
The Public Dimension of City Space: An Economic Perspective. Recommendations for National and Local Urban Development Policy

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Abstract: The Public Dimension of City Space: An Economic Perspective. Recommendations for National and Local Urban Development Policies. The subject of public space in the city is mainly discussed by architects, urban planners, and city sociologists, and only to a lesser degree by economists. There are three fundamental categories traditionally used in classifying city space: public space with streets, squares, and parks; semi-public space or neighbourhood; and semi-private space and private space used by certain groups of people and/or entities. This division is common in urban planning and sociological literature even though it does not exhaust the complexity of the issues related to the public character of urban space. Public space is also an economic category perfectly suited to the theory of public goods and the theory of externalities, which provide an important basis for defining the essence of public interest and implementation of correct public policies in the area of space management.

High quality public space helps increase the value of public space itself, the value of its environment, and the identity and value of the whole city. It influences the development of human capital. In this sense, urban space becomes an obvious economic, and not just material, category. The author concludes that the public dimension

of urban space cannot be condensed only to the shaping and formulation of principles for using space according to traditional divisions, that is into public, semi-public, and private space, as the public dimension of urban space is far more complex. An immanent feature is the significant differentiation and interdependence of public and private values on the axes creating the physical four-dimensional space. The public dimension of urban space is therefore variable and increasingly dynamic, as it changes between a relatively purely public state and a quasi-private state. The definition of public interests and rules of access to public goods in the city is a particularly complex matter that requires specific knowledge and skills.

Keywords: public space, public goods, urban policies, city planning

Introduction

The subject of public space in the city is mainly discussed by architects, urban planners, and city sociologists, and only to a lesser degree by economists. “There are three fundamental categories traditionally used in classifying city space: public space with streets, squares and parks; the semi-public space or neighbourhood; and semi-private space. The latter is the private space that belongs to a certain group of people or entities” [Sikorska 2010: p. 157]. This division is common in urban planning and sociological literature but obviously it does not cover fully the complexity of the issues related to the public character of urban space. Public space is also an economic category perfectly suited to the theory of public goods and the theory of externalities, which provide a powerful basis for defining the essence of public interest and implementation of correct public policies for space management.

Public space in the management of contemporary cities acquires a new significance. Its role is important not only for the construction of traditional social ties (often called relational capital) or contribution to the development of the inhabitants’ living conditions, both important constituents of the subjective category of “quality of life”, but also for the creation of conditions for economic development, including conditions for entrepreneurship and innovation that are extremely important for improving competitiveness in the manufacturing sectors. High quality public space helps increase the value of public space itself, the value of its surroundings, and the identity and value of the whole city. It influences the development of human capital. In this way, urban space becomes an obvious economic, and not just material, category. It is also an important constituent of the “territorial capital” that provides the foundation for the development of modern creative economies [Markowski 2015, 2016] because urban space influences the key constituents of the capital invested in social values and economic systems. Without high quality public urban

space, that special resource – critical for many contemporary competitive edges of producers situated in the cities – would, in fact, not exist.

In this way, urban public space as an economic category is both a product and a good produced by people. It is also a particular kind of product as it is a relational product, i.e. it is produced and perceived through the exchange of tangible and non-tangible values. Moreover, it is a complex product (megaproduct) as it consists of public subspaces and other privately held spaces that nonetheless generate public values. In this sense, independent of the form of space ownership, the specific relational space of the city in its capacity as a complex, functional and spatial structure, is also a particular “public good” and a vehicle for other goods. As a constituent of the functional-spatial structure, each such mega- and sub-product may be the object of a separate public intervention, depending on the scale of the public dimension and the definition of public interest.

1. Urban space as a public good

These questions have already been investigated and published by the author of this work, who took a critical look at his earlier theses [Markowski 2013]. For it always turns out that, after collecting more practical experience and further studying literature, you can take a different and more in-depth look at the question. Public interests connected to space are inseparably bound to the category of public goods. For practical purposes they are defined as all the products of human activity that lie in the field of interest of every citizen, access and equal rights to which are guaranteed by public authorities (at all levels) according to their real competences and the potential for management of off-market transactions.

For the correct understanding of the essence of public goods as an economic category it is worth recalling the

definition of a public good as accepted in welfare economics theory. Public goods are tangible and non-tangible products of human activity whose consumption, in the case of the fully public form, is connected with zero costs of consumption and zero marginal costs of supply should an additional number of consumers emerge. This means that the characteristic features of fully public goods are a lack of competition and exclusion from consumption [Samuelson 1954; Mishan 1981]. In fact, most public goods are of mixed character; in consumption they show features of both public and private goods [Mishan 1981; Markowski 1999]. This means that during their consumption, a certain level of competition, exclusion, and acquisition costs for consumption always occur, and there may also be marginal costs of producing additional amounts of the good. There is a constant friction between the private and group interest in the process of providing “public goods” so practically every good defined as public is, in fact, of a quasi-public nature.

2. Urban space and social justice

Space conditions existence and access to elements that are necessary for life so the fundamental right to fair access to primary goods is accomplished in space. Following J. Rawls's theory of justice [Rawls 1971], we can assume that space will be considered in relative rather than absolute (physical) categories. In this way, the space in which a human lives is a primary good that human activity transforms into a relativised space that is inseparably connected to various social goods and costs. In this understanding it is an economic category integrally bound to the costs of its manufacture. For these reasons, the right to free use of space must be a fundamental constitutional right [Markowski 2013]. Being a part of the European community, one must accept that the ideas of justice and equality in functional-spatial systems are the foundation for the development of EU

policy, and our systems for managing development in the spatial dimension must be subjected to that value.

Starting from the theory of justice, one can conclude that the provision of fair access and consumption of goods that are jointly used and important from the perspective of public interest and principles of social justice, depends to a large extent on the degree of development. However, in practice, due to the quasi-public nature of public goods, one encounters attempts at their appropriation, which violates public interest, including as expressed in the legal system. As space is appropriated by its owners and other users it leads to goods not being equally accessible. Similarly, many other public and quasi-public type goods, being the product of human activity, depend on the factors of accessibility and organisation of access to the places of their consumption and distribution channels in urban space.

When construed in three, or rather four, dimensions, physical space can undergo processes of excluding users in each dimension. For example, layered ownership (*własność warstwowa*) is an economic and legal category connected to the third dimension of using urban space. The growing demand for use of space in this dimension, i.e. isolated from the ownership of land, calls for urgent regulation of the question of layered use of space and layered ownership in Poland. Time is another obvious dimension of intervention: you plan in time, define regulations for a specific time, for example, by introducing temporal restrictions on use or assigning land for future public buildings, etc. These seem to be obvious matters, but they are not obvious for everyone. Regulations concerning property and forms of use must be valid for each dimension of the space and can differ significantly for each dimension in the regulatory system. Hence the introduction of forms of temporal use such as time-limited leases of land, perpetual lease (*emphyteusis*), and perpetual usufruct into the organisation of society is theoretically justified. These forms answer the needs of intervention in the fourth

dimension of use of space. Specific customs and legal regulations, deeply embedded in social systems, have developed in the practical functioning of the city for each dimension of space, which is why we see major social and political resistance to all attempts at change. Every attempt to change the manner of public intervention in the “dimensions” of space encounters somewhat different social and economic barriers. Living longer, we have a different system of values and motivations related to developed space than those in societies with shorter life expectancies. Moreover, altering the system of values and the means and locations of hoarding wealth will also change the relationships between the human and the values of space and real estate, and the time factor.

In contemporary economy, all dimensions of space, with the function of time included as the fourth dimension, become the object of policies (interventions). That need results from the objective allocation errors that market mechanisms are fraught with in the distribution of public and market goods, and other externalities integrally connected to (or dependent on) space. It is precisely the real estate markets connected to urban space that feature especially large scale externalities and require legal regulation that would protect real estate from speculation as well as unjustified losses of value. The lack of such mechanisms, as well as their weakening or inadequacy with respect to changing contemporary requirements, makes those markets not only ineffective but downright pathological. That is why a regulatory system of public spatial planning, through which we can exercise the fundamental rights of fair access to public goods connected to space, is essential. Moreover, you need to be aware that whenever you opt for maximisation of fair access to public goods you also limit the fundamental right to free use of space and develop a framework for producing relativised spatial forms, in which certain politically-defined standards of fair access to fundamental goods and public goods can be realised. This distribution of goods at the local level is connected to local spatial planning and is manifested, among

others, in the competences of local authorities for making local law regarding location of human activity in space. This is achieved through spatial policy and local planning (zoning) law. In the planning space, in fact, you set up both a system for controlling public goods and their cost and price internalisation.

3. Charter of Public Space as a grassroots expression of the need to protect the public value of space

The author led the process of drafting of the Charter of Public Space [2009] which was approved at the Congress of Polish Urban Planners organised by the Society of Polish Urban Planners (TUP) in Poznań in 2009. This is why the Charter includes recognisably economic accents. The initiative was strongly supported by the Union of Polish Cities and the authorities of the city of Poznań, who ever more clearly perceived the imperfections of the existing legal system concerning spatial planning and management in Poland. None of the clauses in the Charter have lost significance from the day they were approved by the participants of the Congress.

Public space is defined in social and economic categories. The authors asserted that “we understand it as a **good jointly used**, intentionally shaped by the people in line with the principles and values of society, that serves to satisfy the needs of local and supra-local communities. Decisive for the public character of space is the collective manner of its use.”

There was a clear emphasis on the form of using space and not ownership as the criterion deciding its public character. Ownership is not an absolute condition for the public character of product consumption (use), even though public ownership of space certainly offers, at least theoretically, stronger guarantees of assuring the public character of access to this good.

Moreover public space was also recognised as a good of strategic significance for cities.

- “Public space is a good that has not only specific functional features, but is also a place of transmission of the various tangible and non-tangible products that satisfy a variety of needs. For that reason, it is **a good and a resource of strategic significance for local communities**.
- “The multiplicity and significance of the functions of public space subjects it to powerful developmental pressure and appropriation. **Space is subject to global market forces. Acceptance of the appropriation of public space** is the result of the unregulated competition between territorial units and acceptance of the various social costs that encumber local communities.”

The Charter contains a highly concise diagnosis of the reasons for such a situation, and they have not changed since it was drafted. It states that: “such behaviours of local and **also central authorities** are favoured by”:

- low public awareness of the significance of the common goods for the state and its citizens resulting from the lack of a tradition of respect for common goods
- the mistaken view that the free market, without public intervention, is capable of balancing spatial and socio-economic development
- the primacy of individual interests over common goods, especially in planning and spatial management
- insufficient participation by society in decision-making on socio-economic and spatial development” [Karta... 2009].

The authors of the Charter attempted to formulate the activities necessary to protect and properly use public space. The participants in the Congress believed that “the activities favouring the protection and rational use of public space are:

- the use of complex analysis of costs and benefits in processes concerning the management of public space
- education of local communities showing new laws, the rules of the global economy, and the role of public space in sustainable development, as well as its value for local citizens
- integrated management and planning in the development of territorial units
- mobilisation and activation of local communities to participate in the processes of spatial planning and development
- conducting investment activity related to management and reclaiming of public space solely on the basis of local law that is consistent with local zoning policy, with the largest possible participation of the community in the creation of that law and formulation of local policies
- excluding administrative procedures and decisions that are not under public control and that could provide grounds for investment activity
- provision of access to space and development of such spatial forms that minimise exclusion and unjustified competition (including appropriation)
- protection of the existing social and spatial structure, the tradition of the place, local culture, and extant valuable urban buildings and layouts

- protection of social diversity: the mixing of social and economic groups, avoiding isolation and segregation, and support for weaker social groups
- identification and formal expression of the collective needs and aspirations of the local population towards public space, especially in the processes of defining local spatial policies and creation of local laws
- introduction of tools for the efficient implementation of spatial development (zoning) plans and instruments for the practical implementation of principles of sustainable development and spatial order
- support for the development of social, cultural, and artistic activities connected to public space that function thanks to that space and also reinforce it
- increasing the interest of the local community in the quality of public space, and streamlining the interaction between market forces and the potential offered by public spaces to balance the system of values between social, cultural, and economic realms
- respect for good neighbourhoods understood as counteracting the despoiling of public space and open areas with advertising, signage, traffic, and technical infrastructure
- stewardship of the development of positive relationships between public areas and the surrounding private properties
- treatment of public space and its transformations as areas of sustainable development policy (i.e. spaces where the consumption of resources is optimised and includes, among others, saving water and

energy and increasing biodiversity in design, implementation, use, and management practice)

- assuring the highest level of urban planning and design in the areas earmarked for public purposes
- close cooperation of the public and private sectors in designing developments and managing public space
- applying private-public partnerships to complex urban development projects that co-create public spaces.
- setting the principles and standards decisive for spatial harmony and order
- protection of the collective interest from aggressive behaviour towards public space (appropriation and destruction of space)
- building public awareness of the role of public space in social and economic development and improving the quality of life
- motivation of non-governmental organisations and agencies to support the care for public space” [Karta...2009].

The Charter also appeals to local communities “to implement the ideas expressed in the Charter, it is essential that (local communities):

- control the activity of territorial authorities towards public space
- participate actively in the processes of spatial planning, i.e. community participation in defining local spatial and related policies in the drafting of local laws

- monitoring the manner in which public space is used and managed, and informing general public opinion about problems and threats
- frugal and rational use of public space in line with socially-accepted principles
- shaping of ethical attitudes and behaviours – respect for the common goods – at all levels of formal education, and promotion of appropriate forms of public space use by families and social groups in public media.”

The Charter ends with eight principles for organising and using public spaces:

- “**Maximisation of the value of the city and its real estate through the development of high-quality public space.**
- **Complex local planning and urban design of public space based on the results of architectural and urban design competitions.**
- **Civic participation in the development of tools for shaping and managing public space, with active participation by local communities in the drafting of planning documents.**
- **Protection of cultural heritage and the *genius loci* as particular values of public spaces.**
- **Balance in the development of new public space in relation to revived historical space.**
- **Fair access to public space and minimisation of conflicts in its creation and during its use.**
- **Shaping of public spaces to integrate social groups with respect for their various needs and value systems.**

- Active use of public spaces and their use for organising local events” [ibidem].

Conclusions

The public dimension of urban space cannot only be condensed only to the shaping and formulation of principles for using space according to traditional divisions, i.e. public or open, shared semi-public, and private space, as the public dimension of urban space is far more complex. Its immanent feature is the significant differentiation and interdependence of public and private values on the axes creating the physical four-dimensional space-time. The public dimension of urban space is therefore variable and relativised in time and currently assumes an increasingly dynamic character, from a relatively purely public to a quasi-private state, and vice versa. Against such a background, the definition of public interest and rules of access to public goods in the city is an especially complex matter that calls for specific knowledge and skills.

By guaranteeing a high stream of access to public goods, high-quality urban space increases the value of real estate in the city as well as the value of the whole city. By that token, it increases the value of the national assets. A high value of municipal or national assets in the economic sense denotes the high capacity of the city and its users to generate revenue from new investments. Mortgage loans, bonds, and similar financial instruments are mechanisms that validate the capacity of high-quality urban space to create market value.

For those financial mechanisms to work efficiently there must be tax mechanisms that allow the indirect requisition of a fraction of the value of the real estate that has profited from the investment in the creation and

maintenance of public space and the shaping of the functional and spatial structure of the city as a shared public good. The instruments that demonstrate these ties best and motivate investment in public space and its protection are local taxes connected to the value of real estate, and efficient real estate markets that reduce speculation in land. For these reasons, assuring the minimum efficiency of real estate markets by the state should become one of the key principles for the development of the system of state intervention into the realm of spatial management. [Report from the Congress...2012–13].

However, in the light of the theory of justice, a somewhat different approach to the proper understanding of the principle of the state of law in reference to the space of a city as public good, and consequently to land ownership, seems logical. The general interpretation of the principle of a state of law stipulates that “**anything that is not forbidden is permitted**”. In principle, such an interpretation allows each and every form of land use. In turn, the law must be used to enumeratively exclude specific consequences of use. Should urban space be considered a public good with everyone having the right to use it, any changes in the form of land use will be prohibited unless the law permits them expressly for the protection of public interest. The **right to free movement in the space of a city** should be a public interest of the highest order. In practice, such an interpretation means that forms of land use may only be changed along the principles defined by law and local zoning plans. In this case, one must agree that any use of space, including land, is also an activity that discriminates against other users. Any train of thought starting with common goods must lead to the conclusion that the provision of Art. 6 of the Act on Spatial Management, starting with the protection of private not public interest, reverts the order of the construction of the public instrument of intervention. (Art. 6.1.2) “Everyone has the right, within the framework defined by the Act, to: 1) manage the land to which they have a legal title according to the conditions

set in the local zoning plan or planning permission (WZiT), unless this infringes the legally protected public and/or third-party interest; 2) protect their own legal interest in the development of land that belongs to natural or legal persons.”

A doubt arises whether this provision is consistent with the constitutional principle of equal access to goods and services provided publicly, as the Act starts with the protection of private and not public interest. The Polish laws changing the constitutional foundations are based on exaggerated protection of private interest. It seems that more than 23 years after the political transformation one should be able to speak rationally about public interest and its proper balance. The question assumes strategic importance for the reforming of the realm connected to the functioning of spatial management, so it seems prudent to assume that a general cadastre registering the envisaged and actual land use should be the fundamental act ordering land use. Changes in its forms of use could only be effected through acts related to the system of regulation plans. That system could be treated as a particular kind of **generally binding national system of zone-based regulation plan**, i.e. a system of regulations permitting specific actions, as any other actions would infringe access to space and violate the principle of fair access. The change can be implemented through acts of spatial planning, or special acts connected to planning regulations.

The reasoning concerning the megaspace of the city as a public value may lead to the statement that a pragmatic planning category, namely the functional and spatial structure of the city, is a “formal” expression of that public megavalue. The functional and spatial value of the city is undisputedly a complex public good that calls for particular protection. If the vision of functional and spatial structure is not to be just a formal but also an actual goal of development policy, one must assume that that it becomes one through the power of an act of local law. This leads to the obvious conclusion that the

functional and spatial structure recorded in the Study of Local Determinants and Directions in Spatial Development fails to meet that formal condition, because it is no more than an “internal act” of the existing law. Although the current legislation does not rule out the option of designing and approving a zoning plan for the entire unit, yet, due to the speculative nature of local planning, covering whole cities with zoning plans is hardly ever achieved. Thanks to local planning it is possible to have specific public intervention for the sake of providing access to the values of overarching significance for all city users, at least theoretically. The fundamental question is whether we are able to explain to users that they are, or will be, the real beneficiaries of the public values defined in this way, and secondly, whether an institution that defines public policy has at its disposal the real competences to assure proper stakeholder participation in defining, protecting, and supplying these values. If not, then it will be impossible to protect such public “values” in the market or in democratic social and economic systems.

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