Local Urban Restructuring as a Mirror of Globalisation Processes: Prague in the 1990s
Ludek Sykora
Urban Stud 1994; 31; 1149
DOI: 10.1080/00420989420081001

The online version of this article can be found at:
http://usj.sagepub.com/cgi/content/abstract/31/7/1149

Published by:
SAGE
http://www.sagepublications.com

On behalf of:
Urban Studies Journal Limited

Additional services and information for Urban Studies can be found at:

Email Alerts: http://usj.sagepub.com/cgi/alerts

Subscriptions: http://usj.sagepub.com/subscriptions

Reprints: http://www.sagepub.com/journalsReprints.nav

Permissions: http://www.sagepub.co.uk/journalsPermissions.nav

Citations http://usj.sagepub.com/cgi/content/refs/31/7/1149
Local Urban Restructuring as a Mirror of Globalisation Processes: Prague in the 1990s

Luděk Sýkora

Summary. This paper argues that Prague is rapidly becoming a standard Western city considerably shaped by forces of contemporary global capitalism. The impact of global forces on local urban restructuring in Prague is enabled by system transformations, which form the backbone of a government-directed transition to market economy. The system transformations, such as public management deregulation, privatisation processes and liberalisation of prices, have already set 'new rules of the game', have reallocated resources and power, and thus have created the necessary pre-conditions for the next phase of transition. Secondary transformations in the urban environment, such as the struggle for command over space, local labour market restructuring and the emergence of new consumption landscapes, have serious implications for geographically uneven development and the recomposition of urban form. Consequently, the time–space compression, which links Czechs with the Western world, has had highly differentiated impacts on various social groups. In conclusion it is argued that the contemporary transition should be viewed as internal transformations within the project of modernity, and the regulation theory approach is employed to shed light on links between transition in the Czech Republic and contemporary restructuring in the Western world.

1. Introduction

What is happening in a central European city whose socio-spatial structure, urban life and culture have been heavily influenced by a totalitarian political regime and a centralised command economy during the Communist period? Even a lay person can directly observe a massive restructuring of political, economic, social and cultural spheres, which gives an impression of a restless urban landscape in contemporary Prague. What are the dominant factors that influence Prague's urban restructuring?

This paper argues that Prague is rapidly becoming a standard Western city considerably shaped by forces of contemporary global capitalism. It is a rapid transformation of basic axioms of politics and economics which makes the Czech Republic, and Prague particularly, compatible with mechanisms that operate in the contemporary Western world. System transformations have already set 'new rules of the game', have reallocated resources and power, and thus have created the necessary pre-conditions for...
the next phase of transition.

The second phase is characterised by the utilisation of 'old' internal resources in a 'new' political, economic and legal environment created by the system transformations. This environment aims to stimulate internal competition, and exposes domestic actors and resources to external forces. The developments within the second phase of transition can be perceived and interpreted as a regular process of urban restructuring, as is well known from Western cities. However, the speed of transition is far faster than in comparable cities of the Western world, as local subjects attempt to match new trends in development on international and global scales from a relatively backward starting position, and external/foreign subjects are keen and enabled to enter the locality without any significant restrictions.

Local urban restructuring is important by its geographical multicausality of every particular event. By geographical multicausality, is meant co-determination of local happenings by the simultaneous influence of a wide spectrum of forces which operate on various geographical scales. However, processes which link the city as a locality with mechanisms that operate on a global scale are rapidly gaining in importance. The influence of globalisation processes on local restructuring is a new phenomenon in the Czech Republic. Their impact generates a rapid restructuring of political, economic and cultural orientations of various social and economic agents, their values and tastes, and fixes them in new political structures, production systems and consumption patterns.

The regulation theory framework is employed to argue that the previous regime of accumulation and its mode of social regulation and system of accumulation are being restructured towards new standards. Particular attention is paid to the establishment of a new mode of social regulation through system transformations, which is aimed at restructuring the system of accumulation towards contemporary global capitalism production and consumption patterns. The result of the operation of these mechanisms is an intensive time-space compression, that links a local place (the Czech Republic, Prague) with global spaces. The distance between the Czech and the Western worlds is currently declining with an unimaginable speed.

2. Globalisation and Its Impact on Locality

According to Giddens (1990, p. 64) "whoever studies cities today, in any part of the world, is aware that what happens in a local neighbourhood is likely to be influenced by factors—such as world money and commodity markets—operating at an indefinite distance away from that neighbourhood itself". Massey (1991) claims that we need a global sense of local place. It can only be constructed by linking that place to places beyond. She argues:

Instead then, of thinking of places as areas with boundaries around, they can be imagined as articulated moments in networks of social relations and understandings, but where a large proportion of those relations, experiences and understandings are constructed on a far larger scale than what we happen to define for that moment as the place itself, whether that be a street, or a region or even a continent. And this in turn allows a sense of place which is extroverted, which includes a consciousness of its links with the wider world, which integrates in a positive way the global and the local (Massey, 1993, p. 66).

The important message to be taken up is that the specificity of the linkage to that 'outside' is itself part of what constitutes the local.

What are these linkages? Which actors and their actions (in a time-space perspective) constitute processes, that bound happenings on various geographical scales, particularly the global with the local? Featherstone (1990, p. 1) writes about "processes which sustain the exchange and flow of goods, people, information, knowledge and images which ... gain some autonomy on a global level". Giddens (1990, p. 64) defines globalisation as "the intensification of worldwide
social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa”. Castells (1993) coins the concept of ‘the informational society’, which emerges from ‘a technological informational revolution’, that provides the basic infrastructure for the formation of ‘a global economy’ characterised by a new international division of labour. He defines the global economy as “an economy where capital flows, labour markets, commodity markets, information, raw materials, management, and organization are internationally fully interdependent throughout the planet” (Castells, 1993, p. 249).

Since the Second World War, national economies have become increasingly integrated within a global system of production, distribution and exchange. Particularly significant developments have included the liberalisation of global capital flows, the growth in the number and influence of transnational corporations, the economic progress of the newly industrialised countries, and the establishment of supra-national trading blocs such as the European Union or North American Free Trade Association. However, the most important impetus for the shift to the ‘global’ organisation of production, and consequent processes of political and economic restructuring at national level, as well as local and regional levels, appeared in developments of the early 1970s.

Since the break up of the Bretton Woods agreement in 1971 and the subsequent oil crisis, the world economy is going through a substantial recession. Processes of fundamental restructuring in private as well as public spheres appeared as a response to a world-wide economic crisis. The restructuring can be conceptualised within the regulation theory framework (for summary and critique see Lipietz, 1986; Dunford, 1990; Brenner and Glick, 1991; Hirst and Zeitlin, 1991; Tickell and Peck, 1992), which provides a useful framework for understanding complex processes of change in the organisation of capitalism. First, there is the restructuring of the accumulation system. Unfortunately, most of attention has been paid to changes in production patterns, which are often interpreted as the transition from Fordism to flexible specialisation, while other spheres such as consumption, distribution and exchange have been omitted. Secondly, there is the restructuring of the regulation system, the conceptualisation of which is highly underdeveloped within the regulation approach (Tickell and Peck, 1992). Nevertheless, it can be referred to the transition from a welfare state to a ‘post-welfare’ paradigm in politics (Bennett, 1990). The key factor for the conceptualisation of contemporary developments within a regulation theory framework is an attempt to integrate developments on various geographical scales.

There has been virtually no control over, no barrier to and no regulation of capital movements on an international scale since the breakdown of the US-dominated global order at the beginning of 1970s. Consequently, the potential for private capital actors to ‘escape’ from the ‘Fordist/Keynesian’ regulation system integrated within nation-states to a higher geographical scale, where the control of capital flows was more relaxed, could be realised with higher speed and intensity than in the 1950s and 1960s. The jump of geographical scales was also enabled through the achievements of the technological informational revolution, as the mobility of capital and information and, importantly, the centralised control of decentralised production (Sassen, 1991) became less restricted by physical attributes of global space. Consequently, there has been an important ‘global shift’ (Dicken, 1992), or transformation from an international to a global economy.

This development initiated a systematic retreat of national state governments from the regulation of financial, commodity and labour markets. It influenced a deregulation of regulatory mechanisms and practices at national level and a hegemony of the nation-state as the core or key geographical scale for the system of regulation. Consequently, there appeared the “globalisation” (Swyngedouw,
of regulatory practices, characterised by a devolution of regulatory practices to local governments at regional and urban levels on one hand and a transfer to supra-national institutions, such as the EU or NAFTA, on the other.

However, the most important development was caused by changes in the role of public-sector institutions, characterised by deregulation from public to private allocation of resources (privatisation, weakening public and planning regulations, short-term policies over long-term planning goals), and by the strategy supporting the development of transnational corporations and prioritising international trade and investments. These processes have nearly exclusively been directed by central government actions, particularly in countries with strongly based neo-conservative politics of economic liberalism. Neoliberal economic strategies in either conservative, centrist or social-democratic forms replaced the strategies of Keynesian welfare states in almost all countries. This development can be perceived as an attempt for a transition to a new ‘neo-competitive’ mode of social regulation at the national level, which proved to have serious limitations to provide a basis for long-term sustainable development (Peck and Tickell, 1992). However, it significantly contributed to the establishment of a competitive mode of social regulation at an international or global scale.

While in the 1950s and 1960s the balance between private and public bodies was held within a framework of national states, during the 1970s and 1980s a command over economic space ceased to coincide with the borders of nation states ... and came to be situated at the global scale of production and circulation of capital. At the same time, however, the regulation of the production/reproduction nexus remained firmly associated with the scale of the national state. The tensions that arose finally led to the disintegration of the national Fordist contract and the de facto demise of many (although by no means all) national-territorial regulatory forms. The faltering of the Fordist mode of development set the stage for the practices and conditions that are now commonly associated with flexible accumulation. The conditions of relative stability of the 1960s thus gave way to the volatile, uncertain—in fact, flexible—age of the 1980s and 1990s (Swyngedouw, 1992, pp. 51–52).

Globalisation is understood and interpreted here as a process of change from a national to a global scale of integration of the accumulation regime. The word ‘globalisation’ symbolises the destination of the move, while the real integration is being achieved rather at an international level or within a few sub-global systems. Globalisation has a profound impact on the restructuring of the localities involved in the process. The performance of cities and regions is increasingly affected as well as constituted by processes and forces external to their geographical areas, and even to boundaries of their national states. The global impact of new trends also implies parallels in many new urban developments. Soja (1991) writes about ‘an emerging new mode of urbanisation’, Castells (1993) defines ‘the informational city’, Hall (1993) describes ‘forces shaping contemporary urban Europe’.

Contemporary urban restructuring is characterised by:

1. increasing internationalisation of metropolitan regions in terms of both capital and labour (Soja, 1991), the formation of the world city (Castells, 1993) or the global city (Sassen, 1991);
2. changing power relations between the public and private sector, which at the local and regional levels of government is mirrored by the deregulation of planning control and reducing other governmental regulations, favouring entrepreneurialism (Harvey, 1989b) and attracting foreign investments;
3. industrial restructuring and consequent shifts in production patterns and labour structures, characterised by deindustrialisation and by the growth of command
and control functions in central parts of a few global cities (Sassen, 1991);

(4) increasing social and economic polarisation is becoming apparent, symbolised by the emergence of the dual city (Mollenkopf and Castells, 1991) marked by simultaneous concentration of an executive-professional-managerial technocracy and an urban underclass in the same places (Soja, 1991); Marcuse (1993) coins a modified concept of the ‘quartered city’;

(5) emergence of post-modern urban landscapes (Zukin, 1992), characterised by new modes of urban culture and consumption, underlined by an aesthetic form of post-modern urban architecture, as a part of post-modern production focused on ‘the selling of place’ (Harvey, 1993) as the crucial strategy of current capital accumulation in the context of growing competition at international or even global scales.

All the above-outlined processes have an important impact on the geographical recomposition of urban form (for instance, the constitution of economic development areas in the form of Urban Development Corporations or Enterprise Zones, the social and economic revitalisation of central cities, or the gentrification of inner-city neighbourhoods). A question we now have to ask is how these processes influence the contemporary urban restructuring in Prague, and what their impact is on changes in the land-use pattern and socio-spatial structure of urban areas?

Globalisation on the one hand contributes to a certain kind of homogenisation at a global scale, but on the other hand it does not always have uniform effects on all countries, regions and localities. It can be understood as another source of geographically uneven development (Massey, 1991). Globalisation is characterised by an uneven integration of different regions and localities into the global system. “Thus, the global economy embraces the whole planet, but not all its regions and all its population. In fact, only a minority of the people are truly integrated into the global economy ...” says Castells (1993, p. 249). Furthermore, “the particular character of individual countries, of regions and even localities interacts with the larger-scale general processes of change to produce quite specific outcomes” (Dicken, 1992, p. 2). This raises questions such as how Prague (or parts of it) is related to the global system, what is the impact of external forces, what role is played by local actors, and what are the outcomes of this global/local interplay?

Another question, formerly asked on more general level by Wallerstein (1990, p. 36), can be taken up and reformulated for a concrete local context. Should the transformations, which are occurring in Prague, the Czech Republic or even in central and eastern Europe as whole, be conceived of as a voluntary change from a local and traditional culture to a world-wide modern culture, or is the population in these geographical entities rather simply under pressure to give up their culture and adopt that of the Western world?

There are many questions to be answered, but only a little space to discuss them, and too little research has been done yet, to give more comprehensive answers. Nevertheless, the identification of the right questions is a first step for further analysis. In the following paragraphs, an attempt to uncover the mechanisms which shape contemporary urban restructuring in Prague will be sketched.

3. Transition: The Role of System Transformations

The contemporary period of development in central and east European countries is generally labelled a transition. It is the transition from totalitarian to democratic political regimes, and from centrally planned to market (or mixed) economies. In the Czech Republic, the first stage of transition has been deliberately directed by central government actions, whose basic pillars have been system transformations in politics and economics.

There has been an institutionalisation of the democratic model in politics, which is explicitly linked with the constitution of a
relative balance between the powers of public and private sectors, between both collective and individual interests and needs. At the urban level, the model of centralised totalitarian political power is being replaced by a new system of urban governance based on struggles and negotiations between central government, various levels of local government bodies, private-capital actors and different political, social and environmental movements and pressure groups.

The institutionalisation of a politically democratic model at the beginning of 1990, confirmed by parliamentary elections in 1992 (Jehlička et al., 1993), created a necessary precondition for a government-directed transition to a market economy. The scenario of (rapid) economic reform was approved by parliament already in September 1990, and a wide-ranging, consistent reform programme was put into effect on 1 January 1991. Since that time a succession of partial reforms has transformed fundamental features of the Czech economy and has influenced the restructuring of society as whole, and urban areas in particular.

The institutionalisation of the market economy has been perceived as a necessary precondition for economic growth, development and prosperity. The decisive factor of governmental effort has been the shift from the publicly planned allocation of resources to the market allocation of resources. It can be conceptualised as a set of three main transformations. First, there is deregulation of the public management of resource allocation to actors in the market place. This is tightly bound to the reduction of indirect public influence through the dominance of state ownership and the regulation of exchange processes, and is reflected in the second and third transformations, which are intended to create an environment in which market forces become a main allocator. In a second transformation, privatisation processes break down the dominance of state ownership into a more fragmented structure, creating a broad and complex set of individual subjects which can undertake exchange. The third transformation, the liberalisation of prices, installs a market environment in its narrowest sense by deregulating public involvement in exchange measures (prices, rent), thus permitting relatively the free action of individual agents in market exchange.

Consequently, direct involvement of public bodies in the allocation of resources has been reduced, a broad and complex set of individual subjects who can take an action of market exchange has been created, and the liberalisation of prices has opened a space for the relatively free action of individuals in market exchange. 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 liberalisation of foreign trade has exposed domestic producers and consumers to international markets.

The transformations outlined above have already created basic changes in the system environment. They have defined 'the new rules of the game' with two main goals. First, they have been aimed at creating an internal competitive environment, which will stimulate economic progress and development. Secondly, the attempt has been made to make Czechs compatible with the prosperous West as fast as possible.

The character of system transformations has been strongly influenced by the economic liberalism of neoconservatism, which has dominated post-Communist politics in the Czech Republic. The liberalisation policy has extensively drawn on examples of deregulation to market allocation coined by Reaganism and Thatcherism. This development was influenced by exogenous sources, mainly by the timing of the 1989 'Velvet revolution' at the peak of Thatcherist political influence in Europe, as well as by indigenous preconditions formed by a strong antagonism against any public regulation, after 40 years of central planning, and utilised by an elite group of liberal economists, who played a crucial role in designing political and economic reforms. The relative wealth of Czech citizens also played a vital role in the
acceptance of a rapid transition to a market economy. Consequently, the establishment of a competitive market environment has been based on a highly uneven redistribution of resources and power between 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 consistency in public policy. Potential social tensions can emerge and challenge the legitimacy of the contemporary government and its policies.

The transition is a period when the new ideology is in conflict with inherited structures ‘materialised’ in the form of institutions, norms and laws by the old ideology which lost the power battle in society. The politics of transition attempts to transform the ‘materialised’ structures as fast as possible and thus to legitimise its own ideology and political power. The current system transformations in the Czech Republic can be conceptualised as changes in a mode of social regulation, which attempt to create conditions for a new system of accumulation, which will be more competitive in the context of the contemporary global economy. Nevertheless, the dominant change in the contemporary world is the transition from a nation-state to a global level of integration of the accumulation regime. The national regulatory framework in the Czech Republic is being restructured in conformity with this general trend. However, internal changes in the Czech case are subordinated to developments at an international or global scale.

The contemporary transformation is an attempt at fast installation of all basic features of capitalism, which will make Czechs compatible with the dominant forces shaping the contemporary world. The current transition is an enormously intricate process important because of its rapid pace, which reduces the relative spatial and temporal distance of place (the Czech Republic) from forces operating at global scale. If this project is successful, Czechs will continue to experience, how enormously intensive time-space compression (Harvey, 1989a) interlinks their place with global spaces. (This question is returned to in a later section of this article.)

The formulation of new ideologies, their implementation into new societal rules, and their influence on the restructuring of ‘old’ societal fabric are strongly determined by the geographical structuration of reality. The outcome of mutual interactions between social structuration and geographical structuration is often interpreted as uneven geographical development. The restructuring of society in some geographical areas is most profound and progressive. In the Czech Republic this is so in the capital city of Prague, where contemporary urban restructuring can be seen as the leading edge of restructuring in Czech society.

4. The Impact of System Transformations on Local Urban Restructuring

At the urban level, the system transformations have been realised by many mechanisms which have aimed at installing a local market environment. In the sphere of public management deregulation, attention has been directed at the reduction of local government power to influence the allocation of resources, for example by releasing non-residential premises for particular users and functions. Another case has been the replacement of Housing Service Corporations, municipal agencies responsible for the management of public housing stock, by a number of private real estate agencies. The most influential factor on the local level of urban governance is a general antagonism directed towards public activities and planning regulations in particular. Inconsistent and often contradictory short-term political goals have got priority over long-term planning strategies (Sýkora, 1994).

Ownership structures are transformed by several mechanisms. At the urban level, the most important are restitution, small privati-
sation and large privatisation (for details see Grime and Duke, 1993). While the first two processes have been active in transforming Prague’s urban environment, the large-scale privatisation impact is still in its early stages. The first of these mechanisms, restitution, is a process whereby previous owners, or their heirs, have been given back properties that were confiscated by the Communist regime. 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 February 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.

Restitution (or reprivatisation) has had significant implications for a massive economic and social restructuring in particular city areas. Changes in ownership structure created by this reform have significantly influenced real estate in the inner city of Prague. For example, in the central city district Prague 1, about 70 per cent of the total housing stock was restituted, and in Prague 2, an inner-city high-status neighbourhood, an even higher share (75 per cent) of houses were returned in 1991–92. In many other inner-city neighbourhoods, restitution has affected about 35–65 per cent of the existing residential housing stock (Sykora and Šimoníková, 1993; Eskinasi, 1994).

There are still many houses in municipal ownership which were not claimed in restitution. In the case of Prague, the central-city government entrusts Prague’s local government authorities with the privatisation of this property, represented exclusively by tenement houses. In this process, high priority is given to selling houses to their tenants; foreign investors and real estate agencies are kept out as long as possible (in contrast to restitution); only less profitable and rundown houses are sold in inner-city neighbourhoods; there are financial incentives for the stimulation of housing renewal to be carried out by new owners (Eskinasi, 1994).

Small-scale privatisation commenced in Prague in January 1991 and most properties were auctioned before the end of 1992. The primary aim of small privatisation was to sell small state-owned businesses by means of public auctions into private hands thus offering the facilities necessary for the rapid development of a small private entrepreneurs’ sector. Nearly 2500 shops, restaurants and smaller enterprises found new owners or tenants in the small privatisation auctions during 1991–92. Sale prices under the small privatisation scheme represented the first comprehensive indicator of the market value of location within the Prague urban context. The prices showed general trends in price or rent surface, indicating buyers’ expectation of the future profit differential across Prague’s urban space. The price gradient which emerged resembles the neoclassical rent curve, with a peak in the centre and decreasing values towards the edge of the city (Sykora, 1993).

This spatial trend is also confirmed by land prices and rents in the emerging real estate market. In 1992 the market price for 1 sq m of urban land ranged from 700 Czech crowns at the city outskirts to 70 000 Czech crowns in the CBD (Sykora and Šimoníková, 1994), while in 1980s there was one administratively set price for the urban land within Prague’s territory which amounted to only 20 Czech crowns per sq m. The rent for office and commercial space available in central locations increased rapidly in the immediate aftermath of the November 1989 revolution, especially when a new system of rent regulation/deregulation was introduced. Nevertheless, with a growing supply of restituted and privatised properties, prices decreased, and since 1992 the fluctuation of prices and rents has more or less stabilised. During 1992, the rent for 1 sq m of office and retail space in the CBD ranged from 900 to 1300 Czech crowns and from 1500 to 2500 Czech crowns respectively. In other parts of the central city, rents stabilised at around 700–900 Czech crowns per sq m, with values decreasing towards the suburbs, where the rent per sq m amounted to 200–250 Czech crowns (Sykora and Šimoníková, 1994).
5. Secondary Transformations in the Urban Environment

The system transformations create an impetus for a much broader process of urban restructuring. Secondary transformations appear and form a character of the next phase of transition. Despite the fact that trajectories of contemporary urban change in Prague are influenced by both internal sources and external influence, the most significant feature of restructuring is the reflection of general trends which currently shape transition in a Western society. Particular attention will be devoted to changes in control over space, to local labour market restructuring, to the emergence of new urban consumption landscapes, and to the implications of these transformations for uneven geographical development. Common features with the contemporary restructuring of Western cities will be underlined.

5.1 The Struggle for Command over Space and its Implications for Geographically Uneven Development

The system transformations redistribute resources and power between a great variety of actors with a highly differentiated level of influence. The system transformations have important implications for the constitution of new 'universal' principles of command over space, which are now being embodied in the more or less universal principles of capital accumulation. Nevertheless, this universality is contrasted with another outcome of the transformations which is characterised by a highly scattered rule of many individual actors over a great variety of particular places.

Since the collapse of centralised decision-making, a struggle for command over particular territories has emerged. It is a struggle between various actors within both the public and the private sphere as well as between those sectors. The general trend is a shift of power from public institutions to private-sector actors. This trend is further strengthened by the impact of national developments in many developed Western countries, characterised by a transition to the post-welfare paradigm in politics (Bennett, 1990). Furthermore, tensions which have appeared within the public sector concerning future forms of territorial administration and divisions of power between state administration and local self-government, have brought a decline in the credit and influence of public authorities.

The example of the split of Czechoslovakia is well known. However, this case is not an isolated one. The notion of municipal self-government as a fundamental vehicle for democratisation brought the breakdown of the old territorial administration at various geographical levels. Regions were abolished immediately after the 'Velvet' revolution. This development was also intended to reform 75 districts. However, they have retained their political power. At the present time there are hot disputes about whether internal division should be into 3–4 lands (provinces) or 10–14 regions. The number of municipalities has increased from 4158 in January 1989 to 6237 in January 1992 (Kára and Blažek, 1993).

The territorial disintegration also touched the internal territorial administration within the city of Prague. Prague was divided into 10 districts in 1989. At the present, there are 57 boroughs as basic units of self-government, and 13 districts, which represent the basic level of state administration within the city. Importantly, the differences in terms of population and economic power among the 57 boroughs are extremely large; the 13 largest boroughs have from 35 000 to 145 000 inhabitants; 32 boroughs have a population of less than 5000; while the four smallest boroughs contain fewer than 300 people. The division of responsibilities between the central city administration and its respective boroughs is set out in the Charter of the Capital City of Prague, a document which has been rewritten several times and is constantly on the agenda of political debates. Of course, the smallest boroughs are too weak to form subjects in any negotiation. Political attempts to reduce or to enlarge Prague's territory have also been considered recently.
Regardless of political struggles within the public sector, the power to control space is continually being channelled to actors in the private sector. Command over space has been rapidly transmitted from the authority of central political and planning institutions to a wide spectrum of actors operating within a market system. These actors are on the one hand ruled by uniform principles of capital accumulation, but on the other hand their particular actions express high individuality. Their interest is based on the same abstract principles but is unevenly distributed within a concrete framework of social and geographical reality.

The possibility of highly individualised command over particular places has brought a chance to extract a high profit from investments in properties in attractive locations or forms of functional use. In contrast, low-demand locations and functions are neglected. The redistribution of power between market actors has brought high selectivity of development processes, as actors seek the best possibilities for comparative advantage over others. This potential for uneven development is further reinforced by a growing differentiation of consumer demand and by a general antagonism directed towards public activities and planning regulations in particular. Therefore individual interests are gaining over a holistic vision of urban management or a collective consciousness of more balanced development.

The contemporary city government lacks the appropriate locally based regulatory mechanisms needed for the maintenance of local urban development. While the local administration has recently served as a vehicle for promoting general liberalisation strategies pursued by the central government, local development strategies have not been on the political agenda. However, planners from the Chief Architect’s Office have succeeded in putting forward proposals for a new Master Plan (Sýkora, 1994), and in September 1993, the City Council approved the Territorial and Economic Guidelines for the preparation of the new Master Plan. This document is an important attempt to consolidate the control of the city’s territorial development. Unfortunately, it is being prepared in an old-fashioned spirit of physical planning and is omitting economic tools for encouraging or controlling various urban development projects or influencing the contemporary real estate market’s performance. Planners have also attempted to discuss planning and preservation regulations for Prague’s historical legacy which would reflect changing economic conditions. However, their effort has not been reflected in the decision-making of local politicians.

The contemporary reorganisation of urban space can, according to Harvey (1989a, p. 255), be understood as a reorganisation of the framework through which social power is expressed. The new forms of geographical differentiation mirror a new structuration of control over space. In the case of the Czech Republic and Prague particularly, the central feature of changes in command over space is the shift of power from public institutions to private actors. Furthermore, local/national resources are no longer under the exclusive control of local/national public administration and not even under the decisive control of local private-sector actors, as their actions are increasingly influenced by processes operating at an international or global level.

5.2 Local Labour Market Restructuring, and its Implications for Income and Social Polarisation

The system transformations established a competitive market environment which is based on a highly uneven redistribution of resources and power between private firms, public agencies and individual households. The internal system of the Czech Republic is becoming more or less compatible with the internal structures of contemporary capitalist societies. Another system transformation, the liberalisation of foreign trade, brought in the direct influence of the Western model and the actors who operate within it. Consequently, the restructuring of production and employment structures follows trends in the division
of labour which are generated in international and global areas.

In the case of Prague, many jobs have emerged in the highly paid sector of business services, namely in banking, insurance and other financial institutions, real estate agencies, professional consultancies, media and advertisement services. These have come at the same time as many trade businesses focused on expanding their operational influence towards formerly centrally planned economies in central and eastern Europe. The marketing of information-handling equipment, in particular, has grown with expanding demand. The boom in the retail sector generated a high demand for retail space in central-city locations, where the highest dynamics of the restructuring process concentrated.

The rapidly growing demand for office and commercial space and the liberalisation of the real estate market established possibilities for extracting money through speculation and the real estate market. Real estate agencies mushroomed in their hundreds, bringing new jobs as well as fuelling demand for commercial space. An important role in the local labour market is played by various tourist-oriented services, which are often an important source of new job opportunities with comparatively higher incomes. Currently, the demand for labour is higher than labour supply, and the rate of unemployment is far below 1 per cent in Prague.

Behind these developments, which occurred mainly in private sector, there is still a high proportion of jobs in the public sphere, such as education, health and social services, and local administration, where salaries in relative terms has fallen below the average standard. Many people also find new job opportunities as street vendors marketing various kinds of goods. Such activities, which are on the margin of local economy, are often oriented toward tourists and concentrated in tourist areas. It was recently estimated that over 5 per cent of the labour force in the Czech Republic is employed in the ‘shadow economy’ sector (Kux, 1993, p. 311). It can be expected that the percentage in Prague will be even higher. Despite low unemployment in Prague, there is emerging a stratum of people excluded from the standard daily life of the majority. The presence of homeless persons in areas of growing wealth symbolises the rapid and deep social consequences of the installed version of capitalism. New developments towards the liberalisation of civic life brought an increase in crime and a relatively new phenomenon, prostitution. It is in the central city of Prague where social marginality makes itself present. The concept of the dual city can be partially relevant to such developments.

5.3 The Emergence of New Consumption Landscapes: Globalisation of Taste versus Fragmentation of Local Consumption Patterns

The transition brought an uncritical import of Western culture. This is particularly visible in the sphere of changing consumption patterns. The ‘united fashions’ of global culture are shaping the development of newly emerging consumption landscapes in contemporary Prague. The same movies, the same music, the same fashion, the same Coca-Cola, Fanta and Sprite as well as various kinds of sweets or washing powders and toothpastes are displayed in retail and catering establishments and advertised on TV channels and radio broadcasts in the Czech Republic as in Western Europe. Large posters with an exemplary map show where to find ‘McDonald’s 4 times in Prague’; pizza is available on nearly every corner; and with a little effort it is possible to have a beer in an Irish pub. One of the large department stores already belongs to the US K-mart chain and the United Colours of Bennetton are displayed in the most up-market shopping areas. 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 characterised by a rapid
acceptance of Western patterns of consumer behaviour. They were influenced by indigenous as well as exogenous factors. Czech consumers have been desperately seeking for Western goods of any standard, after many decades of grey and monotonous socialist consumption. This trend was further accentuated by the aggressive approach of advertisement businesses flooding the Czech mass media with thousands of commercials for goods offered by companies expanding their markets towards central and east European countries.

Changes in consumption landscapes are furthermore emphasised by the development of new shopping facilities. Four US-style shopping malls are scheduled to open in the greater Prague area within 1994–95 (Damsell, 1994). The projects include three shopping complexes in Prague’s inner city (4000, 5000 and 10 000 sq m of retail space) and a 26 000 sq m shopping centre located west of Prague on the highway that links Prague with Pilsen and (West) Germany. The first project, the US Pavilion, a four-and-a-half-level mall is scheduled to open in August 1994. The project is based on the idea of an entertainment shopping centre with a marketplace concept and is being created in the ornate 19th-century Vinohradská marketplace. However, shopping as an entertainment, as well as shopping in supermarkets situated outside the city centre and accessible only by car, cannot be afforded by most Czech citizens.

At the present time, many shops and restaurants in central Prague belong to a network of internationalised places rather than to a locality. Their customers are almost exclusively foreigners and their products are imported rather than locally manufactured. In addition, the luxury facilities 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. Westernisation shows not only the bright but also the dark side of capitalism. On the one hand, there is the unification of consumption patterns with Western standards, unification or integration on a larger geographical scale, while on the other hand there is a growing differentiation in consumption patterns between various social groups, which is particularly apparent on the geographical microscale.

The agents of commercial capital are very sensitive to the differentiation between affluent and poor, between foreign visitors and native people. They are also sensitive to the differentiation in taste. A large number of foreigners seeking the spirit of Kafka’s Prague, have given impetus to quite a few ‘Kafka black theatres’. Harvey (1989a, p. 303) writes that “through the presentation of a partially illusory past it becomes possible to signify something of local identity and perhaps to do it profitably”. Unfortunately, such commercialised cultural heritage has nothing to do with a real local culture which is rapidly being replaced by new cultures constructed to meet the expectations of relatively rich outsiders.

6. Time–Space Compression and its Socially Differentiated Experience

The concept of time–space compression (Harvey, 1989a), which “refers to movement and communication across space, to the geographical stretching-out of social relations, and to our experience of all this” (Massey, 1991, p. 24), is particularly relevant and useful for the conceptualisation of the consequences of contemporary urban restructuring in Prague. Restructuring is important both because of the enormous speed at which these changes are occurring, and also because of the effects these changes are having on the local society. The role of accelerating turnover time, plus the accelerating pace of life in general, is gaining importance in shaping the everyday life of contemporary Western society. Nevertheless, the Czech Republic and some other central and east European countries are moving at even higher speeds as they attempt to match West-
ern standards from a relatively backward position. This development on the one hand reduces the relative distance between Czechs and the West and thus contributes to integration and homogenisation on a general level and at larger geographical scales, while on the other hand it contributes to growing disparities within local societies and local places, which are caused by the highly socio-spatially differentiated impact of the time-space compression.

The time-space compression has not happened in the same way for everyone and it does not evenly influence all spheres of social activity. Massey (1993, p. 61) calls this the power-geometry of time-space compression, for “different social groups, and different individuals, are placed in very distinct ways in relation to these flows and interconnections”. The influence as well as the experience of time-space compression is highly differentiated at the level of the individual. While in many cases social relations are increasingly stretched out over space, there is still a majority who are only partially actively constitutive of this process, or who are not involved in it at all.

There is an experience of personal presence in globalisation by top businessmen managers or politicians whose work is on the one hand conditioned by and on the other hand constitutive of globalisation processes. However, there is also an experience of globalisation mediated for example through the mass media, while the person/recipient (a pensioner or a lower-rank service worker) is mostly absent from the processes which contribute to globalisation. Whilst the everyday life of such people is considerably shaped by globalisation processes, they themselves have little influence on the processes.

Several layers of a ‘new’ social division of space can be conceptualised. There is the space of managers, whose presence contributes to time-space compression—Prague as a network of top business and government institutions, hotels, conference centres, which through telephones, telefax machines and E-mail, taxi services and an airport are connected to networks of similar places in other large settlement centres. There is also the space of an average citizen, characterised by reduced personal involvement in the production of time-space compression—Prague as a meeting-place between citizens of the West and the East, seen through a personal experience of holidays in Italy or a shopping trip to Austria or Germany, the experience that stimulates an imagination of coherent landscapes within the unifying Europe. A step further in the hierarchy of the power-geometry of time-space compression is the space of low-waged, poorly educated and elderly citizens, who due to low spatial and social mobility are mostly absent from the processes of globalisation—Prague experienced through a geographically limited area of daily routine, that is dynamically changing its face as an outcome of unimaginable and uncontrollable powers. Furthermore, recent development favours the establishment of a space of those who are excluded from the daily life of society altogether.

Several notions of place can be derived from various social experiences of presence or absence in globalisation processes. For those who are in charge of the time-space compression, their experience of place can be defined globally or more accurately as a spatially distinct network of particular places such as hotels, offices, meeting rooms, airports and family villas. For those whose daily action is more spatially restricted and often is not part of the globalisation processes and does not contribute to the time-space compression, the place is given by a daily routine realised at a much smaller geographical scale.

Is the meaning of local community broken down or is the local just lifting to a more extended geographical scale? The global is becoming local for many of us. However, not for everyone. There are many who must rely on local resources, the management of which is increasingly mediated through powers which are out of local control. The crucial question is: how does the different involvement in and experience of the time-space compression contribute to new forms of social space exploitation?

Featherstone (1993) refers to the localisation of globality. In his opinion, globalisation does not produce homogeneity but familiarises us with greater diversity. Consequently, “one of the effects of the process of globalization has been to make us aware that the world itself is a locality, a singular place” (Featherstone, 1993, p. 175). What is the role of local places in this context? Can we not also indicate globalisation of localities? The crucial feature of globalisation–localisation is the growing interpenetration of processes operating at different geographical scales within particular local places. What is new, is the accelerating role of globally rooted mechanisms in determining local happenings.

Material structures as well as the cultural spirit of local places involved in the process of globalisation–localisation, can be seen as a mixture of interest of people with different scales of spatial mobility and experience of place. Furthermore, the contemporary process of local restructuring is increasingly influenced by projections of interests of those individuals and groups who are more and more involved in the relations of globalisation and who contribute intensively to and experience the time–space compression, and who therefore have decisive control over space, to the reshaping of local material forms, legal conditions and social relations. Giddens (1990, p. 19) states that “locales are thoroughly penetrated and shaped in terms of social influences quite distant from them”.

In the context of the general unification and integration of the capitalist system of production within international or global spheres, individual actors are searching for comparative advantages by exploring local differences and exploiting those which can significantly contribute to their competitiveness within the global market. In this development, Harvey (1989a, pp. 295–296) sees the central paradox: the less important the spatial barriers, the greater the sensitivity of capital to the variations of place within space, and the greater the incentive for places to be differentiated in ways attractive to capital. The result has been the production of fragmentation, insecurity, and ephemeral uneven development within a highly unified global space economy of capital flows.

In contemporary Prague, there is growing income and social polarisation as well as differentiation of lifestyles, social and cultural values. This development brings a highly differentiated demand from various actors, which is perceived by private capital agents and reflected in a highly differentiated supply of goods, services or properties. It creates preconditions for a new socio-spatial division of urban space. Consequently, the contemporary economic and social restructuring has a very selective impact within Prague’s urban space. The most dynamic restructuring is concentrated in the central city. Nevertheless, new developments are rather scattered across the whole city territory. New revolutionary changes in the physical shape of internal urban structure cannot be expected, but the social and functional content can undergo massive restructuring. The importance of contemporary changes lies in the transformation of social and functional attributes within the ‘old’ fabric of Prague’s built environment, which is being utilised to meet demands growing out of societal restructuring.

With the background of experience from recent studies (Šykorová, 1993, 1994; Šykorova and Šimoničková, 1994; Musil, 1993), it is possible to speculate about future trends of urban restructuring in Prague. In the central city, which can be perceived as a laboratory of contemporary urban restructuring, transformation has a considerable impact on the decline of the residential function. Many restituted houses and individual flats were transferred from residential space to non-residential premises. This change is relatively easy, as currently no legislative norms exist which would prevent the reduction of residential space. Consequently, a rapid decline
may be anticipated. However, many unused or underutilised non-residential premises have been converted to 'the higher and best use'. These processes rapidly change the face of the central city, where revitalisation, commercialisation and capitalisation make themselves especially apparent. On the aggregate level, residential areas show a rather low level of social restructuring. However, a micro-geographical view reveals cases of tremendous change at the level of individual houses, blocks of houses or small neighbourhoods. Despite a certain demand for luxurious apartments in central city locations and some inner-city prestige neighbourhoods, gentrification or social upgrading cannot be expected over the whole central city. The spatial selectivity of various development processes and socio-spatial segregation into a mosaic of small areas with their specific social structures, cultural spirits and functional uses are more probable outcomes.

8. Conclusions: Changing Social Regulation and Transition to Radicalised Modernity

"Rather than entering a period of post-modernity, we are moving into one in which the consequences of modernity are becoming more radicalised and universalised than ever before", declares Giddens (1990, p. 3). "It is more modern than modernism. Postmodernism hyperbolically accentuates the processes of increased turnover time, speed of circulation and the disposability of subjects and objects”, confirm Lash and Urry (1994, p. 3). Similarly Soja (1989, p. 5) continues “to see the present period primarily as another deep and broad restructuring of modernity rather than as a complete break and replacement of all progressive, post-Enlightenment thought, as some who call themselves postmodernists (but are probably better described as antimodernists) proclaim”. Zukin (1988, p. 442) concludes her essay on the post-modern debate over urban form with a statement that “there is both similarity and continuity with the modernism that represents (and opposes) the ‘high’ capitalism of an advancing industrial age”. Analysing the condition of post-modernity, Harvey (1989a, p. 121) assures us that “the basic rules of a capitalist mode of production continue to operate as invariant shaping forces in historical-geographical development”. Finally, Thrift (1989) warns us about dangers inherent in transition models, for “new times and spaces are not quite as ‘new’ as all that”.

This short summary of a few selected thoughts on the ‘novelty’ of ‘post-modernisation’ is presented to introduce the final part of the discussion of contemporary changes in the Czech Republic, and Prague in particular. The first question to be approached is: does transition constitute a capitalist modernity, or is it a trajectory to post-modernity? I have attempted to show that the contemporary transition in the Czech Republic is an installation of all the basic features of contemporary capitalism. If the change from modernity to post-modernity in Western society is doubted, and as was highlighted above it is, then it can be argued that transition reconstitutes modernity in its capitalist fashion. Bauman (1990) sees the development of socialism as a radicalised version of modernist thought and practices. Consequently, the present turbulence in the Czech Republic and Prague should be conceptualised as internal transformations within the project of modernity, an operation based in institutions and rules embodied in the democratic political system and the market economy.

According to Harvey (1989a) we should view recent changes in the organisation of capitalism as a transition in the regime of accumulation and its associated mode of social regulation and system of accumulation. The regulation theory approach is also relevant and useful for the conceptualisation of transition in former centrally planned economies in central and eastern Europe, which “are going through similar restructuring as other industrial countries” (Pavlínek, 1993). Pavlínek sees these structural changes as part of global restructuring. However, the former centrally planned economies differ because of their much higher speed of change.
In the Czech Republic, the transformation of the system of social regulation precedes restructuring towards a corresponding system of accumulation. The restructuring of the system of social regulation is deliberately used as a tool for the promotion of a ‘new’ accumulation regime which will be compatible with, as well as competitive within, the global capitalist economy. This is in accord with an observation made by Peck and Tickell (1992, p. 354) on changes in national regulation in the UK. They interpret Thatcherism as "a conscious attempt to restructure the accumulation system through the establishment of a new regulation system". However, most researchers working within the regulation theory framework would argue that changes in the system of accumulation have primary importance for transformations in the regime of accumulation.

To explain this discrepancy, it is necessary to look closely at ways in which vertical geographies of accumulation and regulation interact with one another. By ‘vertical’ geographies is meant linkages between horizontal geographies at various geographical scales (global, international, national, regional, local). The primary importance of contemporary developments is heralded by globalisation of production, circulation and consumption—i.e. by globalisation of the system of accumulation. Globalisation has created an external environment whose impact has become crucial for the performance of national and regional production systems. As some industrial sectors and regions are severely hit by the operation of volatile mechanisms of global competition, various national social regulation systems attempt to react in different ways, but often based on liberal economic strategies, and means to power which are no longer under their control.

It is precisely at the national and lower levels where the restructuring of social regulation is aimed at promoting changes in the accumulation system. The ‘new’ social regulation is primarily aimed at the restructuring of those segments of national, regional and local production, distribution and consumption which are seen as fundamental pillars for stabilising and promoting the national economy in the wake of the growing turbulence generated by changes at the international scale, which are not under the control of national regulations. Secondary strategies aimed at supporting selected spheres of industrial production which do not match progressive developments at the international and global scales usually accompany the primary focus on incentives to international financial services and attracting investments from transnational companies to particular localities. The character of this development in the last decade has been shaped by similar ideologies based on economic liberalism, regardless of the conservative, liberal or social-democratic orientation of governments in most developed countries. Now, this ideology and its policies are being applied in the Czech Republic in a more radicalised way than in the countries of origin. Consequently, the aims and directions of social regulation restructuring within the nation-state framework are the same in both the Czech Republic and in developed Western countries, but the formerly centrally planned economy has to go through a more lengthy process.

The competitive character of integration at a global scale has important implications for uneven geographical development at various geographical scales. Recent deregulation strategies placed the market allocation of resources in a privileged position. These strategies can be successful in promoting economic growth in particular sectors or geographical areas which have a privileged place in national accumulation strategies, but generally allow sectoral, regional and social inequalities to widen. The neoconservative ideology of economic liberalism implemented in the Czech economic reform shaped the new mode of national social regulation in one direction only. The rapid liberalisation has helped to establish the Czech economy as a part of the world economic system; however, it has not developed any appropriate mechanisms of social regulation to tackle the uneven impact of this integration on particular segments of Czech society. Regulation is particularly under
developed in the spheres of housing policy, industrial policy and regional policy as well as in the case of appropriate regulatory institutions at the regional and urban levels.

During the last four years, the laws of capitalist society have been imposed on the Czech environment in their radicalised form. The Czech Republic has served as a playground for liberal economic strategies implemented through the neoconservative policy of a strong central state. The implementation of these strategies has been sustained by a new ideological orthodoxy which has been successful in the maintenance of relatively high public support for central government policies. This success has been conditioned by specificities of local social and political conditions, given by a natural counter-reaction to any kind of public regulation. However, the consequences of the new ideology are likely to place the government on the knife-edge of a legitimation crisis if social, housing, regional and industrial policies do not become a part of reform strategies. Unfortunately, the new orthodoxy has significantly reshaped the views of citizens on what a developed (the use of the word capitalist is practically forbidden) society is and should be. This ‘cultural’ transformation is expressed in the words of Kayal (1993) borrowed here for the conclusion of this essay: “the values of the ‘Velvet’ revolution are dead, supplanted by a national obsession with material wealth and admittance into the world economic community”.

Notes

1. With the concept of the informational society Castells (1993, pp. 248–249) describes “the social structure of a society whose sources of economic productivity, cultural hegemony, and political-military power depend, fundamentally, on the capacity to retrieve, store, process, and generate information and knowledge.”

2. 1 US$ = 30 Czech crowns, £1 sterling = 44 Czech crowns, 1 DM = 17 Czech crowns.

References


HIRST, P. and ZEITLIN, J. (1991) Flexible special-


