

Changing consumption landscapes: selected aspects of contemporary urban restructuring in central Prague

Luděk Sýkora, Department of Social Geography and Regional Development, Faculty of Science, Charles University, Albertov 6, 128 43 Praha 2, Czech Republic

Summary *The establishment of a competitive market environment in the former centrally planned economies in Central and Eastern Europe has been based on a highly uneven redistribution of resources and power among private firms, public agencies and individual households. The massive conversion of facilities formerly aimed at needs of local citizens to premises oriented to foreign tourists and business services is documented in the following study of privatization of retail outlets, small service work shops, and catering establishments. Westernization and fragmentation of consumption patterns are discussed in the final part of the paper.*

The article is focused on the changing of consumption landscapes in the inner city of Prague after the 1989 events. Particular attention is devoted to changes in the functional use of non-residential premises utilized for retail, small services and catering purposes. The changes are enabled by government-directed transformation of ownership structures, price and rent deregulation, and by a changing role of public institutions. However, the changes are also influenced by the emergence of a highly structured demand coming from a growing variety of actors in the booming Czech consumption scene. The paper begins with a brief introduction to the institutional changes launched after 1989, with particular attention given to system transformations in the economy. The reforms directly related to the development and restructuring of small businesses (shops, restaurants and other private small scale services) will be outlined. This will give the necessary background for a further analysis, based on a case study of the changes in functional use within a sample of 330 non-residential

premises in central Prague. All the premises studied were recently privatized by means of public auctions in so-called *small privatization*. Their former functional use can therefore be compared with the type of use after privatization. In conclusion some links between changing consumption patterns in the Czech Republic, and in Prague particularly, will be discussed in the context of general trends in modern urban consumption in the era of globalization.

General background: transition to pluralistic democracy and market economy

At the present time, in the first half of 1990s, the former centrally planned economies in Central and Eastern Europe are going through a massive and a high-speed restructuring of their political, economic, social and cultural spheres. The restructuring is generally labelled as the transition from totalitarian to democratic political regimes, and from centrally planned to market (or mixed) economies. There is little doubt that this transition will bring to most of these countries the establishment of a political economy compatible with the standards of contemporary 'Western', international or even global capitalism. Because restructuring varies considerably among individual countries, reference in the following pages will be only to the case of the Czech Republic.

The first stage of the transition in the Czech Republic has been deliberately directed by central government actions, whose basic pillars have been system transformations in politics and economics (Sýkora 1994b). The institutionalization of a politically democratic model at the beginning of 1990, confirmed by parliamentary elections in 1992, created a necessary precondition for a government-directed transition to a market economy. The basic components of a general economic liberalization have been the deregulation of the public management of resource allocation, changes in ownership structures based on various privatization processes (Grime and Duke 1993), and a liberalization of exchange measures. Furthermore, a legal framework for freedom of economic activities based on *de jure* equality between the public and private sectors was established (the latter now even enjoys substantial legal and economic preferences in many areas), and liberalization of foreign trade has exposed

domestic producers and consumers to international markets. The system transformations have been aimed at creating both an internal competitive environment, which has been perceived as a necessary precondition for economic progress and development, as well as making the Czech Republic compatible with the prosperous 'West' as quickly as possible.

System transformations have already set 'new rules of the game' and reallocated resources and powers, thus creating a necessary starting base for the next stage of transition. This stage is shaped by the character of economic reform, strongly influenced by the economic liberalism of neo-conservatism, which has dominated post-communist politics in the Czech Republic. Consequently, the establishment of a competitive market environment has been based on a highly uneven redistribution of resources and power among private firms, public agencies and individual households. The deliberate production of inequalities, aimed at stimulating and speeding-up economic restructuring, thus creating conditions for future growth, has not however been accompanied by adequate social, housing, regional or urban policies.

This strategy is likely to produce social disparities which can have some undesirable effects if they are not regulated by appropriate public policy. In the urban context, the most important consequences are a rapid conversion of residential space to non-residential premises (flats to offices) and a displacement of lower income households from attractive inner city neighbourhoods. The massive conversion of facilities formerly aimed at needs of local citizens to premises oriented to foreign tourists and business services will be documented in the following analysis of retail outlets, small service work shops, and catering establishments.

The impact of economic reforms on the development of small private businesses

The restructuring of retail and small scale services, as well as catering establishments, was the first sector influenced by measures employed by economic reform strategies. The particular reforms which have a direct impact on the restructuring of urban environment have been conceptualized elsewhere (Sýkora 1994b; Sýkora and Šimoníčková 1993) as a set of three main transformations: the first involves the

deregulation of public management of resource allocation; the second refers to changes in ownership structures based on various privatization processes; and the third includes the liberalization of exchange measures. The impact of these transformations varies significantly within the geography of an urban environment, therefore they importantly influence a pattern of uneven development within the internal structure of the city.

Within the command/centrally planned economy of the Communist system, the actual location of retail, service and catering functions was exclusively controlled by public (mostly local) authorities. The power of local authorities to decide how non-residential premises were to be used was broken down in the spring of 1990 by a new act dealing with the leasing and subleasing of non-residential premises. The law created legal preconditions for changes in utilization of many non-residential premises by presenting the possibility of allocating them to higher-bid actors. Consequently, hundreds of tenants left the non-residential premises they were located in and new contracts on lease were negotiated with new users, mainly small business entrepreneurs and representatives of foreign firms, this time without any substantial interventions from public authorities. The law only guarantees legal protection against eviction for state services such as telecommunications, social and medical services, centres of scientific research and education as well as art and other cultural activities.

A supplement to the law, a decree on rent regulation in non-residential premises, introduced a more liberal system of rent regulation. The decree offers a possibility of full rent deregulation in areas declared by local authorities. The possibility to freely negotiate new contracts on leases and the rapidly increasing rents in central locations where rent was fully deregulated influenced the rapid displacement of former establishments. This development led to more intensive utilization of scarce space resources based on conversions to luxury and tourist oriented shops, restaurants or other services, but it considerably reduced the number of facilities accessible to the local population.

The most important impetus for the restructuring of the small business sector was given by privatization processes. In 1990 non-residential premises used for retail

purposes, restaurants and other small scale services were still in state ownership and their management was run by public companies subordinated to local governments. Reforms aimed at breaking down the dominance of state ownership first brought results in 1991. There have been two reforms intended to change ownership structure which have had a considerable impact on inner city restructuring.

The first reform, *restitution*, was intended to return properties confiscated by the Communist regime to the former owners or their heirs. Restitution was driven not as much by economic reasons as by the desire to give moral compensation to those who lost their ownership rights after the Communist coup in 1948. However, restitution was not only a matter of justice but a fundamental economic tool aimed at taking the state out of decision-making concerning existing capital assets as soon as possible. The reform considerably contributed to the highly uneven redistribution of resources among various actors. It is important to note that restitution has had significant implications for massive economic and social restructuring in particular city areas.

The restitution (or reprivatization) process has mainly affected houses in the inner city of Prague. For example, in two central city areas, Prague 1 (two thirds of this area is subjected to our closer investigation of small businesses) and Prague 2 (Figure 1), about 70-80 % of residential houses were returned in 1991-92, and in other inner city neighbourhoods restitution has affected about 35-65 % of the existing residential housing stock (Sýkora and Šimoníčková 1993; Eskinasi 1994). Once property has been returned it can be freely marketed. This has caused considerable changes of ownership rights and the transfer of many returned properties through real estate agencies to new owners, often domestic financial institutions and firms established by foreigners. It has to be noted that despite some controls on foreign subjects entering the Czech real estate market (Sýkora 1994a), about 50 % of all sales through real estate agencies are directed to foreigners (IMMOS 1993).

While returned buildings are mainly tenement houses, many of them include retail space on the ground floor or contain office space. These premises, which were used by the state for retail or other services, were subjected to small privatization. Many non-residential premises however were already transferred during 1990 to new users

according to the act on the leasing and subleasing of non-residential premises. Vacant premises in returned houses were also in demand by entrepreneurs for shops, bars, exchange offices, travel bureaus, etc. Furthermore, many residential premises in locations attractive for commercial and representative purposes have been converted to non-residential space.

The second reform, *small privatization*, has exclusively focused on the privatization of small state properties. The primary aim of small privatization was to sell small state owned businesses by means of public auctions to private owners, thus offering the facilities necessary for the rapid development of a small private entrepreneurs' sector. Nearly 2,500 shops, restaurants or smaller enterprises found new owners or tenants in small privatization auctions during 1991-92.

There were generally two ways in which properties were sold. Whole properties, often including land, were sold when premises were located in free-standing buildings, which were not claimed in restitution. This accounted for 20 % of all auctions in Prague and affected particularly shopping or service centres built during the Communist era. Consequently, only facilities, furnishings or machinery were sold in the majority of auctions. Nevertheless, because the property was bought in a small privatization auction, a five-year lease has been guaranteed for new tenants. Together with restitution, the small privatization process has provided a strong impetus for the rapid introduction of small-scale competition, especially noticeable in the retail sector.

Changes of functional use in privatized small business premises: a case study from central Prague

Most inner city houses were not used in an economically efficient way within a command urban economy. I have argued elsewhere (Sýkora 1993) that with the installation of market mechanisms functional gaps emerge and they are being closed in very short period. Their development is influenced by both structural predispositions caused by the underutilization of available real estate premises, and by the rapidly growing demand for such facilities. The closure of functional gaps has had important implications for new developments in the small services sector. Brightly coloured shop

fronts and a greater variety of goods on display have replaced the grey and uniform socialist standard, with a general tendency to change function and to move upmarket. Many non-residential premises which have never been used for such purposes, or old shops which were abandoned, have suddenly been discovered by emerging small entrepreneurs. Consequently, the city's commercial core has completely changed its retail and service structure. This development has had a very positive influence on the revitalization of the inner city environment, but has shifted many of the currently available services to a domain which is not accessible to most local citizens. This development will be documented in the following case study.

The area under investigation is part of the central city district called Prague 1 (Figure 1). The district is divided by the Vltava river into two geographically distinct areas. The left bank of Prague 1, consisting of two neighbourhoods, Malá Strana and Hradčany, has been omitted. The right bank, which is formed by two historical neighbourhoods, Old Town (Staré Město) and Josefov, and most of New Town (Nové Město), has been selected for the case study because it has traditionally played the role of Prague's commercial centre (for an introduction to the city's geography see Sýkora and Štěpánek 1992). In 1989 (the last comprehensive statistical survey of retailing is available for this year), 37 % of all retail turnover in Prague occurred in the selected area. If we exclude from a total retail turnover in Prague such businesses as petrol stations or shops selling construction materials, the share of the study area amounts to up to 50 %. According to the last census, 35,060 inhabitants (2.9 % of Prague's population) lived in the area during 1991. It can also be estimated that approximately 130,000 jobs are concentrated there (personal calculation), mainly in the tertiary and quaternary sectors. The highly developed retail and other services network, the attractiveness of the location in the heart of Prague's historical core (the area under investigation covers approximately one half of Prague's Historic Reserve), and the introduction of market mechanisms are the central preconditions for rapid change in the development of a small business sector.

In this area, 330 non-residential premises were privatized through small privatization auctions during 1991-92. In all these cases only furnishings were sold and a five year

lease guaranteed for new tenants. For all the premises, information about their functional use before privatization was obtained from the Prague Privatization Agency (Pražská privatizační komise). In July and August of 1993, a survey of the current functional use of these premises was conducted. The sample was divided into eight groups according to the type of functional use existing before privatization: (I) groceries and other food shops with meat or fruit and vegetables, (II) other shops, (III) kiosks and small premises used for the sale of newspapers, journals and tobacco products, (IV) catering establishments, (V) service workshops such as hairdressers, shoe repair shops, etc., (VI) special facilities such as auto-garages, smaller production units, etc., (VII) offices, and (VIII) small mostly retail stores. The same groupings were used for the evaluation of contemporary use, but three new categories of a functional type were added: (TR) travel bureaus and real estate agencies, (CH) exchange offices, (VL) video lending libraries and betting shops. Transfers among individual categories of functional use are shown in Table 1. Furthermore, because some privatized premises were vacant (E) or under reconstruction (R) those categories are also added. The table also indicates the number of facilities, which by a change in type of functional use significantly moved upmarket (UP), and the number of those where functional use has remained unchanged in relation to the use prior to privatization (UN).

Four main trends in the changing functional use of non-residential premises can be generalized from Table 1. First, in one third of all privatized premises the previous function remained unchanged, while another third experienced a significant upmarket shift in their functional use. The reference here is only to changes in function. For example, if a former drugstore is now still a drugstore, regardless of changes in the variety of goods offered, the premises are considered to have had no change in functional use and no upmarket move. On the other hand, if a drugstore changes to a shop selling glass and pottery (often exclusively tourist oriented) or from a repair workshop to a boutique, it was evaluated as a significant upmarket move. In the case of change from a drugstore to a bookstore targeted on more or less the same group of purchasers, the change of function was recorded, while upmarket move was not.

There was only a small number of premises that showed decline. Generally speaking, all retail, catering and other services significantly improved their status by widening the variety of goods on display and by bettering their physical environment. Secondly, a relatively high share of premises (14 %) were vacant or under reconstruction. The vacancy rate of many privatized premises is striking. Unfortunately, the limited scope of this research did not permit clear identification of causes of this situation.

Third, the number of grocery and other food shops was reduced by 46 %, kiosks by 76 %, and service work shops by 84 %. This development is particularly interesting in the case of grocery stores. According to the small privatization act, the new owner or tenant of a shop which was formerly used for the sale of food items is obliged to continue in food sales for at least one year from the date of auction. This measure was intended to prevent a network of basic services for local citizens from rapidly converting to higher standard facilities. At the present time, however, this regulation is not in operation for the majority of privatized shops, and as a consequence, the number of grocery stores is declining. Furthermore, the figures indicate a drastic reduction in the number of other facilities which serve the needs of local citizens, such as kiosks and service workshops, whose functional use was not regulated by the privatization legislation. Nevertheless, local authorities can influence changes in the functional use of retail and service outlets. This right is given by an article in the act on the lease and sublease of non-residential premises which states: "The rooms intended for the performance of retail and services can be leased only after the previous consent of the local authority". However, it continues: "If the local authority does not resolve the matter within 15 days from the receipt of application was obtained, the consent is deemed to have been given." Local governments usually do not use the potential for regulation. There exists a generally negative attitude among Czech politicians from both central and local governments towards any kind of public or planning regulations.

Finally, the number of catering establishments has considerably expanded, and that many new facilities such as travel bureaus, real estate agencies, exchange offices and video lending libraries have replaced various previous functions. Most catering

establishments now are almost exclusively directed at foreign tourists. Duke (1993) conducted an interesting study of the influence of the privatization process on Prague's beer houses. The study documents a general upmarket move caused by the reorientation from domestic to foreign consumers. According to Duke, the upmarket shift is indicated by conversions of some beer houses into restaurants, "where eating is the main objective and beer may be available but at a price of up to 50 crowns" (four times higher than in an ordinary pub; seven times higher than in a local 4th category pub). The upmarket shift in relation to supply is due to functional transformations, and in relation to demand it is due to the booming numbers of foreign tourists. This development both allows and necessitates a rapid increase in consumer prices.

The upmarket shift is significantly differentiated in space, meaning that a particular location in central Prague can be a crucial determinant of price differentials. The highest prices are naturally associated with the main tourist routes, however price levels are so high that local citizens are being excluded from the local market. Duke (1993) gives an example of a local pub that "has retained a relatively low price and its traditional atmosphere and decor" through "a combination of self help and protectionism", which according to him "would appear to be the only way to preserve the traditional atmosphere of a Prague pivnice (beer house, author's note) in the centre". Unfortunately, such a strategy is rather individual and the character of the locality is likely to be restructured by powers which are out of local citizen's control.

Conclusions: the emergence of new consumption landscapes

At the present time, many shops and restaurants in central Prague belong to a network of internationalized places rather than to a locality. Their customers are almost exclusively foreigners and their products are imported rather than locally manufactured. Employees of these businesses are not likely to be recruited from local population. The historical cultural artifacts of locality are used only to provide attractive services for 'globetrotters'. Furthermore, some symbols of 'global taste' and 'united fashions' have appeared not only in the form of goods on display, but also can be

seen by the invasion of such facilities as McDonald's, and by the extension of foreign shopping mall chains, such as K-mart. The comfort of thousands of foreign tourists and businessmen is secured by the supply of goods in places they are familiar with from every corner of the Western world.

New developments on the Czech consumption scene are characterized by a rapid acceptance of Western patterns of consumer behaviour. This change is influenced by indigenous as well as by exogenous factors. After many decades of 'grey' and monotonous socialist consumption Czech consumers have been desperately seeking for Western goods of any standard. This demand has created a potential for the development of Fordist mass consumption landscapes. This is reflected in new retail development projects. Four U.S.-style shopping malls are scheduled to open in the greater Prague area within 1994-95 (Damsell 1994). New projects are often based on the idea of an entertainment shopping centre, and their marketing strategy combines both the Fordist mass consumption and the post-Fordist specialization in fragmented market niche.

In addition, the luxury shops and restaurants are accompanied by a mass of street vendors and other kinds of informal economic activity. In the same places, it is also possible to see a homeless person looking through a garbage container in front of a shop selling luxury cars. Westernization shows not only the bright but also the dark side of capitalism. On the one hand, there is a unification of consumption patterns with western standards which results in unification or integration on a larger geographical scale, while on the other hand there is a growing differentiation in consumption patterns among various social groups, particularly on the level of a geographical micro-scale (Sýkora 1994b). The fragmentation of local consumption patterns, influenced by the large social and income differentiations among consumers in central Prague, contributes to spatial selectivity of various development processes as well as to sociospatial segregation into a mosaic of small areas with their specific cultural spirits and functional uses (Sýkora 1994b, see also Musil 1993 and his prediction of a subdivision of the central zone into specialized areas).

The developments outlined above are shaped into the same destiny as changes in

modern western consumption. Glennie and Thrift (1992) characterize developments in modern consumption after the 1960s and 1970s as follows: "The old city centres, department stores, and shopping centres based on selling commodities to a relatively homogeneous mass of consumers are gradually replaced by sites that attempt to appeal to many groups of consumers or specialized sets of consumers". I would argue here that this general trend is also applicable to Prague's consumption scene. The development is even more significant because of the enormous speed of restructuring in the context of transition. This rapid change is further accentuated by the simultaneous saturation of both Fordist mass consumption generated through the demand of the majority and, on the other hand, post-Fordist highly specialized and fragmented demands of wealthy Czechs and 'Western' businessmen and tourists. The restructuring of the city's consumption landscapes also means that central Prague is no longer for Praguers. This development significantly contributes to a transformation towards a cosmopolitan spirit of an emerging central city cultural landscape.

References

- Damsell K (1994) 'Malls coming to Prague' *The Prague Post* 4, no 2, 7
- Duke V (1993) 'The cold draught of privatisation: a case study of small scale privatisation in Prague' *Regions (Newsletter of the Regional Studies Association)* 185, 16-20
- Eskinasi M (1994) *Transforming Prague: A step over the threshold? (A study of privatization, housing and urban renewal in a city in transition)* (Doctoral thesis, Planologisch en Demografisch Instituut, Universiteit van Amsterdam)
- Glennie P D, Thrift N J (1992) 'Modernity, urbanism, and modern consumption' *Environment and Planning D: Society and Space* 10, 423-443
- Grime K, Duke V (1993) 'A Czech on privatization' *Regional Studies* 27, 751-757
- IMMOS (1993) 'Reality u kulatého stolu [Real estate round table]' *Ekonom* 38, VI-VII
- Musil J (1993) 'Changing urban systems in post-communist societies in Central Europe: analysis and prediction' *Urban Studies* 30, 899-905

Sýkora L (1993) 'City in transition: the role of rent gaps in Prague's revitalization' *Tijdschrift voor Economische en Sociale Geografie* 84, 281-293

Sýkora L (1994a) 'Prague in 1990s: changing planning strategies in the context of transition to market economy' in Berry J, McGreal S (eds) *European Cities: Planning Systems and Property Markets* (E & FN Spon, London)

Sýkora L (1994b) 'Local urban restructuring as a mirror of globalization processes: Prague in 1990s' *Urban Studies* 31, forthcoming

Sýkora L, Štěpánek V (1992) 'Prague' *Cities* 9, 91-100

Sýkora L, Šimoníčková, I (1993) 'From totalitarian urban economy managerialism to liberalized urban property market: Prague's transformation in early 1990s' (Paper presented at the International Workshop on Problems of Development and Administration of Prague, Central European University Foundation, April 26-27, 1993)

Table 1 Changes in the functional use of privatized non-residential premises

	before privatization		after privatization													
	NO	I	II	III	IV	V	VI	VII	VIII	TR	CH	VL	E	R	UP	UN
I	84	43	14	1	9	0	0	2	0	3	1	0	10	1	24	34
II	114	1	82	0	7	0	0	2	0	5	4	1	9	3	42	33
III	38	0	9	9	3	0	0	0	0	3	4	2	8	0	20	15
IV	42	0	1	0	33	0	0	0	1	0	0	0	2	5	2	31
V	31	1	11	0	5	5	0	1	0	2	0	1	5	0	18	3
VI	5	0	0	0	0	5	5	0	0	0	0	0	0	0	2	3
VII	3	0	0	0	0	0	0	2	0	1	0	0	0	0	1	1
VIII	13	0	1	0	0	0	0	2	5	0	0	0	4	1	3	1
SUM	330	45	118	10	57	5	5	9	6	14	9	4	38	10	112	121

Notes: (NO) number of units in particular functional use before privatization; (SUM) total; (I) groceries and other food shops with meat or fruit and vegetables, (II) other shops, (III) kiosks and small premises used for the sale of newspapers, journals and tobacco products, (IV) catering establishments, (V) service workshops such as hairdressers, shoe repair shops, etc., (VI) special facilities such as auto-garages, smaller production units, etc., (VII) offices, and (VIII) small mostly retail stores; (TR) travel bureaux and real estate agencies, (CH) exchange offices, (VL) video lending libraries and betting shops; (E) vacant units, (R) reconstruction; (UP) upmarket move, (UN) no change in function.

Figure 1 Prague: (a) the case study area, (a+b) Prague 1, (c) Prague 2, (1) inner city, (2) built-up area