

**RESIDENTIAL DIFFERENTIATION, HOUSING POLICY  
AND URBAN PLANNING IN THE TRANSFORMATION  
FROM STATE SOCIALISM TO A MARKET ECONOMY:  
THE CASE OF TALLINN**

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# ABSTRACT

The thesis examines urban issues arising from the transformation from state socialism to a market economy. The main topics are residential differentiation, i.e., uneven spatial distribution of social groups across urban residential areas, and the effects of housing policy and town planning on urban development. The case study is development in Tallinn, the capital city of Estonia, in the context of development of Central and Eastern European cities under and after socialism.

The main body of the thesis consists of four separately published refereed articles. The research question that brings the articles together is how the residential (socio-spatial) pattern of cities developed during the state socialist period and how and why that pattern has changed since the transformation to a market economy began. The first article reviews the literature on residential differentiation in Budapest, Prague, Tallinn and Warsaw under state socialism from the viewpoint of the role of housing policy in the processes of residential differentiation at various stages of the socialist era. The paper shows how the socialist housing provision system produced socio-occupational residential differentiation directly and indirectly and it describes how the residential patterns of these cities developed. The second article is critical of oversimplified accounts of rapid reorganisation of the overall socio-spatial pattern of post-socialist cities and of claims that residential mobility has had a straightforward role in it. The Tallinn case study, consisting of an analysis of the distribution of socio-economic groups across eight city districts and over four housing types in 1999 as well as examining the role of residential mobility in differentiation during the 1990s, provides contrasting evidence. The third article analyses the role and effects of housing policies in Tallinn's residential differentiation. The focus is on contemporary 'post-privatisation' housing-policy measures and their effects. The article shows that the Estonian housing policies do not even aim to reduce, prevent or slow down the harmful effects of the considerable income disparities that are manifest in housing inequality and residential differentiation. The fourth article exam-

ines the development of Tallinn's urban planning system 1991-2004 from the viewpoint of what means it has provided the city with to intervene in urban development and how the city has used these tools. The paper finds that despite some recent progress in planning, its role in guiding where and how the city actually developed has so far been limited. Tallinn's urban development is rather initiated and driven by private agents seeking profit from their investment in land.

The thesis includes original empirical research in the three articles that analyse development since socialism. The second article employs quantitative data and methods, primarily index calculation, whereas the third and the fourth ones draw from a survey of policy documents combined with interviews with key informants.

**Keywords:** residential differentiation, housing policy, urban planning, post-socialist transformation, Estonia, Tallinn

# TIIVISTELMÄ

Tutkimus käsittelee asuinalueiden erilaistumista, asuntopolitiikkaa ja kaupunkisuunnittelua siirryttäessä sosialismista markkinatalouteen. Erilaistumisella tarkoitetaan sitä, miten sosiaaliset ryhmät ovat jakautuneet kaupunkialueille. Tapaustutkimuskohteena on Tallinna, mutta sen rinnalla tarkastellaan yleisemmin itäeurooppalaisten kaupunkien kehitystä.

Väitöskirjan keskeisin osa ovat neljä itsenäistä tutkimusartikkelia. Ne yhteen kokoava tutkimuskysymys on, kuinka asuinalueet erilaistuiivat sosialistisena aikana sekä miten ja miksi tilanne on muuttunut markkinatalouteen siirryttäessä.

Ensimmäinen artikkeli on kirjallisuuskatsaus, joka käsittelee asuinalueiden erilaistumista Budapestissa, Prahassa, Tallinnassa ja Varsovassa sosialistisena aikana. Tarkastelun keskiössä ovat asuntopolitiikan linjaukset sosialistisen ajanjakson eri vaiheissa ja se kuinka ne suorasti ja epäsuorasti vaikuttivat erilaistumisprosesseihin.

Toinen artikkeli analysoi sosiaalisten ryhmien jakautumista Tallinnan kahdeksan kaupunginosan ja neljän erilaisen asuntotyypin välillä vuonna 1999 sekä kaupungin sisäisen muuttoliikkeen vaikutusta erilaistumiseen. Artikkelissa kritisoidaan kirjallisuudessa usein esitettyjä yksinkertaistavia käsityksiä nopeasta erilaistumisesta ja muuttoliikkeen suoraviivaisesta vaikutuksesta siihen Itä-Euroopan suurimmissa kaupungeissa 1990-luvulla. Erilaistuminen kyllä lisääntyy siten, että parempituloiset ovat vapaampia käyttämään asuntomarkkinoiden tarjoamia uusia mahdollisuuksia, ja siten että heikompituloiset joutuvat mukauttamaan asumistasoaan tulojensa mukaiseksi. Vielä 1990-luvulla asukkaiden liikkuvuus oli kuitenkin suhteellisen vähäistä. Tallinnan asuntomarkkinat ovat vilkastuneet 2000-luvulla, mikä viittaa suurempaan liikkuvuuteen, mutta on edelleen avoin tutkimuskysymys missä määrin keskituloiset ovat niillä mukana, tai jos ovat, niin miten erilaistavia, sosiaalista kaupunkirakennetta merkittävästi muuttavia valintoja heillä on varaa tehdä.

Esimerkiksi lähiöiden taantumisesta ei ole vielä merkkejä, vaan ne edustavat neutraalia standardiasumista, kuten ennenkin. Selvin uuden erilaistumisen indikaattori Tallinnassa on uusien ja läpikotoisesti kunnostettujen asuinrakennusten keskittyminen keskustaan, sen liepeille ja pientaloalueille. Näihin pystyvät asettumaan vain suhteellisen hyvätuloiset.

Kolmas artikkeli tarkastelee Viron valtion ja Tallinnan kaupungin 2000-luvulla harjoittaman asuntopolitiikan vaikutusta Tallinnan asuinalueiden erilaistumiseen. Artikkelin osoittaa, että Virossa asuntopolitiikka ei ole pyrkinyt vähentämään, ehkäisemään tai hidastamaan erilaistumista eikä asumisoloihin liittyvän eriarvoisuuden syvenemistä. Tulevaisuuden haaste ja todennäköinen uuden erilaistumisen tason tuottaja ovat suurimittakaavaiset peruskorjaukset, joihin sosialistisena aikana laiminlyödyssä asuntokannassa on tarve. Odotettavissa on talo- ja aluekohtaista asukkaiden valikoitumista sen mukaisesti kenellä on korjauksiin varaa, ja seurauksena entistä selkeämpi asumistason erilaistuminen suhteessa tuloihin.

Neljäs artikkeli tarkastelee Tallinnan kaupunkisuunnittelujärjestelmän kehitystä. Näkökulma on minkälaisia välineitä se on tarjonnut vaikuttaa kaupunkikehitykseen ja kuinka Tallinnan kaupunki on näitä välineitä käyttänyt. Artikkelin johtopäätös on, että vaikka kaupunkisuunnittelun asema on vahvistunut viime vuosina, Tallinnan kaupunkikehityksen suunnan osoittavat edelleen yksityiset voimat tavoittelevat toimijat.

Väitöskirjan empiirisessä analyysissä yhdistellään erilaisia aineistoja ja metodeja. Toisessa artikkelissa käytetään kvantitatiivisia metodeja, etenkin indeksilaskentaa, aineistona Viron tilastokeskuksen keräämä työvoimatutkimus. Kolmas artikkeli perustuu politiikkaohjelmien analyysiin täydennettynä asiantuntijahaastattelulla. Neljäs artikkeli perustuu suunnittelulakien, rakennusjärjestysten ja keskeisten suunnitteludokumenttien analyysiin, jota on täydennetty asiantuntijahaastattelulla.

**Asiasanat:** Asuinalueiden erilaistuminen, asuntopolitiikka, kaupunkisuunnittelu, post-sosialismi, Viro, Tallinna



## Foreword and acknowledgements

‘It’s only a research course!’ This is what I taught when I joined the Nordic-Baltic research project on transition and social change for a year as a young under-graduate student in sociology back in October 1993. I had just become interested in urban sociology and therefore suggested carrying out my educative mini-research on an urban topic. My choice was a classic issue, residential differentiation; for practical reasons I chose to concentrate on Tallinn, the nearest city in transition, located just 85 kilometres south of Helsinki on the other side of the Baltic. The Estonian colleagues whom I met during my first research visit in early spring 1994 were less convinced: to obtain quantitative research data was a particular problem, and one would need to have endless information on local urban history, how the socialist system worked, what kind of transition Estonia was going through, and so on, to be able to research Tallinn’s residential differentiation meaningfully. Plenty of things have happened since, but the ‘research course’ indeed and the ‘educative mini-research’ has now culminated twelve years later in the defence of a PhD thesis.

The truly academic part of this research began in 1999 when I joined the Department of Social Policy at the University of Helsinki and started to work on my PhD. Completing the job now, I want to express my deepest gratitude to my supervisor, Professor Anne Haila. I was lucky enough to be supervised by a devoted academic who always gave me the most astute criticism and comments about my various manuscripts. Anne also did her best to teach me to write precisely and concisely. While I’m not sure whether I’ll ever reach the standards of the Haila School of Urban Studies in this matter, but I am very grateful to have been taught by you, Anne.

The Graduate School of Urban and Regional Studies (1999–2002), coordinated by Mervi Ilmonen at the Helsinki University of Technology, Centre for Urban and Regional Studies, was another important context for my education as an urban scholar. The small and intimate group of students as well as local and visiting professors enabled excellent discussions on challenges in writing good urban research. Another good place to present my manuscripts was the Urban Studies seminar arranged together by the Departments of Economics, Social Policy and Sociology at the University of Helsinki. I also want to thank collectively the workshop participants of the con-

ferences of European Network for Housing Research (ENHR) and Urban Studies workgroup (RC21) of the International Sociological Association for their comments and remarks on my papers which were always further developed after these occasions. Finally, I want to thank the thesis pre-examiners Professor Robert Beauregard (The New School University, New York) and Dr Ivan Tosics (Metropolitan Research Institute, Budapest) whose valuable comments helped me to revise the summary article. Professor Beauregard had already made constructive criticism on my manuscripts in his role as visiting Professor of the graduate school.

To get a better perspective on the development of Central and Eastern European cities, I made research visits to Prague, Budapest and Warsaw between 2000 and 2001. I want to thank sincerely my local hosts Dr Ludek Sýkora (Charles University, Department of Social Geography and Regional Development), Dr Zoltán Kovács (Hungarian Academy of Sciences, Geographical Research Institute) and Professor Grzegorz Węclawowicz (Polish Academy of Sciences, Institute of Geography and Spatial Organization). All these true connoisseurs of their cities kindly found time for discussions that allowed me to challenge my ideas about cities under and since socialism and learn how should I develop these ideas.

I want to thank Anneli Kährrik in Estonia for co-authoring one article and becoming a real friend in that process, as well as Triin Ojari, Dr Katrin Paadam and Dr Tiit Tammaru for their advice and encouragement. I also want to thank everybody whom I have interviewed through the years for their generally positive attitude towards academic urban research. Furthermore, I owe deep gratitude to my dear friend Indrek Pajumaa for hosting me in his flat in Tallinn many times and sharing numerous drives to different corners of Tallinn and beyond to explore various layers of architecture and urban development, a passion for both of us. Thank you Indrek also for your patience in talking with me in Estonian when I was only learning the language.

As to the first phase of the 'research course', I am grateful to the Urban Facts research institute of the City of Helsinki, in particular its leader, Professor Harry Schulman, who believed in me as a promising young researcher in the 1990s and contracted me to several projects involving research on Tallinn. This is when I acquired my broad background knowledge of Tallinn's urban transformation that laid the indispensable foundation to write more decently constructed academic research later on. Professor Markku Kivinen who was my supervisor in the Nordic-Baltic project has also

encouraged me along the way. The researcher network Stadipiiri provided fascinating insights into urban sociology and urban geography when these were hardly taught at Finnish universities, and moreover they were great company.

I also want to thank all my friends inside and outside of the academy for their company and all the good times during this long project. My former wife Liisa Sippola deserves an extra mention for her care and support. Finally I want to thank my parents Arja and Ilkka Ruoppila for their continued support and trust in what I do.

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During the years I have been involved in urban research, all of my offices have been located in the vicinity of Unioninkatu, one of the old main streets of Helsinki. Since invaluable ideas often came to my mind as I left the office late and walked home along this street, I am happy to dedicate my work to Unioninkatu.

Helsinki 28 June 2006

Sampo Ruoppila



# LIST OF ORIGINAL PUBLICATIONS

The studies included in the thesis and summarised in the introductory article are as follows:

## Article I [History]

Ruoppila, S. (2004) Processes of residential differentiation in socialist cities: literature review on the cases of Budapest, Prague, Tallinn and Warsaw, *European Journal of Spatial Development*, <http://www.nordregio.se/EJSD/>, Refereed Article no. 9, 24 pp.

## Article II [Pattern]

Ruoppila, S. and Kährik, A. (2003) Socio-economic residential differentiation in post-socialist Tallinn, *Journal of Housing and the Built Environment*, 18 (1), 49–73.

## Article III [Housing policy]

Ruoppila, S. (2005) Housing policy and residential differentiation in post-socialist Tallinn, *European Journal of Housing Policy*, 5 (3), 279–300.

## Article IV [Urban planning]

Ruoppila, S. (forthcoming) Establishing a market-orientated urban planning system after state socialism: the case of Tallinn, *European Planning Studies*.



# SUMMARY ARTICLE

## 1 Introduction

The collapse of communism in Central and Eastern Europe in 1989, and the disintegration of the Soviet Union two years later, is undoubtedly one of the major societal transformations of our time. This doctoral thesis examines urban issues arising from this transformation. The main topics are residential differentiation, i.e., uneven spatial distribution of social groups across urban residential areas, and the effects of housing policy and town planning on urban development after withdrawal from state socialism. The case study is development in Tallinn, the capital city of Estonia, in the context of development of Central and Eastern European cities under and after socialism. References are made especially to research on Budapest, Prague and Warsaw, the most studied cities in the region. The empirical research of the thesis, however, mostly expands on these topics, so that only seldom could the results on Tallinn be directly compared. The concept of 'socialist cities' in the thesis means all real cities that developed under state socialism, and the concept of 'post-socialist cities' to these cities after the collapse of state socialism. 'Post-socialism' is used as a term referring to the period that has followed since state socialism, but in which a significant socialist legacy must be taken into account in the analysis.

Chris Pickvance (2002: 184, referring to Kornai, 1992) notes that writers tend to approach state socialist societies using a theoretical model of state socialism which has the following features: an economy in which all units are state-owned, central planning of these units, a polity monopolized by the Communist Party position, and integration of party and state structures into an

interconnected whole. In urban studies, significant state ownership of land and housing stock, prioritising of public rental housing as well as considerable state control over land use, financial resources and political decision-making by cities are usually considered as the key characteristics of the state socialist mode of urban development (Sailer-Fliege, 1999; Vesselinov, 2004; Tosics, 2005). Deviations between the model and reality are explained as due to the complexity of the real world compared with the abstraction of any model, the phases of development of state socialism, which brought with them different policy priorities, and the mixture of 'non-state socialist forms' resulting from the 'legacy' of pre-socialist forms and/or the emergence and authorities' tolerance of capitalist forms during state socialism (Pickvance, 2002: 184). In this thesis, the first research article [History] discusses processes of residential differentiation under these conditions.

The main feature of post-socialist transformation has been decrease in state control and its changing character. While the power of individual agents, their representative organisations and commercial activity have increased, some of the former state power has been decentralised to municipalities. Moreover, the former direct control of private agents by the state agencies has been replaced in many cases by indirect methods of regulation that enable private initiative. The main pillars of the former socialist city-development mode have been abandoned through the processes of democratisation, decentralisation and privatisation (Tosics, 2005). The second article [Pattern] discusses claims that how the reintroduction of a market economy has led to rapid reorganisation of the socio-spatial structure. The last two articles, [Housing Policy] and [Urban Planning], examine the role of public intervention in urban development after withdrawal from state socialism.

The research question that brings the four articles together is how the residential (socio-spatial) pattern of cities developed during the state socialist period and how and why that pattern has changed since the transformation to a market economy began. Each article has its own more specific research question and topic of enquiry. The analysis focuses on the development since socialism, which is explored in three articles, whereas only one concentrates on the socialist era. Article 1 [History] reviews the literature on residential differentiation in Budapest, Prague, Tallinn and Warsaw under state socialism from the viewpoint of the role of housing policy in the processes of residential differentiation at various stages of the socialist era. Article 2 [Pattern]



takes a critical view of the simplified descriptions of increasing residential differentiation in post-socialist cities offered in most studies. The article provides an analysis of the distribution of socio-economic groups across Tallinn's eight city districts and over four housing types in 1999 as well as examining the role of residential mobility in differentiation. Article 3 [Housing Policy] analyses the role and effects of housing policies in Tallinn's residential differentiation. Article 4 [Urban Planning] examines the development of Tallinn's urban planning system from the viewpoint of what means it has provided the city with to intervene in urban development and how the city has used these tools. The two last articles cover development in Tallinn until the end of 2004 empirically.

This research is relevant to three issues. First, the thesis illustrates how the transformation has quickly and profoundly changed the conditions of urban development in Central and Eastern Europe. The Tallinn case study provides detailed analysis of what the abandonment of socialist redistribution policies and replacement by policies compatible with adopted liberal economic doctrines means. Secondly, the thesis contributes to understanding how the transformation has been reflected in urban change, particularly urban residential structure. The study identifies mechanisms through which a 'socialist' pattern of residential differentiation emerged as well as those through which it is now being dismantled, and discusses factors that accelerate or decelerate the change. How the consequences of this rapid systemic break unfold provides a unique chance to study the features of capitalist urban development. Thirdly, this thesis raises questions about the quality of current policy choices in terms of how the public administration aims to manage or regulate urban change. Discussing the development of housing policy and urban planning in Tallinn from the perspective of what has been done as well as what kind of intervention has been overlooked, the thesis aims to shed light on the likely outcomes of the current development, and to encourage societal and scholarly discussions about their desirability and possible alternatives. The thesis contributes to introducing developments in the Central and Eastern European cities to discussion on variation in urban development produced by dependence on the implementation of policy (e.g., Marcuse and Van Kempen, 1999; Kazepov, 2005).

My research framework draws from political economy and institutionalism rather than neo-classical perspective in urban studies. By this I mean that

the thesis focuses on the societal conditions of residential differentiation rather than individual residential choice. This does not mean, however, that I belittle the significance of individual choice, especially in terms of more fine-grained aspects of residential differentiation such as life-style or family situation, for instance. Nevertheless, I restrict analysis in this research to the change in the financial and other constraints on access within which those choices are made – either voluntarily or involuntarily. The altered character of inequality, i.e., difference in opportunity between social groups as regards housing access and residential differentiation, is a critical topic. However, the use of a neutral concept of residential differentiation mainly, instead of segregation, is a conscious choice, which indicates my intention to consider urban change and the uneven spatial distribution of social groups in general. The spatial concentration of socially disadvantaged groups, to which I refer by the term segregation, and the mechanisms leading to it, is only one aspect of the study.

In the next three sections I shall introduce the theoretical framework of the research articles, followed by a section on research questions, data and methods and a section on the main findings. The two following sections suggest ideas for further research, section 7 regarding residential differentiation processes referring particularly to Tallinn, and section 8 concerning comparative research on differences in the development of the socio-spatial pattern of former socialist cities.

## 2 Theories of residential differentiation in socialist cities

The theoretical background of [History] is composed of two bodies of literature, first, on housing allocation in socialist cities, and second, on whether there was a characteristically state socialist residential pattern. The first body of literature originates from the observations concerning the realisation of the aims of housing distribution; social equality and the elimination of capitalist class-based segregation have been considered as important aims in developing socialist cities (e.g., French and Hamilton, 1979). To attain this goal, the socialist states introduced a housing system that emphasised the state's role in production, ownership and the allocation of housing, making practically all income groups dependent on publicly subsidised housing, as described in the theory of the East European housing model (also referred to as the socialist housing model) of Hegedüs and Tosics (1992; 1996; 1998: 139–145). The centrally planned housing systems undoubtedly did facilitate the social engineering of local residential composition. Early studies on socialist cities, including those by Musil (1969), Hamilton (e.g., French and Hamilton, 1979: 16–17) and Matejů et al. (1979), shared the belief that the socialist allocation of housing had succeeded in preventing occupational residential segregation, and that the housing inequalities which could be discovered were those inherited from the capitalist past. That viewpoint was strongly challenged by Iván Szelényi in his seminal work *Urban Inequalities under State Socialism* (1983, originally published in Hungarian in 1972). His argument was that the socialist system also created urban inequalities but in a qualitatively different way: under the socialist shortage economy, scarce goods such as new or better

housing were more likely to be given to certain groups of people, particularly those working in 'important' jobs. Szelenyi therefore concluded that administrative allocation did not reverse the capitalist market method of allocation as a source of urban inequality, but replaced it.

This 'theoretical conception of the state socialist housing system as distributing resources in an inherently regressive way' (Pickvance, 2002: 190), developed by Szelenyi, is arguably the best-known piece ever written about socialist cities. As Pickvance writes, this study 'provided a chance to see how state socialism worked in practice' and in the debates that it started 'the narrow topic of housing allocation' was transcended 'to raise major issues about the character of state intervention and resource distribution in different types of society' topical at the time of its publication (Pickvance, 2002: 188 and 191). The strong influence of Szelenyi's theory can still be seen in a tendency in urban and housing studies to approach 'the socialist distribution system' as a static ideal type which is compared with 'the capitalist system', another ideal type (for a recent example, see Vesselinov, 2004).

While the most significant elements of Szelenyi's theory have not been questioned, it has been criticised for being too static to explain the variation in real developments in socialist cities during the state socialist decades. This is because 'the principles of the non-market allocation of housing under socialism have changed' (Musil, 1987: 29). The alternative and complementary theory, which I shall call the theory of altering intervention in socialist housing distribution, of which the first example is a Budapest case study by Hegedüs and Tosics (1983), explains variation in urban inequality as a result of changes in the government's housing policy. Szelenyi (1987) has denied the value of this alternative theory, stating that no matter what the changes, the well-off were always more advantaged in socialist housing systems. However, this does not undermine the value of the theory suggesting how those advantages materialised and how the policy changes affected the rest of the population during the various periods of state socialism. The majority of scholars who have studied real trends in housing distribution in socialist cities agree that both the value accorded to an applicant's labour (i.e., merit) and the various indicators of housing need were used as an allocation criterion, both to a varying extent (see Węclawowicz, 1996: 78–79). The value of the theory of altering intervention is its ability to explain changes in that variation between particular time periods.

The second body of literature concerns the question of whether socialist cities had a particular residential pattern. A number of case studies have shown that the spatial distribution of social groups was uneven in socialist cities. Most studies concern the pattern of socio-occupational residential differentiation in a single city at one point of time and give only little attention to the processes through which the pattern had developed. The interpretations of the form of socio-spatial pattern in cities and the degree of inequality suggested in these studies have differed greatly (see [History], p. 4), but so too have the methods and spatial scales used in the analyses. It is thus difficult to conclude how much the observed differences are due to the particular method used and how much about real differences. Nonetheless, it is generally agreed that socialist cities had relatively low socio-occupational residential differentiation – lower than capitalist cities in general (Smith, 1996; Pichler–Milanovich & Dimitrowska–Andrews, 2005).

These two bodies of literature combine in the question of the importance of housing systems and housing policy in explaining the pattern and dynamics of residential differentiation in socialist cities, which is the topic of [History]. This question was raised in the *International Journal of Urban and Regional Research*'s special issue on East European cities (vol. 11, no. 1) in which studies by Hegedüs (1987), Musil (1987) and Tosics (1987) represented what I have called the theory of altering intervention. Szelenyi (1987) questions the value of the theory in a critical commentary unusually placed before the articles to 'guide' the reader. What he fails to recognise is its value in explaining how socialist cities developed through time. This is the point of departure of [History].



### **3 Residential differentiation in post-socialist cities**

[Pattern]'s framework consists of theorising residential differentiation in post-socialist cities (see Musil, 1993; Szelenyi, 1996; Kovacs, 1998; Sailer-Fliege, 1999; Sýkora, 1999a and 1999b). All these works lean – implicitly or explicitly – on a similar explanatory framework, which I call here the theory of post-socialist urban residential change. The main idea here is that in post-socialist transformation both the housing system and the labour market have changed structurally in a way that leads to an increase in socio-economic residential differentiation. As to housing, the socialist principle of considering it primarily as a subject of social distribution has been abandoned. Public rental housing has subsequently been privatised on a large scale, there has been less public investment in housing construction, housing subsidies have decreased, and the housing and land markets have replaced administrative allocation as the main source of housing provision (Pichler–Milanovich, 2001). Consequently, and in contrast to the socialist era, the dependence of housing opportunities on household income has increased. Meanwhile, a result of labour market transformation has been a considerable income differentiation between the social strata (Mikhalev, 2000).

We ([Pattern] is co-authored with Ms Anneli Kährik) agree with this fundamental idea of the theory of post-socialist urban residential change; i.e., we believe that some kind of change from less to more unequal socio-spatial structure is apparent. However, the studies tend to oversimplify the changes in post-socialist cities. Firstly, the shift in emphasis to the preferences and resources of individual households is why the literature (such as Szelenyi, 1996; Kovács, 1998; Sailer-Fliege, 1999; Sýkora, 1999a) implies that there has been an

obvious modification in the previous relatively heterogeneous spatial distribution of social groups. Further, residential mobility has been considered as a major process of adjustment. Secondly, studies suggest that the distribution has followed a clear pattern in which the high-income population has become concentrated in suburban areas and valued parts of inner cities, whereas the low-status areas of the inner-city have been burdened with a further concentration of low-income residents. As to social development in the socialist housing estates, scholars have not reached a consensus. Some have predicted a rapid emigration of the wealthier population from the high-rise housing estates, while others have doubted that any rapid change will occur. Yet others foresee an increasing differentiation between the estates instead of a social decline in all of them (for references, see [Pattern], pp. 51–52).

The main problem of most studies on residential differentiation in post-socialist cities is that they are descriptive in character, offering very little empirical evidence to support claims that the overall socio-economic pattern of post-socialist cities has changed rapidly or that residential mobility has had a powerful impact on it. The continuities and possible counter-processes have been overlooked in the studies that do provide descriptive accounts of what has changed. Regarding residential mobility as a contributing factor, the question of its quantity also still needs an answer. In the few studies devoted to this phenomenon, views differ on whether mobility has increased (Sailer, 2001), remained low (Kok, 1999; Mandić, 2001) or even decreased (Illés, 2000) in Central and Eastern European cities in the 1990s. Nevertheless, independently of interpretations, the mobility rates reported in these studies were lower than in Western European capitals (White, 1985). Building on this discussion, [Pattern] examines the pattern of socio-economic residential differentiation across Tallinn's eight city districts and between housing types in 1999 and discusses the question of what the effects of intra-urban residential mobility on residential differentiation in the 1990s were.



## **4 The role of housing policy and urban planning since withdrawal from state socialism**

[Housing Policy] and [Urban Planning] consider the role of public intervention in urban development. [Housing Policy] analyses the role and effects of housing policies on Tallinn's residential differentiation with special attention to policies implemented in the 2000s after the reform of the housing system. [Urban Planning], unlike other articles in the thesis, is not restricted to the housing perspective, but takes a broader look at the character of intervention, examining the development of Tallinn's urban planning system and the mechanisms it has provided for the city to intervene. Housing policy and urban planning were chosen as topics of enquiry as the most significant fields of public policy with direct effects on socio-spatial development.

[Housing Policy] approaches housing policy as an instrument that can strengthen or weaken the impact of income distribution on household opportunities in the housing market and thereby also modify the development of the socio-spatial pattern (see also Van Weesep and Van Kempen, 1992; Murie and Musterd, 1996; Musterd and De Winter, 1998). In Western Europe, the intermediary role of housing policy in residential differentiation has recently been discussed from two opposite yet complementary points of view. On the one hand, as a counter-argument to Saskia Sassen's thesis of inevitable increase in social polarisation between urban residential districts due to globalisation (1991), several European scholars (such as Murie and Musterd, 1996; Musterd and Ostendorf, 1998; Preteceille, 2000, and Wessel, 2000) have argued that housing policy as a welfare policy has the power to check the harmful effects of economic restructuring on residential differentiation.

On the other hand, the literature on housing policy chronicles the fact that, since the 1970s, policies in Western societies have typically promoted home ownership, the reduction of government subsidies, the retrenchment of social rental housing, and the direction of any remaining subsidies increasingly towards low-income households by means of subject subsidies (Harloe, 1995; Heijden, 2002; Priemus and Dieleman, 2002). As a result, an increasing proportion of the housing is being produced, sold, and exchanged for profit, and allocated on the basis of the ability to pay. In analysing these effects, scholars have long called attention to the increasing concentration of low-income households in the shrunken social rental sector (e.g., Hamnett, 1984), but in recent years attention has also been drawn to the increasing differentiation within tenure categories, in particular the home ownership which has become widespread. Lee and Murie (1999) and Van Kempen et al. (2000) argue that the current trend is towards 'housing fragmentation', by which they mean increasing variation in housing situations within different tenures and parts of tenures.

The commodification of the housing sector has been even more dramatic in several Central and Eastern European countries, but so far few connections have been made with the Western debates on these issues in the literature. Studies have focussed on what Hegedüs and Tosics (1998) term the first phase of transition, in other words, withdrawal from the former 'socialist' housing systems in terms of transferring property (through restitution and privatisation), deregulating the housing sector and liberalising prices (see Turner et al., 1992; Clapham et al., 1996; Struyk, 1996; Hegedüs and Tosics, 1998). The most significant outcomes of the first phase have been the extensive increase in home ownership and the withdrawal of the state from housing provision (Pichler-Milanovich, 2001). The second phase, covering the introduction of measures to regenerate housing systems and the effects of such measures, is as yet less covered by research, in particularly concerning its impact on urban change. The aim of [Housing Policy] is to bridge this informational gap between housing policies in the second phase and residential differentiation in Tallinn by analysing the role and effects of the former on the latter.

[Urban Planning] builds on discussions on the changing character of urban planning in Western Europe and post-socialist Central and Eastern Europe. There are parallels to discussions in [Housing Policy]. These studies describe the increased importance of economic concerns in planning and introduction of more market-oriented measures in Western Europe. However, at the

same time scholars also insist that greater social concerns and greater public intervention and public finance are nonetheless how the European planning policies continue to differ from the liberal model of the US, for instance (Newman and Thornley, 1996; Häussermann and Haila, 2005).

Furthermore, like recent studies on housing policy in Central and Eastern Europe, the current literature on development of urban planning systems in the region typically divides the transformation into two phases (Balchin et al., 1999; Dimitrowska–Andrews, 2005). The first phase, withdrawal from the socialist system, was characterised by the low political priority given to physical planning and a generally liberal approach by both the central government and local politicians in assessing urban development proposals. Subsequently, the role of planning has gradually strengthened in the second phase, approximately from the late 1990s onwards. Studies have reported the implementation of strategic planning and provisional economic mechanisms to stimulate local development (Balchin et al., 1999: 163–192; Golubchikov, 2004; Dimitrowska–Andrews, 2005; Altröck et al., 2006). The transformation continues, however, and it remains to be seen how crucial a role urban planning will eventually be given. [Urban Planning] examines this issue in Tallinn in the light of developments up to 2004.



## 5 Research data and methods

The thesis includes original empirical research in the three articles that analyse development since socialism. Of these articles, [Pattern] employs quantitative data and methods, primarily index calculation, whereas [Housing Policy] and [Urban Planning] draw from a survey of policy documents combined with interviews with key informants. In the following, I describe the research question, data and method of each article.

### 5.1 [History]

The research question of [History] was what the prevailing residential differentiation processes at different periods of the socialist era were, and how these processes were affected by housing policy. The paper surveyed the development of four socialist cities Budapest, Prague, Tallinn and Warsaw, using the studies done previously. My aim in reviewing these studies was to find out how residential patterns developed during different periods of state socialism. The focus was on housing provision, the housing types available (tenure, building characteristics and location), inequalities in access, and the effects on the socio-spatial pattern. The three Central European capitals were selected as cases because they were best covered in research published in English – a linguistic dependence that admittedly limited the depth of the study. In case of Tallinn I used studies written in Estonian. This material consisted of works of urban and architectural history and, most importantly, relatively unknown surveys conducted by the Linnauurimuse instituut (the

Tallinn Centre for Urban Research, a small unit of Tallinn Technical University) in the late socialist era.

Another limitation on the depth of the review was an apparent asymmetry in how the literature covers ongoing developments in these cities at different periods of the state socialist era. To get better understanding of the studies and to supplement the information I could get from them, I spent periods as a visiting researcher in Budapest, Prague and Warsaw in 2000 and 2001 and made many research visits to Tallinn over the years. During these visits I made numerous trips around the neighbourhoods, observing the distribution of housing types, characteristics and location as well as discussing these issues with local colleagues. One result of this supplementary work was the actual examples I give about different kinds of development in each city.<sup>1</sup>

## 5.2 [Pattern]

The research questions of [Pattern] were, first, what the pattern of socio-economic residential differentiation across Tallinn's eight city districts and between housing types was (explained below) in 1999 and, second, what the effects of (intra-urban) residential mobility on residential differentiation in the 1990s were. The paper employed quantitative methods, for which we used the data of the Estonian Labour Force Surveys (ELFS) originally compiled by the Statistical Office of Estonia for labour market and welfare analysis at the national and local level.

The analysis of the pattern of residential differentiation was based on the survey of 1700 respondents carried out in Tallinn in 1999. At the time, we conducted the empirical analysis (2001) that was the most recent ELFS data available. 1999 was also the first year when the variable of a city district, essential to our analysis, was coded into the ELFS data based on the respondent's address.

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1 During the research visits to the Central European capitals I also worked to get to know the development of these cities since socialism better. In addition to searching for literal material, I conducted a number of expert interviews among real estate professionals, urban planners and housing specialists in each city to discover the main characteristics of their urban change. These 'shadow case studies' helped me to use the literature in detail, to point out Tallinn's peculiarities when writing my own papers, and to make generally relevant suggestions for further research.

The eight city districts used in the study are the current administrative city districts, of which the largest (Lasnamäe) has 114,000 inhabitants and the smallest (Pirita) 10,000 inhabitants, the other districts having populations within the range of 31,000–68,000. The housing types were divided into detached housing (single- and two-family houses and row houses) and flats, and according to the availability of basic facilities. A dwelling without all facilities was defined as a house or a flat lacking hot water, washing facilities, sewerage or electricity – the availability of these facilities was inquired about in the survey.

The residential differentiation pattern was analysed across eight city districts, between housing types and in their combination, i.e., between the (usually spatially clustered) housing types within the city districts with a more heterogeneous housing stock, to the extent permitted by the data – in three out of five such city districts in practice. Socio-economic differentiation was analysed in terms of income, occupational status, and level of education. The method used was index calculation, which shows the relative differentiation of a social group in an area compared to the average representation of the group in the whole city, i.e., whether they are over- or under-represented and by how much. An indicator of socio-economic status of the population based on income, occupation and education was also calculated to show the balance between the ‘upper’ and ‘lower’ social groups in a city district and housing type compared to the city average. In addition, the distribution of ethnic groups (Estonians and non-Estonians) was analysed, as it has an impact on the distribution of socio-economic groups.

The mobility rate for 1998 and 1999 is a simple approximation; namely, the percentage of the respondents who had moved within the year in question. The effects of mobility on residential differentiation was analysed in terms of the destination housing type of those who moved by different income quartiles. For the analysis we compiled data from all the labour force surveys collected during the 1990s (1995, 1997, 1998 and 1999). The data covers all changes in residence between 1989 and 1998, because the first survey (1995) asked whether the respondent had changed residence since 1989. The number of respondents in Tallinn was 2,817 in 1995, approximately 1,500 in 1997 and 1998, and 1700 in 1999. The migration was analysed only between housing types, because that variable was available in all the surveys, whereas the city district was only available in the most recent (1999). (For

a more extensive description of the data and the method, see [Pattern] (pp. 57–60).)

Since the indicators and spatial divisions which were used in the studies concerning the socialist era and this research were different, we could not measure the change in the level of residential differentiation. However, one aim of our study was to avoid this situation in the future by introducing an easy method that can be used to follow trends in residential differentiation hereafter.

### **5.3 [Housing Policy]**

The research questions in [Housing Policy] were what kind of role and effect the housing policies have had on residential differentiation in Tallinn, particularly contemporary policies implemented in the 2000s after the reform of the housing system. The methods comprised document analysis supplemented by analysis based on expert interviews. The data consisted of all major housing-policy documents published by the state and the city of Tallinn between 1999 and 2003 and nine semi-structured expert interviews conducted in February and August 2004, mainly face-to-face, but some also by telephone and e-mail. The methods used were the following. The policy documents were used to identify the principles, goals and measures of housing policy. The analysis of the measures implemented and their effects on residential differentiation in Tallinn is based on the information received in the expert interviews and from the unpublished statistical information that was derived from them. The analysis of the conditions of the present development is based on information drawn from the policy papers and information received in the interviews. The informants represented the following groups and the interviews focussed on the following topics. One person from KredEx, a foundation that manages the state housing subsidies, was interviewed about distribution of state guarantees for housing loans and state grants for renovation of housing. Two people from the housing department of the Tallinn city administration were interviewed regarding allocation of new municipal rental housing, public-private partnership to promote owner-occupied housing and distribution of subsidised loans for the Homeowners' Housing Management Associations. Two people from the social services department of the Tallinn city administration were interviewed about the level,



distribution and conditions applying to social benefits as well as problems encountered. One person from the Estonian Union of Homeowners' Housing Management Associations was interviewed about development of housing management as well as attitudes, practices and activity regarding carrying out the renovation at the grassroots level. Three people from commercial banks were interviewed regarding the eligibility of Estonians for housing loans as well as distribution of housing loans and renovation loans, both with the state guarantee. The interviews were conducted in a semi-structured manner, following a predefined structure, but also enabling the interviewee to raise issues that he/she found relevant and valuable for the researcher to know. Since the positions and the roles of the informants varied, each interviewee had a specific set of questions, including questions used for purposes of cross-checking interesting information received elsewhere.

## **5.4 [Urban Planning]**

This article is a case study of the development of an urban planning system in Tallinn from 1991, when Estonia re-established its independence, until 2004. The two interrelated research questions were, first, what kind of urban planning system has been established in Tallinn, and second, how planning has changed over the years. The focus was on how the city has intervened in this development through the planning system; i.e., what kind of master plans and/or planning concepts and rules on development rights have existed and what kind of criteria has the city used in granting planning permits.

The data analysed consisted of the planning laws, Tallinn's building ordinances as well as the major planning documents approved between 1993 and 2004, complemented by two expert interviews with leading city planners. The documents were analysed to determine the division of labour between public regulation and private development activity. The interviews were conducted in order to understand situations without explicitly written rules. The first interview was done with the head of the city planning office in September 2002 and the second with a senior urban planner in April 2005. These interviews were also carried out in a semi-structured manner.



## 6 Results

### 6.1 Processes of residential differentiation in socialist cities

[History] has two important outcomes. First, it shows how, despite the egalitarian ideology of socialism, the socialist housing provision system produced socio-occupational residential differentiation in many forms. Sometimes these were the direct result of projects conducted by the public sector itself, since there were inequalities in access to new and redistributed public rental housing. Sometimes these were a result of tolerance or support for the differentiation of co-operative and owner-occupied housing. A major contribution of the paper is a detailed description of such processes through the decades, also taking into consideration differences between countries, and pointing out the specific measures taken by Hungary in particular. This is important because Hungary in general and Budapest in particular is presumably the best-known case in the region, and is therefore often presented as an archetypal example, which it is not. The second finding is that there was continuity from pre-socialist times in the perception of a 'good location', i.e., appreciation of particular residential areas. Because of this, developments during the socialist era did not always challenge the residential pattern inherited from the capitalist past, but rather supported its continuity, especially within the inner city.

## 6.2 The residential differentiation pattern in Tallinn and the question of mobility

[Pattern] shows that despite the rapidly expanded income disparities and the liberalisation of the housing market, the characteristic feature of Tallinn in 1999 was still a generally low socio-economic differentiation between the eight city districts. The socio-economic status of the population was found to be higher in the suburban detached-housing areas and in the most highly valued high-rise housing estate, and the lowest in the district of Northern Tallinn, which includes many traditional working-class neighbourhoods. In addition, residential differentiation related to housing quality was detected within the more rapidly developing districts, especially in the Central Tallinn district.

The approximated mobility rate, i.e., the percentage of those respondents who had moved within the year in question, was found to be relatively low, only five per cent in 1998 and four per cent in 1999. This indicates a relatively slow change in the social composition of areas rather than a rapid urban transformation. In fact, the rates measured for cities in Hungary (Kok, 1999; Illés, 2000; Sailer, 2001), Poland (Kok, 1999a), Slovenia (Mandič, 2001) as well as for Tallinn, which was measured by us, suggest that a characteristic of post-socialist cities in the 1990s was a low mobility rate. These generally low rates can be explained by a low level of new construction, a gap between housing prices and an average income, an under-developed housing finance system and an under-developed private rental housing market. Commercial housing loans became available in Estonia in 1996, but taking them on became common only at the end of the decade. Therefore, not only were the mobility constraints caused by the previous rigid housing system rapidly abolished, but new financial constraints on mobility immediately emerged instead.

The mobility rate in Tallinn was found to be a little higher among those in the highest and the lowest income quartiles as compared with middle-income groups, which confirms the idea that affluent households have been the first to take advantage of the new opportunities in the housing market, whereas the poor have been under pressure to adapt to what they can afford. However, the owner-occupied sector is very large as a result of the extensive privatisation, and plenty of middle-income owner-occupiers have been in

a position to manage their maintenance costs but do not have means to move to another location even if they wanted to.<sup>2</sup>

As to the relationship between the economic background of those who changed their place of residence in Tallinn between 1989 and 1998 and the housing types they moved into, we found an increasing proportion of the high-income households in good-quality detached housing and low-income households in less well-appointed flats, which implies increasing inequality. Nonetheless, mobility did not have an unambiguous influence on residential differentiation between other housing types, and none of the income groups was homogeneous in its mobility behaviour in terms of where the group moved to.

Admittedly the analysis is limited, but these findings call the suggested strong and straight-forward role of residential mobility in increasing the residential differentiation in post-socialist cities in the 1990s into question. We argue instead that analyses (or bi-polar descriptions) concentrating solely on observable changes in the location of the most affluent and poorest members of society are at considerable risk of over-dramatising the change, because the middle-income strata were not very mobile or could not make housing choices that had significantly increased differentiation. This suggested the continuity of the heterogeneous socio-spatial pattern inherited from the socialist era instead.

### **6.3 Housing policy and residential differentiation in post-socialist Tallinn**

Since the beginning of the ‘post-privatisation’ phase in 1999, the housing policy measures implemented by the state of Estonia and the city of Tallinn have had three aims altogether: to increase access to home ownership, to speed up renovation of owner-occupied multi-family housing, and to develop municipal rental housing. The idea of the first two has been to create incen-

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<sup>2</sup> The middle-income groups are not to be confused with the concept of the middle class. The academic question of the middle class is raised in the summary article’s section on eight. The popular use of the term ‘middle class’, in Estonia at least, refers to people who can afford what is perceived to be the consumption habits of the (upper) middle class in Western Europe or the US.

tives and subsidies to enable households to solve their housing problems individually through loans, while the purpose of the development of municipal housing has been to abolish the transitional tenure of tenants in restituted housing by relocating them to these new units. (For a detailed analysis of the effects of these measures on residential differentiation in Tallinn, see [Housing Policy], pp. 290-295.)

The problem with the housing policies in Estonia, however, is not what has been done but what has not been done. The problems of households with less-than-average incomes are not being addressed either by the state or the city of Tallinn. While it is reasonable to support first-time buyers with loan security, the majority of households (three out of four in the whole of Estonia, according to the estimates of the commercial banks) do not qualify for housing loans even with this additional support. Encouragement of the Homeowners' Housing Management Associations to take up renovation of privatised multi-family housing is also needed, but paying the renovation loans is difficult for low-income owner-occupants, and the poor are already struggling to meet maintenance costs. Poverty or low income alone does not make a household eligible for municipal or social rental housing either. The new municipal rental accommodation being developed is allocated only to tenants from restituted houses, and most low-income households are thus left to cope with the means they have. Their risk of homelessness is exacerbated by inadequate housing allowances. The only support available is the subsistence benefit, which is paid only to households with incomes far below the official subsistence level, and which is only sufficient to cover the housing costs of tenants in municipal rental, social rental and restituted housing (the original tenancies), who pay regulated rents.

The current housing policies increase the choices of households who are able to buy or to improve their properties with the help of the loans, but the lack of measures designed for low-income groups hastens their relocation. If their housing costs exceed their financial means, they are obliged to move to a smaller or inferior quality accommodation, or to a cheaper area. In such circumstances it is inevitable that the relationship between household income (or wealth) and housing quality will strengthen, which in turn will increase socio-economic residential differentiation across urban neighbourhoods in Tallinn.

The major conclusion of [Housing Policy] is that the Estonian housing policies do not even aim to reduce, prevent or slow down the harmful effects of the considerable income disparities that are manifest in housing inequality and residential differentiation. This is in contrast with Western European practices brought up in a discussion inspired by Sassen. Regarding the theoretical debate on the effects of commodification of housing, the Tallinn case study suggests that the concept of housing fragmentation, meaning increasing residential differentiation within tenure categories, in particular home ownership, would also be useful in studies on post-socialist urban change. In Tallinn, and a number of other post-socialist cities, the owner-occupied sector is particularly large as a result of the mass privatisation of housing in the 1990s. As [Housing Policy] points out, one mechanism driving residential differentiation is the relocation of people according to their ability to pay in connection with the increasing amount of renovation being undertaken. This, together with the residualisation of the public rental sector (and restricted access to new municipal rental dwellings to tenants of restituted houses) is increasing residential differentiation not only between districts, but also between segments of all tenure categories. Poor people seem to be increasingly concentrated in poor housing regardless of their tenure.

## **6.4 Development of Tallinn's urban planning system**

[Urban Planning] analysed the development of urban planning systems in Tallinn from 1991 until 2004, particularly how the city has intervened in development through planning. The answer to the first research question, what kind of urban planning system has been established in Tallinn, is that the main regulatory principles of urban development are set by the city in the master plan and the building ordinance, supplemented by sub-area master plans and building ordinances providing tools for future-orientated physical planning and control. The content and scope of planning is also influenced by city development plans (since 1994) and recently (2004) – what has been called the first city strategy. These include broad development visions rather than detailed ideas on how areas should be developed. Actual building projects are based on detailed plans which are primarily drawn up by private landowners and developers, based on planning permits following the

guidelines issued by the city planning office. The office checks whether applications follow the master plan, satisfy other requirements and whether the proposed buildings are suitable for that site.

As to the second research question, how the planning has changed over the years, the analysis identified two phases of development. The first phase, initiated with the approval of Tallinn's Temporary Building Ordinance in 1993, marked a shift from the Soviet comprehensive planning to the liberal planning system that enabled private landowners and developers to draw up detailed plans and thus take an initiative in urban development. Since then, most of the work at the urban planning office has consisted of case-based reviewing of the detailed planning applications drawn up by landowners and developers. Initially private actors were given great latitude to operate, because Tallinn had neither an accepted master plan or too many pre-defined development regulations. In practice, planners evaluated the function, height, density and volume of proposed buildings primarily using the buildings in the neighbourhood as a criterion. As the written rules were few, there was plenty of room for discretion and negotiation. Because of the flexibility of criteria used and case-by-case improvisation, I have called the planning system established in the early 1990s *ad hoc* planning.

In the second phase, since 2000, restrictions on the right to build have been gradually increased following the approval of the new master plan as well as sub-area master plans and building ordinances concerning separately designated areas. The Tallinn Master Plan 2000, however, is still more a summary of the spatial structure of the city (its functional zones, organisation of traffic and infrastructure networks) than a strategic plan envisaging urban transformation. Elaborate guidelines for future developments have been set only in sub-area master plans and building ordinances, which establish more precise limits within which the landowners are permitted to exercise their freedom to develop the land. Restrictions have been strict in areas where the goal has been to protect architectural and historic features and less strict in areas where modernisation is welcomed. Instead of defining precisely how the latter areas should be built, this arrangement allows scope for the creativity of the developer. Despite the recent progress it should be noted, however, that restrictions on building rights have so far only been introduced in a fraction of the Tallinn area. Since only the Tallinn Master Plan 2000 and the general Building Ordinance apply in other areas, *ad hoc* planning continues.



However, it seems that urban development has been guided in some areas by applying semi-official city district master plans and traffic plans to the guidelines on detailed planning. In 2004 the city announced that its long-term strategy was that more precise construction restrictions would be established in all city districts.

All in all, the role of planning has been limited and has not greatly directed where and how the city has actually developed. Following Haila's terminology (1999), the mode of city building in Tallinn resembles boosterism in the sense that urban development is initiated and driven by private agents seeking profit from their investment in land. It lacks, however, the features characteristic of growth machines (Logan and Moloch, 1987) or entrepreneurial city strategy (Hubbard and Hall, 1998) in terms of a lack of synergy between the public and private sectors. An earlier study by Feldman (2000) as well as planning documents examined and interviews with planners conducted in my research show that regulation is considered to facilitate development rather than actually promote it. Urban planning continues to be limited to spatial land-use planning and urban design, while only a little attention is given to its impact on economic or social development. Tallinn's mode of city building could best be defined as liberal but passive. Among other things, residential differentiation is left to the market to decide.



## **7 Processes of residential differentiation in Tallinn: further research topics**

Tallinn's residential real estate market has become considerably more active in the early 21st century, including increased construction of new housing and thorough renovating of the old housing stock, development of the mortgage market as well as a rising number of units sold annually (Uus Maa, 2005: 11), which indicates increased residential mobility as compared with the findings obtained in [Pattern] concerning the 1990s. Since the housing costs and housing prices have also soared, which increasingly challenges the housing opportunities of the low-income population, I believe that an analysis of the residential differentiation pattern, equivalent to those performed in [Pattern] but done now would show an increased level of inequality as compared to 1999. Nevertheless, the question posed in [Pattern] of whether the middle-income groups have yet become significantly more mobile has not lost its topicality.

Obviously, further research should follow the development of Tallinn's residential pattern, for instance, using the method introduced in [Pattern]. Moreover, researchers should aim to obtain data on a smaller spatial scale to capture the details better – preferably not only within the city itself but also within its neighbouring municipalities. Were a specific survey used to collect the data, it could focus more broadly on people's housing careers and aim to define social dimensions of the intra-urban migration patterns, especially after the socialist era. Meanwhile, research could tackle the most apparent new forms of urban residential change – the spatial concentration of new and

renovated housing in central areas as well as the city's garden suburbs and the adjoining countryside (Ruoppila, 2002). Such further research should aim to identify the characteristics of 'gentrification' and suburbanisation in both the post-socialist and local contexts, which I will sketch next. In addition, the ethnic residential differentiation of Tallinn, summarised briefly in [Pattern], would merit its own study.<sup>3</sup>

The definition of 'gentrification' and consequently what is actually claimed to be changing deserves attention in the post-socialist context. In a discussion on gentrification in post-socialist cities, Sýkora defines it simply as 'a process of inner city neighbourhood change by a simultaneous physical upgrading of dilapidated residential buildings and the displacement of the original population by more wealthy newcomers' (2005: 96). Somewhat differently to the Western connotation that gentrification involves middle-class residential expansion into hitherto working-class areas (e.g., Hamnett, 2003: 159), Sýkora reports that in post-socialist cities 'gentrification is happening in areas that belonged to the best residential places before communism, declined during communism and now are being refurbished to their former glory while segments of the population housed in the areas during communism are now being displaced' (2005: 98). As to conditions, Sýkora argues that property restitution has been crucially important in supporting gentrification in post-socialist cities that applied it (e.g., Prague, Tallinn) whereas cities that only sold (i.e., privatised) the flats to their occupants in pre-socialist inner city areas as well (e.g., Budapest) have had less gentrification. The clue is that in restitution properties remained in single ownership and thus could be redeveloped as one integrated unit, which created favourable conditions for investment. In blocks that were privatised, the gentrification may occur through a gradual residential change.

The renovation activity in Tallinn started earlier and has been concentrated in traditionally well-regarded districts (but, similarly to others, poorly maintained during the socialist era), including the Old Town, Kadriorg and the garden city of Nõmme, thus following the pattern suggested by Sýkora.

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<sup>3</sup> In addition to [Pattern] (pp. 64–65), see Tammaru and Kulu (2003) on the changing composition of ethnic minorities in Estonia, Tammaru (2001d) on the connection between immigration and urbanisation, Org (1989) and Kulu (2003) on the housing differences by ethnic origin, Tammaru and Kulu (2003) for changes in occupational and educational status of non-Estonians as compared with Estonians.

Recently, however, the geographical area where active renovation is ongoing – presumably accompanied by residential change – has expanded considerably. It also now includes a number of inner city wooden-housing districts (e.g., Kalamaja, Pelgulinn), which used to be mixed neighbourhoods of middle strata and workers before WW II and thus not as prestigious as the previous group. These areas also suffered greater social decline during the Soviet decades (Nerman, 1996 and 2000; see also [History], p. 14).

To identify the characteristics of gentrification in Tallinn, my suggestion would be to research it through case studies of two or more quarters in the midst of change, one in a traditionally valued area (e.g., Kadriorg) and one in an area where signs of gentrification are more recent (e.g., Kalamaja). A point of interest would be the social characteristics (income, occupation, education, age, etc.) of various resident groups, including the ‘gentrifiers’, old residents planning to stay, and old residents planning to move or at risk of being forced to do so. Another issue of interest would be the aspirations of gentrifiers in choosing the area for residence as well as the other two groups’ perceptions of change, including potential conflicts.<sup>4</sup> Moreover, studying a gentrifying neighbourhood would offer an insight into housing choices and strategies of potential involuntary movers. Such a study could combine interviews with residents, registers of residential change (if available), as well as property information (on property reform, changes of ownership, building permits for remodelling, etc.) to track the history of gentrification from a real estate perspective.

As to suburbanisation, a particularly interesting phenomenon is the new single-family housing areas initiated by real estate developers. The first such areas appeared on the market in 1996 and the supply has grown steadily since. In November 2002 there were around 50 developments finished or under construction in greater Tallinn, with a total volume of 2,500 lots planned (see the map in the Appendix). At that time, all large development areas (with more than 200 lots) were still located within the city limits, although development activity was increasing rapidly, especially in the neighbouring coastal municipalities. The projects in the latter locations formed ‘the first wave of

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<sup>4</sup> See Paadam et al. (2002) on tensions created by restitution as well as the varying interests of tenancy groups in physical improvement and community development in Kalamaja and Kadriorg. See also Paadam (2000) on residents’ perception of these neighbourhoods before gentrification began.

sprawl', i.e., the fragmentary and straggling expansion of residential areas into the adjoining countryside (Ruoppila, 2002). A point of interest is the social characteristics (income, occupation, education, age, etc.) of the residents of these new areas, their housing career, as well as the aspirations involved in choosing this kind of residence in the sprawl. The research data could be compiled using a survey questionnaire, supplemented by interviews.

Suburbanisation in terms of the decentralisation of the population within the agglomeration from the central city to the suburban zone is a multifaceted process, of which the new single-family housing areas are only one part. In the Tallinn region, the decentralisation of population also involves migration from the core city to industrial satellite cities and to Soviet era summer cottages extensively rebuilt for permanent living. A study that compared the average educational composition of people who lived in Tallinn both in 1989 and 2000, people who lived in the suburban municipalities in 1989 and 2000, and people who had lived in Tallinn in 1989 but were living in the suburbs in 2000, found that the educational level was highest among those who had stayed in Tallinn, followed by the suburbanisers and those who had originally lived in the suburban municipalities, in this order (Tammaru, 2005a; see also Tammaru, 2005b for similar results on the social characteristics of commuters). More detailed analysis revealed two different dimensions of suburbanisation. The probability of people with university education and those with primary education to becoming suburbanisers was found to be higher than with those with secondary education. Moreover, those with university education had a greater probability of moving to single-family houses and coastal municipalities as compared with the greater probability of the less educated moving to multi-family housing and municipalities south of Tallinn, bringing with them increasing differentiation between the suburban municipalities (*ibid.*).

These findings on suburbanisers 1989–2000 (Tammaru, 2005a) are in line with the research in [Pattern] on residential mobility in Tallinn 1989–1998, the social middle group being less mobile; i.e., less likely to move within Tallinn or from Tallinn to a suburban municipality. Similarly, the higher probability of suburbanising among the better educated can be interpreted as them taking advantage of the new opportunities in the housing market, whereas the different qualities of suburbanisation of the less educated suggests pressure to adapt to what they can afford. One explanation for their migration

behaviour might be that they have decided to cash in on the dwelling they owned (probably privatised) in the city, buy a cheaper place elsewhere and use the surplus for living.<sup>5</sup>

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<sup>5</sup> The scale of suburbanisation was still modest in the 1990s, negative net migration from the city of Tallinn (pop. 400,000 in 2000) to its surrounding region (Harju county) being 13,481 inhabitants between 1989 and 2000. Tallinn gained migration from other parts of Estonia, but its overall domestic negative net migration was 4,228 inhabitants during the same period (Tammaru et al., 2004: table 3).





## **8 The future of residential differentiation in Central and Eastern European cities: further research topics**

One and a half decades after the collapse of state socialism, there are apparent and increasing differences among Central and Eastern European cities in how they have fared in the transformation to a market economy. There are also noticeable differences in such things as the pace and location of new construction. The research interest in the studies on these cities is gradually shifting from the influence of a state socialist past to why are they currently developing differently. I would like to suggest two further research topics, preferably comparative, to tackle that question.

### **8.1 Social stratification and housing opportunities**

Change in social stratification often forms the backbone in theories of residential differentiation; the explanations tend to boil down to some principal 'fault line' or social cleavage that defines the contemporary class structure and its implication for urban change. For instance, Hamnett (2003) explains how London's changing industrial structure, particularly the shift from an industrial- to service-based city and the associated changes in occupational class structure and the structure of earnings and incomes have worked through the housing market (and the gentrification of large parts in Inner

London), and what consequences this has had for both the social structure and the built environment of the city. The point in Hamnett's analysis is the role of the expanded (new) middle class in urban change.

Studies on Central and Eastern European capital cities show the development of deindustrialisation since the fall of communism (Kliimask, 1997; Barta, 1998) and describe how a new service sector has developed rapidly from scratch (Sýkora, 1998; Hamilton and Carter, 2005), indicating thus a shift from an industrial- to a service-based city. However, the question of how the changed occupational structure and substantial income inequalities interconnect in social stratification, taking into account income differences between economic sectors as well as the economically inactive population (pensioners, etc.) and the unemployed, remains under-researched.

Two major works on social stratification in Central and Eastern Europe, *On the Verge of Convergence* by Domanski (2000, originally published in Polish in 1996) and *Making Capitalism without Capitalists* by Eyal, Szelényi and Townsley (1998), cover only the early phase of transformation; their data having been compiled in 1993–94. Domanski (2000) argues that transformation did not have a major impact on social mobility; this seems too hasty a conclusion.<sup>6</sup> Eyal et al. (1998) maintain that the social structure of Eastern Central Europe was still in flux. The focus of Eyal et al. was on the class formation process of the new elites, which they say consisted of a technical-managerial elite and opinion-making intellectuals in the early phase of transformation. The question of whether a domestic propertied 'grande bourgeoisie' would emerge was still open. Today it is agreed that a small stratum of significant asset owners exists (Mikhalev, 2000). Importantly, Domanski (2000) points out increasing differences in economic performance and economic stratification between Central and Eastern European countries and argues these is a link between the two: the worse the economic performance the greater the inequality in economic stratification. Summing up the stratification literature Mikhalev (2000) divides the population of post-socialist states into four groups: the upper class (the new economic and political elite), the middle class (professionals, managers and small entrepreneurs), the base stratum (lower ranking employees, etc.) and the poor (socially deprived and marginalised groups). The base stratum is considered the largest group. The ques-

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<sup>6</sup> Saar (2001) argues similarly that social mobility was limited in the first half of the 1990s in Estonia.

tion of middle-class formation since state socialism has become a tricky one. Mikhalev (2000: 26–27) sums up:

The middle classes in transitional societies appear to be more disparate and fractioned than their counterparts in western society and also less homogeneous than both the upper and the lower classes. The groups belonging to the middle of the social structure: medium-level managers, small- and medium-sized entrepreneurs, highly skilled professionals, have been divided by the transition between winners and losers of the reforms. The position of these social groups is generally more favourable in the more advanced reformers of Central Europe than in much of the Former Soviet Union and South Eastern Europe. Faced with a drastic fall in their salaries and complete or partial loss of employment many representatives of the old middle class, professionals and intellectuals, have been left to survive by taking odd jobs or resorting to whatever means of self-subsistence were available.

Compared to the broad urban middle class in Western societies, the ‘middle class’ in Central and Eastern Europe is thus smaller, but the criteria which should be used to identify people in this class are being debated (Mikhalev, 2000). However, as in the West, this class is most present in the capital cities, given their unquestionable position as national economic and administrative centres and thus the main location of ‘middle-class jobs’. Nevertheless, since it is most likely that the differences in social stratification at the national level show in differences between the cities, I propose taking up the question of social stratification in urban analysis in a more rigorous way as a first further research topic. A comparative analysis of social stratification in cities would be interesting as such, but to explain variation in residential differentiation researchers should go further and try to elaborate the link between class structure and opportunities in the housing market.<sup>7</sup> The profound economic

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<sup>7</sup> To offer a hypothesis applying Mikhalev’s terminology of strata (2000), this link could perhaps be described in the following way. The upper class is able to choose its housing, whereas the middle class is upwardly mobile in the housing market. The base strata (i.e., middle-income groups, not the middle class) manage to cover the maintenance and perhaps even the renovation costs of their current residence, but are not upwardly mobile in the housing market. The poor are in danger of being displaced or even facing homelessness.

and social restructuring is undoubtedly producing new kinds of socio-spatial differences in all major Central and Eastern European cities, but differences in their social structure could be a crucial factor in explaining the level of urban inequality, the symbolic distance between the groups (e.g., whether there are gated communities or not) and differences in residential mobility.

## **8.2 The role of public intervention**

The fact that Tallinn does not follow the policy models of most Western European cities seeking to promote social equality and reduce segregation raises the interesting question of whether Tallinn is an exception, or whether other Central and Eastern European post-socialist cities have also adopted similar policies. Some recent analyses suggest that differences between these cities and Western European cities are growing. Lux (2003b) has claimed that housing policies in Central and Eastern Europe are more market-oriented and less concerned about inequality than those in most Western European countries. Tosics (2004) has criticised the lack of socially sustainable housing and urban-development policies in Central and Eastern Europe. Van Kempen et al. (2005) have shown that neither income nor ethnic segregation is considered an urban problem that requires intervention in the new EU member states.

The emerging paradigm of the European city (Bagnasco and Le Galés, 2000a; Le Galés, 2002; Häussermann and Haila, 2005) makes two points important. On the one hand, the indifferent attitudes towards rising urban inequalities in the 'New Europe' seem to challenge the geographical applicability of these theories seeking to define the characteristics of the European cities on the basis of socially responsible government and public intervention in urban development. On the other hand, the paradigm that emphasises the institutional and cultural differences and their role in the analysis of urban development would offer a valuable theoretical framework to analyse these cities comparatively while continuing to take their own historical context into account. So far the literature on the European city (Bagnasco and Le Galés, 2000a; Le Galés, 2002; Kazepov, 2005) has in fact concerned the Western European city with hardly any reference to development in former socialist cities. I would recommend further comparative research to overcome this gap and discuss the diversification of European models (see Mingione, 2005).

As a second topic for further research following this framework, I would like to suggest comparative studies on the role of public intervention in residential differentiation processes. From the spatial perspective, the two essential policy areas are housing policy and urban planning, as in this thesis. However, the major social policy measures, especially income redistribution, should also be analysed to assess the importance of social stratification.

Housing policy is interesting as an instrument that can enhance or reduce the impact of income distribution in the housing market. From the perspective of socio-spatial implications, questions like which income groups (or social strata) are supported and where housing development or renovation is promoted are particularly interesting. There seems to be variation across Central and Eastern European cities in this matter. Although liberal attitudes are considered common, housing researchers (Lux, 2000, 2003a; Tsenkova and Turner, 2004) have pointed out various challenges and opportunities between the countries that privatised their former public rental housing stock rapidly and extensively and those that have carried out privatisation at a slower pace and less completely. The countries in the latter group at least still have the opportunity to develop their social rental sector as a 'social market', the home of a mix of income groups, instead of following the residual model (Tsenkova and Turner, 2004: 139). Some countries, especially Poland, have already developed a wide range of new housing policy measures (see Lux, 2000, 2003a) and thus stand in contrast to the Estonian case discussed in this thesis.

As to urban planning, two questions for comparative research stand out from my point of view. The first is what kind of urban development cities have actively promoted. In other words, how have the authorities sought to stimulate development and investment within their areas by marketing locations, making land available to developers and providing grants and subsidies for them to build (Adams, 1994: 9). What are the socio-spatial implications of the promotion undertaken by the cities? What kind of urban future is being promoted? The current research on Central and Eastern European cities offers hardly more than fragmented descriptions in case studies on these issues (for instance in Hamilton et al., 2005). The second question is what capacities and resources do cities have to intervene, including their internal decision-making structure (Bennett, 1998), the basis of municipal finance (Horváth, 2000) and municipal landownership.



## 9 Conclusion

The thesis has examined how the residential (socio-spatial) pattern of cities developed during the state socialist period and how and why that pattern has changed since the transformation to a market economy began. The theoretical aim of the work has been to contribute to urban studies and discussions on residential differentiation, particularly the effects of housing policy on residential differentiation and change in planning systems by building bridges between ‘Western theories’ and literature on change in former socialist cities. The empirical aim has been to provide a study of residential differentiation in Tallinn, including determining what kinds of residential area there are, how their populations differ in terms of their socio-economic standing, what the historical background of formation of the socio-spatial pattern is, how it is changing now, and what the role played by housing policy and urban planning in the current change is.

The thesis consists of four separately published refereed articles and this summary article. Article 1 [History] has introduced the reader to the origin of the recent development by examining residential differentiation processes under state socialism in Budapest, Prague, Tallinn, and Warsaw. The paper describes how the socialist housing provision system produced socio-occupational residential differentiation directly and indirectly and how the residential patterns of these cities developed. Despite giving a detailed analysis of the mechanisms, I nonetheless share the general belief that the level of residential differentiation was lower in socialist cities than in capitalist cities.

Article 2 [Pattern] discusses the ‘post-socialist’ development of residential differentiation after a decade of transformation, providing a case study of Tallinn. Undoubtedly, some kind of change from less to more unequal socio-spatial

structure occurred in post-socialist cities in the 1990s, following the marked transformation of the labour market, the emergence of considerable income inequalities, cuts in income redistribution and re-introduction of a market-oriented housing system altogether. The article is, however, critical of oversimplified accounts of rapid reorganisation of the overall socio-spatial pattern of post-socialist cities and of claims that residential mobility has had a straightforward role in it. The Tallinn case study provides contrasting evidence.

Articles 3 and 4 focus on the role of public intervention in recent development, contributing to emerging discussions of the 'second phase' of the transformation, i.e., regeneration of the established market-oriented housing and urban planning systems since about the late 1990s. The major conclusion of [Housing Policy] is that the current Estonian housing policies do not even aim to reduce, prevent or slow down the harmful effects of the considerable income disparities that are manifest in housing inequality and residential differentiation. [Urban Planning] finds that despite some recent progress in planning in Tallinn, its role in guiding where and how the city actually developed has so far been limited. Tallinn's urban development is rather initiated and driven by private agents seeking profit from their investment in land. All in all, given the liberal economic policies, the limited balancing of social policy and the indifference towards increasing urban inequalities in housing policy and urban planning, a further increase in and starker contrasts between the socio-economic residential differentiation of Tallinn is inevitable.

Formerly part of the Soviet Union and thus quite a regulated city, and now the capital city of a country that leaves plenty to the market to decide, Tallinn provides a compact 'laboratory' to study how re-introduction of a market economy in its liberal form is gradually changing the socio-spatial structure of a city. A considerable part of this is how the increasing affluence of Estonia is reflected in the built environment and the population characteristics of its capital city. However, thinking further, given the potential negative outcomes that perhaps are not yet that apparent, but which the present conditions favour, like high segregation, slums and greater homelessness, the Tallinnites would perhaps not prefer the most liberal experiment. Caring about the quality of the urban, this thesis wishes to stimulate academic and political debate on applied public policies as well as their consequences and alternatives and more generally the parameters of a 'good city' and how to pursue them.



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