The settlements of such small houses frequently have an extremely poor infrastructure, and when the paved roads are unavailable these distant settlements become difficult to reach.

The dachas, especially those that possess all conveniences and lie near the city, can be used as an all-year-round home. Under the new economic conditions, when a car and building materials have ceased to be in shortage, the reconstructed summer houses can become permanent dwellings. Today people begin to think over the question of relocating to dacha leaving the urban apartment to the adult children.

Surveys show that 15-20 percent of big-city dwellers would like buy dachas (mainly, the summer modular houses) or, if they already possess them, then to reconstruct them in order to use them practically all the year round as a second dwelling. The demand for dacha construction, as opposed to urban construction, is characteristic not only of well-to-do families, but also of families with an average income.

People answering questions concerning their accommodation preferences increasingly name a small house or a single-family cottage. Earlier such preferences practically did not arise, as the latter types of housing have been absolutely replaced by panel prefabricated multi-storey houses. The reorientation of preferences of a significant part of city-dwellers in favour of small houses with a garden coincides with the revision of the official city planning policy making an accent on suburban cottage construction.

In 1992 there was a Presidential Decree on the allocation of sites in Moscow Oblast for small house and cottage construction, and in 1993 the works began. The project envisaged the construction by 2000 in the Moscow metropolitan region of 140,000 cottages. Their floor area would equal about half of the housing fund already existing in Moscow. However this too optimistic plan could not come true. The construction, for which a few thousands hectares of suburban land were allocated, resulted in much smaller real housing construction and in a shortage of buyers (in 1994 and 1995 only 80 percent of housing units had been sold). The causes are well known: 1) the discrepancy between the purchasing power of the population and the cottage price; 2) the lack of mortgage development. The fact is, that the primary demand was quickly satisfied, while the number of new buyers was insufficient.

As the prices on housing have sharply risen, the developers try to find less expensive variants. It is possible to reduce the cost of construction and at the same time to accelerate the building process by introducing the new technology of assembling houses from modules. True, the 'modular cottages' erected according to western technology are not to the Russian taste, which gives priority to brick houses, as a symbol of reliability and solidity (in 1995 they made up 78 percent of all constructed cottages).

The new policy of the developers, building small houses, consists of grouping of cottages (not individual, but for several families) into separate settlements with their own infrastructure close to the satellite cities around Moscow. The price of an apartment in such cottages is about \$ 100,000; that is some times less, than its equivalent - a single-family house. The block form of housing of the 'town house' type emerges; it is characterised by vertical division, where a block-section belongs to one owner.

The buyers pay special attention to prestigious zones (close to governmental summer residences) and the proximity of the Moscow Orbital Motorway. In direct proximity to the capital the two- and three-level cottages of western type, with large floor area (from 250 to 600 sq. m) appeared.

## 9. GENERAL STRUCTURAL SHIFTS IN NATIONAL SETTLEMENT SYSTEMS

The specificity of the development of systems of cities in the former socialist countries was caused not only by the absence of market mechanisms in the economy, but also by

implementation of special urban policy. A long-term objective of this policy was a uniform development of settlements and liquidation of social distinctions in the conditions of life between a city and rural area. In practice this policy was expressed in the strategy of the controlled growth of urban agglomeration and of restraining the population growth of the biggest cities.

In the transition period there was an infringement and partial change of the main trends, which characterised the development of the settlement systems of the socialist countries over the whole post-war period. The most prominent among recent changes: the growth of urban population has definitely diminished and a great number of cities now experience a population decline. Firstly, the net-gain of migrants from rural areas turned into a net-loss. Secondly, since the mid- 1980s the natural gain of population has been diminishing and even natural loss can be observed. There is a distinct dependence, according to which, the bigger the population of the city, the more dynamic its growth is. This dependence becomes much more sophisticated, and the growth of a city is effected rather by its particular economic functions, geographical position, state of infrastructure, environmental amenities, and efficiency of the local government activity.

The transition from the centrally planned 'socialist' economy to the market stimulated forecasts concerning the anticipated changes of the trend in the settlement system. One such forecast predicted the amplification of the processes of concentration of population in big cities and urban agglomerations and the corresponding recession in small urban centres. Actually, however, the anticipated concentration of population is not observed (Korcelli, 1995). This forecast stemmed from the assumption that barriers existed in the centrally planned economy, and there will cease to be constraints on the growth of big cities, under the market. The centralised allocation of investments, a uniform national system of prices and wages, and the extensive use of the labour force and natural resources were the factors for smoothing of interregional disparities in economic development, which in turn counteracted the spatial concentration of population. In addition, in the big cities there was a policy of severe restriction of the inflow of non-residents by means of strict restrictions in registration (the system of *propiska*), which was necessary for getting a job as well as housing in the state or cooperative sectors. In Moscow the system of *propiska* was cancelled only in 1996 but simultaneously the institute of registration was established. The new form also has the objective of constraining the inflow of non-residents, for it requires those who move to pay a colossal sum (formally for the usage of urban social and technical infrastructure).

It is necessary to take into account that plenty of root features of the socialist economy de-facto favoured the big cities growth. First of all, this growth was due to the development of the cities' industrial base, especially that of manufacturing. Secondly, the growth of big cities was in many respects determined by a huge focusing of administrative functions there. And thirdly, the large cities were receiving the lion's share of investments in infrastructure (again at the expense of the centres of smaller size).

In the nearest future, the growth of population in big cities and urban agglomerations should be favoured by the fact, that from 1995 to 2005 the cohort born during the demographic peak of 1975-1985 enters the active age (Korcelli, 1995). This circumstance is capable of expanding decreasing flows of population inside the country. Changes in the agricultural sector also can result in a flow of migrants from rural areas to the big cities. However the growth of big cities and agglomerations can be counteracted by a strong economic factor, such as a long-term structural crisis.

In general, although from 1995 to 2005 the acceleration of population growth in the big cities and agglomerations is expected, the absolute population gain cannot be significant.

In spite of the fact that in big cities and agglomerations the labour markets are more balanced, than outside them, one cannot forget, that over the transition period they have already lost a fair number of jobs. Secondly, there was the further fall in housing construction, mainly owing to the termination of the state subsidies in it. Lastly, the cost of living in the big cities is appreciably higher, than in the smaller ones, whereas consumer goods ('a shortage') and services now have become accessible in small cities as well (previously, trips to a big city and even to the capital were necessary).

## 10. CONCLUSION

The political and economic transition in the former socialist countries initiated a transformation in the territorial organisation of cities, mainly of the big ones.

However the concentration of population in big cities and urban agglomerations under the conditions of economic recession does not occur. The main changes took place at a local level - in the socio-economic sphere. So far predominantly the soft, flexible elements of environment, capable of bringing fast economic benefit, are the first that undergo changes under the 'marketisation' and commodification of the city. These elements, being easily noticed, definitely change the cityscapes for the better.

The overwhelming majority of particular changes in the urban fabric connected with the already-existing buildings and premises, rather than with new construction. As these premises are in an unsatisfactory technical condition, they are subject to reorganisation.

Marketisation very quickly improves the previously neglected retailing trade, but it is not capable in a short period of alleviating an acute housing problem. Now, the burden of its solving is shifted off the state building sector onto the private one. As this process must be very long (it will take not less than several decades) and sensitive, the cities can become areas of growing social pathology. The emphasis of the city authorities' activity will gradually move from housing to environmental problems and the improvement of the infrastructure of the city. The environmental factor, undoubtedly, will render an increasing influence on the process of redistribution of population within the urban agglomerations.

In the near future it is possible to expect the following changes in the functional differentiation of space in post-socialist cities:

- 1) Gentrification of the urban centres, its territorial expansion and greater interior specialisation,

- 2) Underinvestment and, therefore, dilapidation of the districts which serve as 'sleeping rooms' of a city (that is the quarters of standard mass construction) in the intermediate and outer urban belts as an effect of reorientation of investments and construction activity to the centre and prestigious suburbs,

- 3) Suburbanisation - the expansion of cities on the adjoining green territories.

In the next few years investments will be directed mainly toward the emerging and quickly expanding office sector and retail trade. The substantial gentrification will affect predominantly the prestigious regions of cities, that boast a historical and architectural 'flavour'. As to new housing construction, it will be limited predominantly to the construction of houses and apartments for a rather narrow stratum of well-to-do people.

The changes of function of a place, affecting first of all city centres, are attributable to the emergence of a new economic phenomenon - differential rent according to location. The difference between the price that is paid for a square meter in the centre and on the edge of the city, reflects the cost of a site in the urban market economy, now under formation.

It is necessary to expect the escalation of polarisation in the development of various cities. The number of cities with worsening economic activity will increase, but simultaneously the number of cities experiencing economic growth will also increase. Similar polarisation will be stimulated by the production cycles of the economy, the

tendency to the post-industrial type of development, and the bankruptcy of many industrial enterprises. The polarisation will be especially appreciable in the group of medium and small 'one company' industrial cities.

Thus, cities in their development must to an increasing degree rely on their own resources, interior economic base, geographical and transportation position, as the state redistributive policy has already ceased. Instead of it, a severe competition between cities, struggling for investments, new functions, and prestigious projects, is emerging.

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