



*The BLOK O Coworking Space in Frankfurt (Oder), Brandenburg.
Chuck McShane, August 2022*

MID-SIZED ECONOMIES IN THE DEVELOPED WORLD

German Mittelstädte Face the Future

ABSTRACT

The hyper-concentration of economic activity and population in urban areas captured academic and media attention in both the United States and Germany in the 2010s. More recently, though, shifting migration and work patterns accelerated by the impact of the coronavirus pandemic, have brought renewed attention to the potential of smaller economies. Mid-sized economies, in particular, have taken widely diverging economic and demographic trajectories. Through data analysis and interviews in five German mid-sized cities between 20,000 and 100,000 population, this report details strategies for economic development unique to these mid-sized areas. These include the leveraging of public anchor institutions, creative use of excess infrastructure, and promotion of heritage and natural amenity-related tourism.

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Mid-Size Economies in the Developed World

German *Mittelstädte* Face the Future

The Public Conversation on Mid-Sized Economies in the United States and Germany

From the perspective of 2019, before the impact of the coronavirus pandemic closed borders and threw the certainty of any economic projections out of the window, urbanization had triumphed. Back then, when this project was first proposed, headlines and studies cast the post-2000 resurgence of large cities as a global inevitability. Agglomeration economies would continue to concentrate the best and brightest knowledge workers in the largest cities, leaving peripheral places to stagnate and decline.¹

Social and economic bifurcation between smaller and larger places, growing and shrinking places, became part of a new national narrative. “Rural America is the New Inner City” declared one 2017 article in the *Wall Street Journal* before listing a long range of societal woes that had begun to plague counties with less than 50,000 population in the United States.²

A similar narrative had developed in the European Union’s largest economy. That same year, Hamburg-based *Die Zeit* highlighted similar trends in distinct types of urban forms in Germany in their data journalism piece “City. Countryside. Stereotype.”³ Through an analysis of public opinion data, the analysis highlighted common stereotypes and assumptions about the inhabitants of four different location types: *Dörfe* (Villages) under 5,000 population; *Kleinstädte* (small towns), between 5,000 and 20,000 population; *Mittelstädte* (midsize towns) between 20,000 and 100,000 population, and *Großstädte* (big cities), with more than 100,000 population.

The *Zeit* analysis revealed some nuance behind simple urban-rural divide narratives. While many aspects of public opinion showed a direct correlation between location size and experience or attitude, others revealed that the experiences of residents in a village might differ significantly from those of a mid-size town, even if both of those places might be considered “peripheral” to dynamic urban centers.

Perhaps the most interesting result from these public opinion surveys related to general life satisfaction. Overall, life satisfaction tended to be evenly distributed among location types. On a scale of 1-10, about 38% of village, small-town, and large-city residents rated their general life

¹ Moretti, Enrico. 2012. *The New Geography of Jobs*. (Houghton, Mifflin, Harcourt)

² Adamy, Janet and Paul Overberg. May 26, 2017. “[Rural America is the New Inner City](#),” *Wall Street Journal*

³ “[Stadt. Land. Vorurteil](#).” September 12, 2017. *Zeit Magazin*

satisfaction at 6 or above. The only outliers here were the residents of mid-sized cities, 34% of whom ranked themselves as a 6 or above on the scale of life satisfaction.

Sie haben Recht, das Vorurteil entspricht nicht der Realität. Menschen, die sich als mindestens zufrieden bezeichnen, gibt es vom Dorf bis zur Metropole etwa gleich viele.

Wie **46 Prozent** der Leser lagen Sie hier richtig.



Anteil der Befragten, die auf die Frage »Wie zufrieden sind Sie gegenwärtig, alles in allem, mit Ihrem Leben?« auf einer Skala von 0–10 mindestens 6 angegeben haben (0 entspricht ganz und gar unzufrieden, 10 entspricht ganz und gar zufrieden). (Quelle: SOEP)

Additionally, strong attitudes toward immigration did not bear as linear a relationship to location size as expected. When asked if increasing immigration made them feel “increasingly like a stranger in their own land,” residents of the smaller villages (34%) were the most likely to answer, “yes,” while *Mittelstadt* residents (31%) were more likely than either *Kleinstadt* (27%) or *Großstadt* residents (27%) to agree.

While not explicitly mentioned in the *Zeit* analysis, public opinion in these *Mittelstädten* hints at the impact of recent deindustrialization. And while the driving forces behind these changes differ in the United States and Germany, there are significant similarities. About 27% of the German population, or 22 million people, live in *Mittelstädten*. In the most closely aligned Census classification in the United States, micropolitan areas or regions based around an urban core of 10,000-50,000 population, consist of roughly the same amount of people (27.3 million), though a lower percentage of the population (roughly 9%).⁴

Whether shuttered shops in the shadow of the *Nähmaschinenwerk* in Wittenberge, Brandenburg, or the faded signs on textile mills in small-town North Carolina, the feeling of economic obsolescence can be particularly acute in towns that were once larger. Observers

⁴ [U.S. Census Bureau Population](#), 2022.

speculated that deindustrialization may be one factor driving the groundswell of support for the populist shift of the right wing in the small-town United States as well as the rise of extremist political parties in Germany, particularly in the small-to-midsize towns of the former East Germany.

A New Narrative - and Data - Post-COVID

But the story of *Mittelstädten* is not one only, or even mostly, of decline, polarization, or populism. In fact, these mid-sized cities as a group have continued to add population. While 203 of the 619 German cities with populations from 20,000 to 100,000 residents lost population between 2016 and 2018, 197 grew by more than 1% in that short time, and 88 of those increased their workforce by more than 5%.⁵ Similar dynamics can be seen in the United States, where micropolitan areas as a group grew by about 5% between 2000 and 2014, and more recent Census Bureau estimates show that 255 of 543 micropolitan areas in the United States added population between 2020 and 2021.⁶

The impact of the coronavirus pandemic has also altered the relative perception of the urban-rural divide in both countries. In 2023, *Die Zeit* revisited population trends and found that Germany had entered a new era of *Stadtflucht*, or flight from the cities, and that the response to the coronavirus had reversed the *Landflucht* away from the countryside that had characterized the 2010s.⁷ Two-thirds of large cities in Germany (those above 100,000 population) saw a higher rate of internal out-migration to other parts of Germany than domestic in-migration between 2018 and 2021. A larger share of 30-49 year old-led households left these large cities for smaller places, often to smaller cities in the suburban *Speckgürtel*⁸ within commuting distance of these large cities.

The 18-29-year-old cohort of German-born residents, which had been a major driver of population growth in larger cities, continued to flow there, though at a slower pace and lower in total number than their Millennial predecessors. Complicating the situation for many larger cities, a slowdown in international immigration intensified by the border closings accompanying the Coronavirus pandemic, shut off another key source of population growth that had led to large cities' resurgence.

⁵ [Bevölkerungsdynamik in Mittelstädten – interaktive Stadtportraits](#). 2022. Bundesinstitut für Bau- Stadt- und Land-Forschung

⁶ McShane, Charles C. 2019. "Regional Economic Prosperity, Population Growth, and Local Spending in U.S. Micropolitan Areas, 2002-2014," dissertation, University of North Carolina, Charlotte.

⁷ "[Die Stadtflucht](#)." January 2023. *Zeit Online*

⁸ *Speckgürtel*, literal translation "bacon belt," is short-hand for the ring of suburbs around metropolitan areas.

The Typology of *Mittelstädten*

These growth patterns in larger cities are particularly relevant for mid-size towns in or near larger urban areas, which some German researchers have defined as *Entlastungsstädten* (relief cities), primarily commuter cities within a larger metropolitan region that “relieve” the growth pressures of the larger city by providing additional housing with lower per-square-meter prices, in particular detached or semi-detached housing with outdoor space.⁹ The type of housing that would be particularly attractive to young families seeking to buy homes as well as those office workers suddenly in a “Home Office” arrangement as Coronavirus shut down offices and closed many of the urban amenities that had drawn or kept many urbanites in urban neighborhoods.

These two examples of mid-sized towns, one whose population and industrial production peaked perhaps 30 years prior, and the other at the beginning of its growth trajectory, highlight the diversity of experiences within and between mid-sized towns in Germany. But the archetypes of the company town in decline and the booming suburb are just two of many types of mid-size towns. Researchers at the Federal Institute for Research on Building, Urban Affairs and Spatial Development, identified *Entlastungsstädten* as one of three types of “successful” *Mittelstädten*, defined as those with two of the following characteristics - population growth of more than 1%, job growth of more than 5%, or housing unit growth of more than 1.5% in the years 2016 to 2018. The “Strong Neighbor” category included towns within the metropolitan area of an even larger city, which nevertheless see more in-commuters than out-commuters. “Anchor Cities” were those towns outside of a broader metropolitan area that acted as job and commerce centers for broader, more rural areas. Other researchers added university towns and retiree destinations to the list of midsize city types.¹⁰

Site selection firm Contor GmbH further refines these categories by ranking small and middle-sized towns for various attributes such as “family-friendly,” “tourism strongholds,” “education strongholds,” “senior paradises,” “production-orientation,” “agriculturally-orientation,” and “entrepreneurial atmosphere.”¹¹ These attributes are not mutually exclusive, but often interrelated. Education strongholds often find themselves highly ranked on the entrepreneurial atmosphere list, for example, while tourism strongholds and senior paradises have considerable overlap as well, with natural amenities drawing both retirees and vacationers.

⁹ Adam, Bridgitte and Nadine Blätgen. 2019. [Bevölkerungsdynamik und Innenentwicklung in Mittelstädten](#) Bundesinstitut für Bau- Stadt- und Land-Forschung, BBSR Analyse Kompakt

¹⁰ Adam and Blätgen, 2019

¹¹ [“Studien mit ‘Kommunal.’”](#) 2023. Contor GmbH

Scope and Methods

Through analysis, observation, and interviews in five diverse German *Mittelstädten*, the project will assess current attitudes and strategies for the economic future of these midsize economies. Interview subjects include town officials, university leaders, economic development groups, chamber of commerce (IHK) leaders, as well as local business owners and managers. The cities studied were selected for various attributes including typology, population growth or loss trajectory, and locational diversity. Subject towns and cities were in four federal states - two in the former East Germany (Mecklenburg-Western Pomerania and Brandenburg) and two in the former West Germany (Lower Saxony and Schleswig-Holstein).

These towns vary greatly in history, economic base, and population growth trajectories. Some have seen stable or higher-than-average growth, while others have become symbols of decline and deindustrialization. All are outside of the industrial Rhein-Ruhr Valley, perhaps the most economically developed region in Europe.

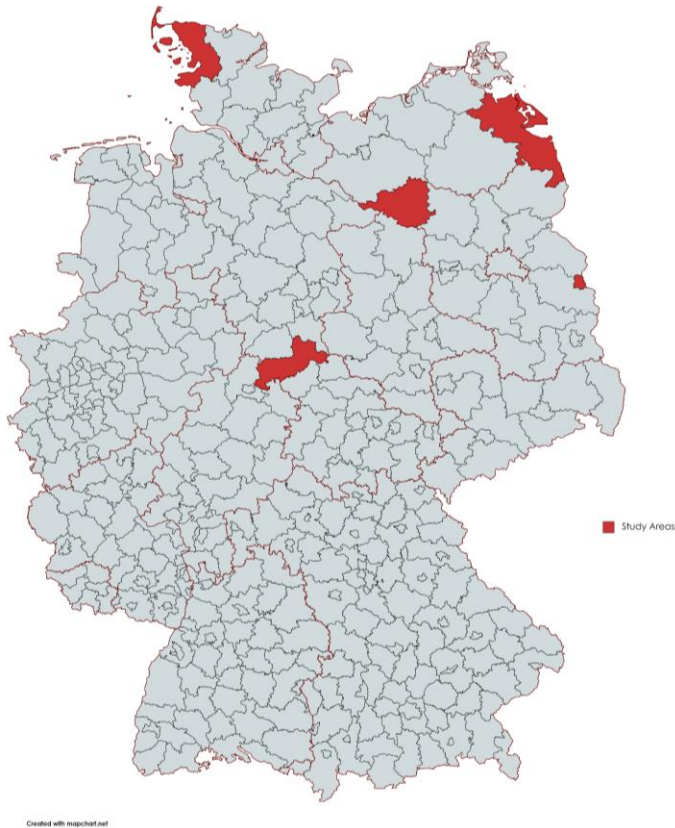


Image 1: Map of Study Area. *Landkreise* and *Kreisangehörigen Städten* visited during the study period, August and November of 2022.

Table 1. Small and Mid-Size Towns Examined

Municipality	Landkreis (County equivalent)	Bundesland	2021 Population
Greifswald	Vorpommern-Greifswald	Mecklenburg-Western Pomerania	59,332
Frankfurt (Oder)	Frankfurt (Oder), Stadt	Brandenburg	56,679
Husum	Nordfriesland	Schleswig-Holstein	23,478
Osterode am Harz	Göttingen	Niedersachsen	21,316
Wittenberge	Prignitz	Brandenburg	16,682

HUSUM

Kirchturmdenken, literal translation “church tower thinking.” That’s shorthand here in Nordfriesland for a tendency toward insularity, where a community’s sphere of influence and concern is limited to what can be seen from the top of the church’s steeple. Perhaps it’s part of the influence of agricultural isolation, deep Frisian roots that marked this region as separate and independent of the medieval feudal system, or the history of being passed back and forth between the Kingdom of Denmark, Prussia, and the *Kaiserreich* up through the early 20th century. Whatever the reason, it can make governance here complex.

“We are extremely federalistic in Schleswig Holstein,” says Tilmann Meyer, the general manager of economic development for the Landkreis¹² of Nordfriesland. “Every little town has its *Gemeinderat*, so we have 134 municipalities and every municipality has its own (council) and its own mayor. In *Niedersachsen* (Lower Saxony) they put the municipalities together so that there was a minimum of 20,000. In Nordfriesland, the smallest municipality we have has seven people. And that is unique to this area.”

These layers of governance have been particularly challenging in this border Landkreis on the North Sea as the area has seen renewed population growth over the past decade. While the Landkreis lost about 3% of its population from its peak in 2006 through 2013, since then, nearly 6,000 residents have been added to the area. That’s a 3.4% growth rate, with a particularly strong jump in growth from 2019 to 2021, when the Landkreis posted a record high population of nearly 168,000.¹³

About 24,000 of those live in Husum, the Landkries’s largest municipality, which has mirrored broader growth trends. While population growth here has hardly been unmanageable, the inflexibility of German land-use planning laws has slowed the development of new housing. A challenge Meyer says has been compounded by the part-time nature of local government.

“In Germany, always the problem is you need land planning, you need the B-Plan and the F-Plan and this takes about two years. So now the city plans in advance and does all of the bureaucracy and then the investor can just decide if they can build to the plan. So in that way we have tried to get better.”

¹² *Landkreise* are roughly equivalent governmental units to counties in the United States.

¹³ [Destatis](#), Table 12411-0015

Husum functions as a cross between an “Anchor City” and a “tourism stronghold.” Between 90 minutes and two hours northeast of Hamburg, Husum is a bit too far for daily commuting on a large scale. The North Sea beaches and national parks, which draw summer vacationers and second-home buyers, are much closer than Hamburg. The island of Sylt, a favorite vacation spot for wealthy Germans, is a short drive or train ride away. Husum itself has tourist-oriented attractions. A museum harbor pays homage to the area’s history as a port city. Some flat-bottom boats that carry raw goods in shallow waters are still repaired here, though operations have declined since the emergence of larger container ships over the past several decades. Husum was home to Theodor Storm, a 19th-century poet who memorialized Husum as “the gray town on the sea” in a widely read poem. Storm’s homestead and museum also brings tourists with literary interests. Husum is also a shopping and administrative destination for rural and coastal communities, as well as nearby military installations.

“We have about 20,000 people that live in Husum, but 70,000 to 80,000 that spend money here,” says Meyer. “Once you get closer to Flensburg, people go there to shop, but if they are closer to Husum, they will come here.”

While agriculture still plays a role in the area’s economy, its relative portion of economic activity has declined to around 3% of total domestic product, from nearly 5% in the early 1990s.¹⁴ By contrast, the production and manufacturing sector here has increased its share of the total regional economy, from 16% in 2000 to roughly 24% as of 2019.¹⁵ And a key driver of this growth has been in energy production, primarily the wind farms that dot the flat landscape.

This region was an early adopter of renewable energy production and co-hosts one of the largest international trade shows for wind energy every other year along with the larger city of Hamburg.¹⁶ In some ways, Meyer says, *Kirchturmdenken* had some unexpectedly positive spillover effects in the wind energy industry. Various small villages have created their own wind-energy *Bürgerparks*, which are owned and managed either by small groups of farmers or the municipality’s residents. While these smaller businesses cannot compete with larger energy conglomerates such as Siemens, they can sell directly to larger industrial regions in Southern Germany. This business comes with relatively high networking fees, Meyer says, which has shifted local business recruiters’ focus to luring larger energy-intensive users such as data

¹⁴ Destatis. November 2021. [Bruttoinlandsprodukt, Bruttowertschöpfung in den kreisfreien Städten und Landkreisen der Bundesrepublik Deutschland 1992 und 1994 bis 2020](#).

¹⁵ Portions of the service sector were severely limited in 2020 and 2021, making 2019 the most recent comparison year for which data is available on the relative strength and size of the production sector in terms of gross regional product and value added.

¹⁶ husumwind.com/en/

centers. So far, though, highly competitive incentives from nearby Denmark and the maze of federal and local bureaucracy in Germany have been proven a significant barrier.

“In the end for a business, you go where the energy is cheaper,” said Meyer. “95 percent of the companies that come here are from within 50 kilometers away.”

Despite the challenges recruiting international firms, Husum has a roster of “hidden champions,” or small-to-midsize, specialized manufacturers focused on business-to-business commerce. And the growth of smaller wind parks has brought additional benefits. Strong, higher-speed internet connectivity was necessary to monitor turbines in wind parks, so the region became an early pioneer for digitalization in comparison to other rural areas in Germany. As of October 2022, more than 85% of Schleswig Holstein households had access to some form of 1GB internet, the highest total of any Bundesland outside of urban centers such as Berlin (96%), Bremen (92%), and Hamburg (98%), and well above the nation-wide 1GB availability rate of 68%.¹⁷

This connectivity has taken on even greater importance after the coronavirus pandemic made remote or hybrid work a possibility. And now, Meyer says, the region hopes to capitalize off that connectivity, to attract remote workers and mitigate the economic impacts of demographic change. Husum and Nordfriesland’s population growth has been driven entirely by migration, about 60% of which is from within Germany and 40% from across borders. Natural increase, or births minus deaths, has been consistently negative and the average age is now around 46, slightly older than the average age of 44 nationwide.¹⁸

“We do not have the big wages that you get with large companies,” says Meyer. “We especially need educators in kindergarten, health care workers but everyone needs them. So we have to do a lot of storytelling about our region.

“We don’t have urban challenges here. And you can live where people vacation.”

¹⁷ [Gigabit-Grundbuch Breitbandatlas](#). December 2022. Bundesministerium für Digitales und Verkehr. All internet speed availability statistics include fiber to the curb, fiber to the home, fiber to the building and other forms of availability. These statistics are defined as *Festnetzverfügbarkeit für Privathaushalte* in the Gigabit-Grundbuch.

¹⁸ [Regionaldaten für Nordfriesland](#). 2022. Statistisches Amt für Hamburg und Schleswig-Holstein.

OSTERODE AM HARZ

There is no train station in Osterode. Just a single track with a few covered benches and hourly regional service, a stark contrast to some of the larger stations in even smaller towns. That was a decision made a century or more ago, a town official later tells me, by mining interests seeking to prevent competition by limiting access to silver and copper mines in the Harz Mountains. A decision that now prevents the town from joining the Intercity and Intercity Express network of higher-speed trains.

Through the parking lot, signs with the silhouette of witches riding bicycles and brooms advertise the direction to the “*Harzer-Hexen-Stieg*” trail that winds through town then ascends the Harz to its 1,142-meter (3,747 feet) peak at Brocken. Along the walk to the city center, a group of teenagers at the vocational school start a snowball fight with the thin coating of November flakes, and work crews are busy assembling the wooden stalls for the 2022 Christmas Markets, the first without Coronavirus restrictions in three years.

All the activity is surprising given this town’s reputation as a poster child for aging and shrinking small-town Germany. A national magazine writer dubbed the town “the city of beige pants,” after the stereotypical fashion choice of German senior citizens, closing a 2015 article with the fitting anecdote of a shuttered toy store turned into a funeral parlor.¹⁹

Osterode is indeed shrinking, though. The town itself has declined to just over 21,000 residents, down from more than 26,000 in the late 1990s and a peak of more than 30,000 in the early 1970s. The average age here is about 48.2.²⁰ Until 2016, the town was the county seat of a surrounding *Landkreis* of more than 70,000, but Bundesland Lower Saxony merged the *Landkreis* with its larger neighbor, moving the administrative seat of the county 45 kilometers southwest to the university town of Göttingen.

While that change relegated Osterode to a “middle center,” with less control over local land planning, some officials have found the change positive. Osterode’s new linkage with the well-known university has increased broader public awareness of the area, helping to stem the deeper population losses seen in the late 2000s and early 2010s.

“Previously, Osterode was the small, highly indebted district in the Harz Mountains,” said Thomas Christiansen, Osterode’s *Erster Stadtrat* or lead city council member. “No one knew it.

¹⁹ Frimmer, Valentin. August 2, 2015. “[Diese deutsche Stadt stirbt am schnellsten.](#)” *Die Welt*.

²⁰ Roesel, Felix. 2022. The German Local Population Database (GPOP), 1871 to 2019, *Journal of Economics and Statistics (Jahrbücher für Nationalökonomie und Statistik)*. DOI: <https://doi.org/10.1515/jbnst-2022-0046>

The University of Göttingen is known all over the world and with this merger, we suddenly became part of Göttingen. Göttingen is a very innovative place, and that rubbed off on us a bit. Now, suddenly, we belong to Göttingen and we are now suddenly a region of the future.”

Increased awareness of Osterode and its significantly lower land prices, compared to Göttingen, has attracted some younger families to the area, said town public relations manager and economic center director Uwe Breyer. And this trend was heightened by the coronavirus pandemic. A shift can be seen in the population statistics, though the numbers reveal something less than a sea change. Annual population loss in Osterode between 1996 and 2019 averaged about 0.9% per year. In 2021, by contrast, population fell by only 0.36%, while the population of children 6 and under increased by 1.3%, faster than the 65-and-older age group, the only other to grow, adding 0.38%. Still, there are nearly six people older than 65 for every one child younger than six in Osterode.²¹

A look at Osterode’s history reveals why newfound recognition is so important. Though Osterode sits roughly 80 kilometers north of the geographic center of Germany, isolation has shaped its economy. The nearby border with the states Thuringia and Saxony-Anhalt, roughly 40 kilometers to the east, marked an international border with the German Democratic Republic until 1989. That history, combined with the topographical barrier of the Harz Mountains, compounded the area’s peripheral status through the twentieth century.

“No companies settled here because you were virtually cut off,” says Breyer. “You had a border, the Iron Curtain, where nothing went over it, so you were only oriented in one direction.”

Still, the area’s mining history spurred some industrialization in the region, with companies such as Kamax and Piller Power Systems continuing to grow their business-to-business enterprise in specific niches. The nearby Technical University in Clausthal, too, continued to produce engineering and technical talent. Later, federal incentives from the West German government geared at growing the economy of inner-border regions helped attract additional manufacturers.

The challenge now, say Breyer and Christiansen, is less a lack of companies, but a lack of skilled workers. The unemployment rate for the Landkreis of Göttingen sits at 6.3% as of June 2023, slightly higher than the national rate of 5.6%, but well below highs reached in the 1990s.²² Today, Kodak, Sun Chemical, Christ Freeze Dryers, along with other employers both in the manufacturing and services sector, created a regional consortium for knowledge sharing and

²¹ [Meine Gemeinde, meine Stadt](#). 2022. Landesamt für Statistik Niedersachsen.

²² [Bundesagentur für Arbeit](#). 2022.

promotion of educational and apprenticeship opportunities with the goal of developing the workforce in the region.²³

Osterode already functions as an employment center for the region, with about 7,000 people commuting to the town daily and roughly 4,000 commuting out, according to the most recent government statistics.²⁴ Still, Breyer and Christiansen remain hopeful that new highway expansions to speed the area's connection to the A7, the north/south autobahn that stretches from Hamburg to Bavaria, and route 38 from the east will improve commute times for workers in the former East German states as well.

However, larger cities are still a draw for young people wanting to work in service-oriented sectors such as tech, marketing, or finance.

“(Jobs) are not the problem in the technical sectors,” says Christiansen, telling the story of a Harz-region native who left to study engineering then returned to manage the Kamax plant. “But my son would probably have a hard time finding employers here with (an) international communications (degree), so that is why they are still attracted to the metropolitan areas.”

Improvements in broadband internet infrastructure are on the way, but this region still lags Germany and the broader state of Lower Saxony in high-speed connectivity, which is a necessity in attracting remote workers. Only 52.2% of households in Osterode have access to 400 MB internet service, less than the 75% with such availability Lower Saxony-wide and the 64% in the broader Landkreis of Göttingen.²⁵

The natural amenity of the Harz Mountains and their hiking trails are attractions here. Though they factor less into the region's marketing pitch than might be expected from an outside view. Perhaps it was the impact of the East German border, the Harz' history as a working, mining region, or European Union membership making it seamless for Germans to travel to more exotic destinations. For whatever reason, some locals remain ambivalent regarding tourism. “In the past, the Harz was a really dusty corner,” Breyer says. “You only went there if you walked the landscape with a hat and knickerbocker pants and a stick. That was a Harz vacation. And a Harz vacation was more expensive than flying to Mallorca for the weekend.”

At first, locals were cautious about promoting tourism. The establishment of a National Park ran into resistance in the 1990s as residents and officials worried the region might lose some of its

²³ [‘Philosophie und Ziele.’](#) 2022. MEKOM Regional Management.

²⁴ [Pendler Atlas.](#) 2023.

²⁵ Gigabit Grundbuch

charm and quality of life like the ski villages of Austria or Southern France, Breyer said. More recently though, and especially through the coronavirus pandemic and accompanying restrictions on indoor activity and border crossings, many Germans rediscovered the Harz. At the same time, hiking had gained a more active, modern reputation. Combined with a center city with some standing and preserved half-timbered buildings dating from the Reformation era and before, heritage tourism is beginning to take on a larger role in the area's economy, and self-image.

"Maybe our opportunity lies in preservation and heritage," said Breyer. "Not in a romantic sense, but simply recognizing what we are and who we are and where we come from and that we don't have to hide that from people. We are capable enough, Osterode as an industrial city and the Harz Mountains as a whole."

WITTENBERGE

The Wittenberge industrial park is quiet on a summer morning, aside from the clack of containers on a freight train winding slowly around a bend in the Elbe River. Around the corner, next to the Meyer & Meyer *Logistikzentrum*, a neoclassical clock on a turn-of-the-twentieth century factory tower looms over the horizon. The factory is quiet, too, with a sign advertising daily tours the only indication of recent activity.

The Veritas Sewing Machine Works has been closed for thirty years. Originally opened in 1904 as a branch of the American company Singer, the facility once served most of Europe as the largest producer of sewing machines in the world. The factory, along with the state of Brandenburg, fell under the control of the East German state after World War II, and functioned as a state-run enterprise for the next four decades. With reunification in the early 1990s, the factory was liquidated after it failed to find a buyer. The 3,000 jobs that disappeared in December 1991, as well as those lost after the closure of a nylon factory and oil mill, had deeper economic ripple effects, eventually cutting the population here nearly in half and leaving wounds just now scarring a generation later.

In fact, Wittenberge is no longer technically a *Mittelstadt*. The town's population has fallen to around 16,000 from nearly 31,000 in 1985.²⁶ The drastic drop in population made the area a symbol of deindustrialization, attracting attention from media and academics. That attention hasn't always been well received. In the late 2000s, the federal government sponsored a three-year-long sociological study of life in Wittenberge, finding a society still adjusting to its swift shift from hub of centrally planned industry to small town. The €1.7 million study's results released in 2010, Wittenberge Mayor Oliver Hermann told media outlets at the time, lacked statistics and were full of "numerous clichés" that once again cast Wittenberge as a "loser city" rather than focusing on the future.²⁷

These experiences with stereotypes might have led to skepticism. And there is a certain caution with outsiders here. Still, Tobias Kremkau says, a forward-looking local government with Hermann still at the head has been open to innovative ideas, such as the coworking space in this county-owned industrial park on Labor Street, now a member of Kremkau's CoWorkLand, a nationwide network of coworking spaces in rural areas and smaller towns throughout Germany.

²⁶ Roesel 2022. The German Local Population Database (GPOP), 1871 to 2019

²⁷ Fatzer, Simone. March 12, 2022. "[Aufbruch im deutschen Osten – Eine Provinzstadt erfindet sich neu.](#)" *Schweizer Radio und Fernsehen*; Koenig, Andreas. March 26, 2010. "Langzeitstudie Wittenberge: Vorgeführte Verlierer." *TAZ.de*; Willisch, Andreas. 2012. *Wittenberge ist überall: Überleben in schrumpfenden Regionen*. Ch. Links Verlag, Berlin.

CoWorkLand arrived in Wittenberge in 2019 as part of the Summer of Pioneers project, a public-private initiative that provided a group of “digital workers,” largely from nearby Berlin, a chance to test out rural and small-town living with discounted local housing and a place to work on their freelance or entrepreneurial projects. Of the 27 participants who came the first summer, 15 continue to work at the Wittenberge coworking space, either as full-time town residents or commuters.²⁸ While such small numbers won’t change the town’s fortunes overnight, Kremkau says, the choice to move or return to a smaller or mid-size town is especially meaningful in the context of the former East Germany.

“This is something we have been talking about for years, but now we are seeing in the statistics that it’s really happening,” Kremkau said. “You can’t compare it with West Germany where young people move away from the countryside, but most of them come back. From my school class of 30 in Magdeburg, only two are left there. Even though we are the same country, the mindset is different and the infrastructure is different.”

Fewer job opportunities in East Germany, less inherited property, and a lack of entrepreneurial role models combined to keep younger East Germans moving out of smaller towns, first to the south and west, but more recently to larger East German cities such as Leipzig or closer-in Berlin suburbs such as Potsdam.²⁹ While western coworking spaces in the network tend to have more *selbstständige*, or entrepreneurs creating their own companies, the coworking spaces in smaller towns in former East German states tend to attract more single-desk memberships from freelancers piecing together contract work from a variety of companies.

“There (in the former West Germany), people are starting more companies. Because they have more money to invest and they have a history of starting a company. Here nobody knows how to do it. There are examples here, but they are the exceptions.

“The exception is the big cities. The coworking spaces in Berlin are running like the coworking spaces in London. Even in Leipzig and Dresden they are running like the ones in Munich and Cologne. But if you leave the cities with 500,000 or more, there the difference is stark.”

Wittenberge enjoys some advantages of infrastructure and location that set it apart from other small-to-mid-sized towns in the east German states. The infrastructure for a much larger town, once planned to hold as many as 50,000 people, exists here. That includes a large train station, with several tracks and dozens of connections per hour. Business recruiters and economic

²⁸ [“Die Pioniere.”](#) 2022. Summer of Pioneers.

²⁹ [“Ost-West-Wanderung: Die Millionen, die gingen.”](#) May 2, 2019. *Zeit Online*

developers here tout that connectivity. Landkreis Prignitz promotes Wittenberge's river port and its position "between Berlin and Hamburg; between the Elbe (River) and the Baltic Sea," as the perfect location for a logistics operation. The installation of a new inland port in 2011 added to the area's appeal.³⁰

Passenger rail service has made Germany's two largest cities more accessible, too. Intercity Express Service links Wittenberge to Berlin, 115 kilometers to the Southeast, in 45 minutes. Service to Hamburg, 170 kilometers to the west, is just over an hour. This proximity hasn't yet translated to growth, at least in the aggregate. The area is still outside of daily commuting distance, just out of reach of the suburban *Speckgürtel* boom that has pushed further outward from Berlin along the ring roads into Brandenburg.

Wittenberge remains an Anchor City, with more commuters entering the town for jobs at employers such as the port, the recently relocated insulation firm Austrotherm, or the handful of restaurants and hotels (now including the renovated oil mill) catering to boaters, cyclists, and campers exploring a nature preserve along the once-polluted Elbe River. And while commutes to Berlin or Hamburg are not unheard of, Landkreis Prignitz sends nearly twice as many commuters to rural neighbors such as Ostprignitz-Ruppin or Ludwigslust-Parchim than Hamburg.³¹

Still, Kremkau and others see opportunity in the city's overcapacity. The station, now owned by the town government, has the potential to host team meetings and conferences for companies with multiple locations. Wittenberge's high-speed internet connectivity is catching up as well. For about three-fourths of households in Wittenberge, 400 MB or faster internet is available, and 63% have some form of access to a 1GB or faster connection. That's about double the level in the broader Landkreis of Prignitz, and only slightly behind the national rate of 68% with 1G availability. The experience of COVID accelerated broadband investments from local governments throughout the country.³²

"The situation (with broadband) was really, really bad," Kremkau said, recalling the discovery of a 6 MB connection at one potential coworking space in a nearby town in 2016 that no locals had questioned because they had not realized how slow it was. "But now you can see that the problem will be gone in like five years, especially in the businesses."

³⁰ [Wirtschafts- und Logistikstandort Prignitz](#). 2022.

³¹ [Pendler Atlas](#). 2022

³² [Gigabit Gundbuch](#)

But internet speeds are only one part of what makes for a successful coworking space, especially one in a small or mid-sized city with broader economic development goals. Opening ceremonies make for good political theater, but sustaining a community is harder work.

“Sometimes coworking gives the impression that politicians and (economic development offices) think it is a miracle that solves all of the problems of the countryside,” Kremkau said. “Coworking, it’s an English word, so it sounds innovative. It’s not about the furniture or the 3D printer, it’s someone who can do hospitality. You don’t have to entertain these people; they all have work to do. But you have to make them feel less isolated. You really need at least one person who knows the community, like a concierge. It is working here in Wittenberge, actually, because this community was already connected before they moved here.”

FRANKFURT ODER

The landscape east of Berlin is rapidly changing. Villages with names like Bliesdorf and Reichenwalde and Bad Saarow now make lists of some of the fastest-growing municipalities in Germany, with double-digit population growth since 2017. Perhaps the most discussed village here is Grünheide/Mark along the A10 autobahn ring, where Tesla is busy building its European megafactory. Strangely enough, the communal structure of agricultural land ownership, a holdover from communist German Democratic Republic days, has made these areas of Brandenburg and other former East German states prime targets for industrial expansions from international corporations. Land acquisition is far less complicated when you only have to deal with one cooperative rather than the multiple family farms in the west, one reason Tesla chose here and Intel chose Magdeburg to grow.³³ So, too, is the access to labor, both from the Berlin suburbs and from just across the border in Poland, not to mention government tax incentives.

Frankfurt (Oder) has its eye on that growth, though it hasn't quite spilled over to this border city an hour east of Berlin. Frankfurt could have been a much larger city. It once spanned both sides of the Oder River, though the end of World War II ceded the eastern portion to Poland, which became the city of Stubice. During the 1950s, the city became a hub of semiconductor manufacturing for the East German government.

In fact, Frankfurt (Oder) approached the 100,000 population cutoff for a *Großstadt* in the 1980s. But the decline of the semiconductor plant after reunification in the early 1990s set Frankfurt on the path of many other East German cities. Residents fled, and the total population fell 17% between 1991 and 2001, then another 14% between 2001 and 2011. The pace of decline slowed in the 2010s after the reopening of the border with Poland. Population declined by only about 5% between 2011 and 2021. Still, the 57,000 residents remaining inhabit a city that was once much larger.³⁴

Reunification also brought some advantages to Frankfurt. While semiconductor manufacturing declined, the research institute that supported the now-defunct plant remained. The Leibniz Institute for Innovative Microelectronics now supports new companies attracted to the region's central European location and Germany's generous incentive programs for border regions. Yamaichi Electronics, which first located in Frankfurt Oder in 2006, expanded its footprint again in 2020, part of what local officials hope is an emerging economic cluster of electronics manufacturing.³⁵

³³ Chazan, Guy and Joe Miller. June 28, 2022. "[The surprising revival of East Germany.](#)" *Financial Times*.

³⁴ Roesel. 2022. The German Local Population Database (GPOP), 1871 to 2019

³⁵ "Welcome to Frankfurt (Oder)." 2022. Invest Ostbrandenburg, pitch deck provided to author, August 2022.

Viadrina University, which had Medieval roots in Frankfurt Oder but closed with Prussian educational reforms in the 1800s, also reopened here in 1991 and today hosts 6,000 students.³⁶ While Frankfurt Oder is not a typical college town, with many students commuting, the university does provide the city with a larger youth population than surrounding areas. Though the average age here is around 47 and increasing, the proportion of the population in Frankfurt between 18 and 34 is about 17.5%, compared to around 13% in the surrounding *Landkreise* of Oder-Spree and Märkisch-Oderland.³⁷

That relative youth, combined with the impact of a recently opened border and the ample infrastructure of a prior era has, perhaps, made Frankfurt and its business community more open and more energetic to experimenting with its excess space. These three elements merge along the wide and tree-lined sidewalks of the Magistrale on Karl Marx Street. A classic example of East German city planning mirroring similar streets in East Berlin, the Magistrale makes it clear that this town was once much larger. A mix of bakeries, clothing stores, and opticians on the ground floor of apartment blocks appear open, but the foot traffic is relatively light on a Monday morning in August. At the end of each apartment block, a single, two-story building in mid-century modern style houses some larger businesses like a bicycle repair shop or a grocer or a bank.

Outside one of these *sonderbau* or “specialty buildings,” as the original city plans labeled them, three lines of small tables are full, mostly of young people with large headphones, open laptops, and half-empty coffee mugs. *HALLO BLOK O* read the blue and orange letters on the building facade. A folding sign reads, in English, “You Never Work Alone.” It’s hard to tell from the outside, but BLOK O is a branch of the Sparda Bank Berlin, a cooperative bank with branches throughout Brandenburg,³⁸ but the majority of the space here is dedicated to coworking. Back in 2016, branch leader Maria Borrach says, Sparda’s Frankfurt (Oder) location was looking for ways to improve business in the shrinking city. The opportunity to purchase the shuttered children’s store on the Magistrale for a discounted price was the first step in what would become BLOK O.

³⁶ Benecke, Werner. 2021. “Historischer Überblick,” in *Stadtführer Frankfurt Oder/Stubice*. ScottyScout.

³⁷ [“Bevölkerungsbilanz, Bevölkerungs- und Familienentwicklung, Altersklassen und Durchschnittsalter, Familienstand und Ausländer.”](#) 2021. AdminStat Germania.

³⁸ The [Verband der Sparda Banken e.v.](#) (or Union of Sparda Banks) includes 11 cooperative banks throughout Germany, which manage networks of branches in specific geographies.

“We bought this (building) very cheaply, very inexpensively,” said Stanley Fuls, Sparda Bank Berlin’s chief architect. “But it was still too big, so then we had to consider ‘what can we do with this?’”

From there, the bank formed a partnership with Berlin-based coworking operator St. Oberholz. The bank would provide the building and run its branch, while St. Oberholz would manage the coworking space. In 2018, the cafe portion of the coworking space opened with the name BLOK O, a nod to the building’s original name “Block O” in the city plan, but with Polish spelling representing the city’s border connections. By 2019, the bank’s seven employees had moved into the building and full operations began.

After a short shutdown during the height of the Coronavirus pandemic, interest in coworking picked up once again. The coworking space was planned with 40 members in mind but had 42 as of the summer of 2022. As in Wittenberge, though, most were freelancers or even Viadrina University students looking for a place to study and network. Many of the team offices for larger businesses remained available.

“We’re a bit overbooked,” said Borrach. “But that’s OK because not everyone is always here. We’re currently at full capacity with a bit of a buffer, because the rooms here are still available.”

Team office tenants include a staffing agency, which had signed on for a longer stay and redesigned their office to accommodate interview rooms, as well as a government division based in Potsdam, which was testing the space for some of its employers that lived in the area and no longer wanted the hour-long commute.

Still, the competition for coworking spaces is not only traditional offices, but also people’s own homes.

“It takes a bit of time because they have to advertise it,” Borrach said. “First, what is the added value? We have now also set up printers here because that is actually the only difference to some people from working from home.

“We have one or two members who now say they will come back in the fall when the weather turns and it gets dark early because they don’t want to spend all day alone at the house. And then of course there was a situation with kids at the house when both (parents) had to work at home, then one said: ‘We only have one office, I just have to go somewhere else.’ And he was

able to agree to that with his employer. But it's not like I'm saying, 'let's really get started, now everyone is coming to coworking spaces,' because mobile working is still possible at home."

Commuter tax benefits, too, still cater to traditional offices, Fuls said, which makes the potential catchment area for coworking clients smaller.

"If I go to a central office, I get the *Pendlerpauschale* (driver tax relief) per kilometer. But my employer doesn't pay if I go to a coworking space. So, I get less money back in tax relief and spend more money on commuting. If I rent a coworking space now, I would pay more. It would take the government rethinking the *Pendlerpauschale*, which would help the small and mid-sized towns. But the auto lobby is strong in Germany, and that would take a small revolution."

For now, though, Frankfurt's size and relative proximity to Berlin has both drawbacks and advantages. The presence of the university brings students interested in creating startups, but the pull of Berlin just an hour's train ride away, is powerful. For young families, the green space, new construction, and idyllic nature of smaller villages outside the city are stiff competition for the aging *Mittelstadt*.

"I would probably never move to Frankfurt (Oder)," admits Fuls. "For me, it's either Berlin or a smaller village. But I find it nice when I work three days a week from home in the village, then go to lunch Frankfurt. There are supermarkets here, there is a cinema here, so I need those things, but I don't want to live there."

And that's an inherent challenge of the *Mittelstadt* - at once too big and yet not big enough. Still, the relatively rapid success of BLOK O, the growing reputation of the University, and business recruitment successes nearby, have raised optimism in the city. In fall of 2022, Frankfurt Oder ran a strong campaign to house the federal government-sponsored "Center for the Future of German Unity and European Transformation." The final decision in February 2023 for the €200 million Euro investment, though, went to Halle/Saale, directly on the InterCity Express (ICE) line from Munich to Berlin. Halle's connectivity, compared to Frankfurt's location on the periphery of Germany played heavily into the panel's decision. When Lord Mayor Rene Wilké spoke to a disappointed crowd, they met in the lobby of BLOK O. "Let's mourn today and tomorrow," Wilke told the crowd. "And then we'll get up again and move forward."³⁹

³⁹ Rada, Uwe. February 16, 2023. "[Wie weiter in Frankfurt \(Oder\)? Zukunft nur mit Europa.](#)" TAZ.de

GREIFSWALD

Two-hundred-and-fifty kilometers north of Berlin, through flat plains full of wind turbines, hay bales, and small villages with Slavic-sounding names scrawled on train station signs, Greifswald's steeples emerge near the Baltic Coast. The city of Greifswald stands out here in Germany's most rural federal state. Though significantly smaller than Mecklenburg-Western Pomerania's larger cities, with a population nearing 60,000 people, Greifswald's compact layout gives the town the highest population density in the state, slightly denser even than Rostock, population 208,000.⁴⁰

Greifswald stands out, too, for its growth and youth. Though the closure of the nearby Lubmin nuclear plant in 1990 and the accompanying flight from east to west after reunification led to decline, the 2010s brought renewed growth. Population remains below its 1980s peak near 68,000, but Greifswald has grown by more than 7% since 2011. Greifswald was the fastest-growing mid-sized city in Mecklenburg-Western Pomerania from 2000 to 2017 and the fastest growing *Mittelstadt* in a former East German state from 2011 to 2017, according to the *BBSR*.⁴¹ Greifswald is younger, too, with an average age of 43, about four years younger than the rest of the state of Mecklenburg-Western Pomerania and a year younger than Germany as a whole.⁴²

That is no doubt a reflection on the University of Greifswald's growing prominence. Now with more than 10,000 students and 5,000 faculty, staff, and researchers, the University has been a central part of the town's identity since its opening in 1456. The city's official name - University and Hanseatic City Greifswald - makes clear the university's vital role in town life and nods to its history as a member of the Hanseatic Trading League. While this history might have disadvantaged Greifswald's economy during the centrally planned German Democratic Republic days, local leaders say, it proved a long term advantage.

After the demise of the GDR in 1989, the opening of the border with West Germany led to steep population decline in administrative centers such as Neubrandenburg as young people sought jobs in the west or Berlin. Over time, the border opening would have an opposite impact on Greifswald. The University, which had muddled through the East German regime, now opened its doors to wealthier West German students who sought to spend a few years in a quiet town not far from the sea. Enrollment surged from 3,000 in 1990 to more than 10,000 as of 2022.⁴³ The town's position near the Baltic Sea also brought new investments from the West,

⁴⁰ [Bevölkerungsstand der Kreise, Ämter und Gemeinden in Mecklenburg-Vorpommern](#). December 31, 2022. Statistisches Amt Mecklenburg-Vorpommern.

⁴¹ Adam and Blätgen, 2019.

⁴² Hansen, Anna. January 7, 2022. "[Durchschnittsalter in MV steigt auf 47,4 Jahre.](#)" *Katapult MV*

⁴³ *Die Universität in Zahlen*, 2022. University of Greifswald.

such as Michael Schmidt's purchase of the town's defunct shipyard, which is now home to Hanseyachts AG, a leading yacht manufacturer with more than 800 employees.⁴⁴

But heavy industries are an exception now in Greifswald, says Stephan Piechullek of the local Chamber of Commerce branch. Aside from the teams still dismantling the Lubmin nuclear plant and the construction of a new liquified natural gas terminal to replace Nord Stream, now dry and defunct after Russia's invasion of Ukraine, Greifswald's economy is focused on smaller enterprises and research.

"Rostock is by far the economically strongest city (in Mecklenburg- Western Pomerania)," said Piechullek. "Rostock has strong tourism because it is also located directly on the sea. It has shipyards and a strong port. This (Greifswald) region is actually characterized by many small and medium-sized companies, not so many large companies."

Many of these companies originate from university research, particularly in the medical sciences and biosciences. Partnerships with federal research institutes such as the Max Planck Institute for Plasma Physics, the Leibniz Institute for Plasma Science and Technology and the Federal Institute for Animal Health on the nearby island of Riems have attracted international researchers and companies. A Center for Life Sciences and Plasma Technologies is underway, with the goal of incubating and recruiting more firms like Coldplasmatech, which uses plasma technology to treat difficult-to-heal wounds and relocated to Greifswald in 2015.⁴⁵ Cheplapharm, which acquires manufacturing and distribution rights to expired pharmaceutical patents, has also become one of Greifswald's largest employers with more than 400 employees.

Tourism is strong near Greifswald, too, as it is near the island of Rügen, one of Germany's most popular beach destinations, and the Eldena beach is a few kilometers away. The old town in Greifswald, too, is relatively well-preserved compared to other cities in East Germany, having avoided destruction during World War II after a peaceful surrender to the Soviet Army. Town officials took efforts after reunification in the 1990s to preserve historic structures that had escaped the bulldozer during GDR rule.

The university spends time focusing on entrepreneurship. It might seem like an obvious choice for a university with a strong business program to focus on supporting startups, but it also represents a major mindset shift over the past two generations.

⁴⁴ *Innovative Greifswald: The Business Magazine*. 2022. University and Hanseatic City of Greifswald.

⁴⁵ *Innovative Greifswald*

“I grew up in a socialist household,” Karl Kuba, an economic developer for the City of Greifswald said, “and businesspeople were the enemy. So solo entrepreneurship was frowned upon as potentially unstable. Today, it’s my job to support entrepreneurs.”

Of course, more than 30 years after the fall of the GDR, a new generation has dwindling conception of or concern for that shift. While the unemployment rate is still higher than average, around 8% in the Vorpommern-Greifswald Landkreis as of June 2023, the labor market is much tighter than the 20% or higher unemployment seen here in the 1990s.⁴⁶ The concern now is more a shortage of skilled labor than a shortage of jobs.

“Many companies are desperately looking for staff,” said Piechullek. “The shortage of skilled workers is, among other things, one of our greatest challenges.”

Part of a potential solution can be politically explosive in this region: Immigration. Greifswald and its Green Party mayor are an outlier in Mecklenburg, where nationalistic parties such as the Alternative for Germany (AfD) net nearly 17% of the vote in federal elections.⁴⁷ And over the years, Greifswald has occasionally been a flashpoint of conflict for extremist groups from surrounding areas.⁴⁸ The University’s student population is about 8% international.⁴⁹

“I’ll say it quite clearly,” Piechullek said. “We as a region still have a relatively small proportion of foreigners here. We simply must create a more welcoming culture, and we also have to be or become attractive to people from other countries, because without immigration, we may not have many things in the future that we have become accustomed to.”

⁴⁶ [Bundesagentur für Arbeit](#). 2022

⁴⁷ Decker, Frank. 2022. “[Wahlergebnisse und Wählerschaft der AfD](#).” Bundeszentrale für politische Bildung.

⁴⁸ Speit, Andreas. May 1, 2011. “[Neonazis greifen gezielt Linke an](#).” *TAZ.de*

⁴⁹ *Die Universität in Zahlen*. 2022. University of Greifswald

CONCLUSION

The following analysis and portraits of five mid-sized cities in Germany reveal the diverse histories and economies of similar sized towns in the European Union's largest economy. A closer look at these exemplary cities and regions shows that leaders in these mid-sized towns are focusing on different strategies for future economic development. Growing cities such as Husum and Greifswald have the advantage of some combination of basic industries or public institutions, such as tourism, the wind energy industry, or a relatively large public university or military installation. Those advantages are not by themselves enough to drive continued growth. In both areas, committed city and regional leaders have seized on opportunities for economic transition, whether the transition from agriculture to wind energy in Husum or the renewed research functions of the University of Greifswald.

Leaders in shrinking regions are no less committed, and often must be more creative in their economic strategies. The impact of reunification can still be felt in Wittenberge, Frankfurt (Oder) and, to a lesser extent, the former border-region city of Osterode am Harz. Though, now more than 30 years later, the initial shock to population decline has begun to stabilize. Decisions of prior generations have left behind infrastructural advantages and disadvantages, such as the inexpensive real estate along the Magistrale in Frankfurt (Oder) or the outsized train station in Wittenberge compared to the single track in Osterode. While many of these regions are making creative use of their infrastructure assets to move goods and people, the creation of community is at the heart of these strategies. The exchange of ideas is a prerequisite for economic growth. And, ultimately, the embrace of tourism and preservation in Osterode, the creation of new community touchpoints in Wittenberge, and the modernization of institutions such as a bank in Frankfurt (Oder), offer lessons for community building and economic development in similar mid-sized towns in the United States and other developed countries.

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