ADAM POLKO
University of Economics in Katowice

STRATEGIES OF COLLECTIVE ACTION IN URBAN PUBLIC SPACES

Abstract: Because of free and unrestricted access to urban public spaces, collective action seems to be the key element of the functioning of this type of areas. The main objective of this paper is to discuss solutions for dilemmas of urban public spaces governance. Both rules, namely governing the urban commons and experimental economics will be useful theories for improving collective action in urban public spaces. At the end of the paper the Author presents the effect of *Business Improvement District (BID)* as an example of collective action in urban public spaces.
Keywords: Business Improvement District (BID), collective action, urban public space.

Introduction

Urban public spaces are usually discussed in the context of problems encountered by contemporary cities, in particular by the centres thereof. What is important, the criticism refers to talking about neglected or non-functional spaces as well as to the cases when revitalisation of public spaces is assessed negatively, with reference to the ongoing privatisation or commercialisation of the spaces [*i.a.*: Carmona *et al.* 2008, p. 6; Bierwiczonek *et al*. 2012, p. 9]. The above mentioned criticism is more and more often manifested by civic actions and the development of the so called urban movements including citizens who want to co-decide about their city, and have an influence on how urban public spaces are designed and how they function [*i.a.*: Harvey 2012; Nawratek 2012].

Changes undergoing in cities point to a need for a deeper reflection over issues related to governing urban public spaces. Firstly, urban public spaces need to be more precisely defined in terms of economic science. Depending on their type and functions, they should be treated as local public goods or urban commons. Secondly, an attempt has to be made at developing a conception of urban public space management. Today we lack a comprehensive perspective which takes account of benefits and costs gener-

ated by particular users. Urban public spaces function as a set of independent places and objects rather than a part of an integrated system of urban amenities.

Due to their common accessibility, the use of urban public spaces is first of all related with interactions among users. Preserving multifunctionality and inclusive character of public spaces requires collective actions. Due to the above, the presented article is an attempt at answering the following three questions based on the study of literature. Answers to these questions should be the basis for formulating recommendations for urban public space management:

- What blocks or constraints taking collective actions in urban public spaces?
- How can we overcome the hindrances for collective actions in urban public spaces, which are related in particular with the existence of „a free rider problem"?
- What prompts taking collective action and what are its effects for urban space users?

In order to answer the third question, *Business Improvement District (BID)* was used as a tool for cooperation in urban public spaces.

1. Obstacles for collective action in urban public spaces

In economic terms, urban public spaces fulfil the criteria of local public goods or urban commons. In both cases, exclusion from the use is impossible, as a consequence of which one is confronted with the so called free rider problem, which is manifested by a temptation to use a public good while reducing the effort put into its production and maintenance at the same time. The dilemmas of managing the common resources are most often explained by means of the following three concepts:

1) „tragedy of the commons" suggestively described by G. Hardin;
2) „prisoner's dilemma" developed by M. Dresher and M. Flood, which is the best known example from the game theory;
3) „the logic of collective action" formulated by M. Olson.

All the above mentioned concepts point to inevitable occurrence of the free rider problem. The „tragedy of the commons", symbolised by a depleted grazing area, refers to environmental degradation, which should be expected every time a number of individuals make joint use of a rare resource [Ostrom 2013, p. 2]. According to Hardin: *„Each man is locked into a system that compels him to increase his herd without limit – in a world that is limited"* [Hardin 1968, p. 1244]. In the context of urban public spaces it may mean hijacking by certain social groups. On the other hand, according to the rules of the games called "Prisoner's dilemma", which is an example of a non-cooperative game, the dominating strategy involves avoiding making investments while waiting for profits from having neighbours, which result from investments made by neighbours. Such a strategy results in the sum of profits equalling zero, as no one cares about the jointly used space. The last theory, *i.e.* the logic of collective action is a set of

ideas developed by Olson. According to him, someone who cannot be excluded from reaping benefits from some collective good, has a weak incentive to participate voluntarily in the provision of that good. Olson claims that a common (group) objective does not condition collective actions of individuals who make up the group [Olson 2012].

2. Proposals for solving the problem of managing common resources

Proposals of solving the problem of managing common-pool resources and public goods may be found in the new institutional economics, represented by E. Ostrom, as well as in experimental economics developed by V. L. Smith.

Prior to Ostrom's publications, the solution of problems involving the management of common resources was perceived in the categories of a dichotomy of choosing between the market – meaning privatisation of public resources, and the state – meaning imposed, centralised regulation and control of common-pool resources management [Garnett 2012, p. 1997; Harvey 2012, p. 104]. Ostrom lists the weaknesses of both methods. In order for centralized control of using common-pool resources to be effective, it must be based on comprehensive information, monitoring skills, reliable application of sanctions and zero worth of administrative costs. Otherwise, there is a risk of making a mistake, which prompts the occurrence of ineffective solutions [Ostrom 2013, p. 14]. On the other hand, in case of privatising resources, the establishment of individual ownership rights is often very difficult, e.g. in case of fishing areas in the sea, or elements of urban landscape. Ostrom negates an assumption that a group which uses a common-pool resource is incapable of effective cooperation. Based on a very big number of case studies she proves that it is possible to alternatively solve the dilemma of the commons, based on users' negotiations and development of a cooperative strategy [Ostrom 2013, pp. 20-25].

A set of eight principles for sustainable governance of common-pool resources is regarded to be the most valuable of Ostrom's academic achievements. The principles refer above all to: matching the rules to local conditions, making decisions collectively without intrusion of external public bodies, using inexpensive and local mechanism of conflict solution, which takes account of a possibility to apply progressive sanctions [*ibidem*, s. 126].

Apart from Ostrom, also Smith challenged the a priori belief, according to which state interventionism is the solution to market problems [Smith 2013, p. XXII]. Experimental economics, developed by him, which focuses on studying various interactions among people, brings about very interesting and useful conclusions concerning motivation for collective action if a free rider problem occurs. Here it is worth discussing one of experimental economics tools, namely Public Goods Game – PGG [Borowski

2012, p. 228]. To make the long story short, participants of the game (experiment) make decisions in subsequent rounds, which part of their budgets will be invested in private goods, and which in public good. Revenue from contributions into public good is equal to the sum of contributions of particular individuals, multiplied by a certain return ratio. The revenue is then distributed equally regardless of the contributions, which means that the participant who has contributed the whole of his budget to invest in private goods will also participate in the profits from investment in public good. Thus, a temptation of free riding arises. A typical PGG result is that a share of expenses for public good decreases with each subsequent round. Individuals who contributed to investment in public good, seeing that others did not do so, tend to decrease their contribution to an average amount from the previous round. It seems that such decisions must inevitably result in a situation where expenses for public good reach a zero level.

Introducing modifications to *PGG* enables to explain the motivation behind and the dynamics of the participants' behaviours. Moreover, it helps work out solutions which contribute to the increase and stability of the level of collective action. In principle, the level of cooperation may change due to:

- the applicable reciprocity standard,
- introduction of punishment and reward,
- anticipated length of interaction,
- composition of the group [Borowski 2012, pp. 230-239].

Reciprocity standard means that a given individual acts in the same way in response to an action of another individual. In the context of *PGG* it means that the level of the participants' contributions to public good will be similar to the contributions of the rest of the game participants (average level of contribution). According to the studies, such conditional cooperation is characteristic of the biggest group of people [Fischbacher, Gächter 2006].

The application of punishment results in the increase of capital expenses on investment in public good. People are prone to punish deviations from the accepted standards. One should, however, remember that informal (decentralised) punishment may involve potential costs resulting from aggressive reaction of the punished person. This is why few people may be prone to intervention or at least to reprimand someone who breaks the rules of using public spaces. On the other hand, the application of reward does not maintain cooperation as effectively as the application of punishment [Sefton *et al*. 2006].

The prospect of long-term interaction is another element which impacts the maintenance of higher level of cooperation. If we anticipate that in the future we are going to deal with the same individuals, we will try to act so as to maintain good relations with them and so as not to lose the group's trust, and this should result in relatively high and stable level of involvement.

The last factor which may influence the level of collective action is the group's character. According to study results, there is a trend of groups' formation around similar preferences and similar attitudes to cooperation, which can contribute to increased level of investment in public good. Individuals who feature a great degree of willingness to cooperate tend to avoid (exclude) free riders, whereas the latter tend to look for a big group where the level of contribution to public good is high and enables the achievement of benefits related with „free riding" [Borowski 2012, p. 239].

The studies conducted by E. Ostrom as well as experimental economics enable formulating a list of the following conditions which facilitate collective action in urban public spaces:

- reciprocity standards are in place,
- all users can establish rules (inclusive decision-making process),
- endogenous potential of the users is used, which conditions stability and durability of actions taken,
- punishment can be imposed.

Another conclusion which can be drawn from the above is that the trial and error method is a good way of reaching appropriate solutions as far as managing the common resources is concerned. In case of open, commonly accessible and potentially multi-functional public spaces, „experimenting" with different methods of use quite often does not involve huge costs and what is more important, decisions can be reversed, *i.e.* it is usually possible to restore the original state of affairs in case of "failure" of the proposed solution.

3. *Business Improvement District* (BID) as a tool for collective action in urban public spaces

Business Improvement District (BID) is a private initiative, yet publically justified, the basic goal of which is to complement public services in order to improve the quality of functioning of the common public spaces. Participation in *BID* involves the approval of mandatory self-taxation which generates multi-annual revenue [Hoyt 2003, p. 8].

While defining *BID* one usually takes account of its five most important features:

1) *BID* is a system based on cooperation in order to share costs, solve common problems and use opportunities related with a given space;
2) *BID* has a durable and stable funding system, which enables the development of multi-annual plans and budgets;
3) *BID* has a legal basis (contract), where goals, rights and obligations of participants are defined, including the method of management;

4) *BID* is capable of conducting business and supply services within a strictly defined area;
5) *BID* is managed by a *non-profit* organization or a *quasi*-public agency [Ratcliffe, Flanagan 2004, p. 378].

There are two basic aspects of *BID* functioning. Firstly, there is fundraising for the purpose of making technical improvements (renovations, modernisation). Secondly, carrying out management actions, as a result of which the space will be more friendly and attractive. The activities should focus particularly on the following:

- Improvement of the quality of public services (street cleaning, snow removal, renovation and maintenance of benches, *etc.*);
- Competitiveness with shopping malls (promotion actions, cultural events, services and products similar to those supplied by shopping mall managers);
- Cooperation with local authorities under social projects [Bradley 2001, p. 119];
- Development and reinforcement of the place identity by means of integrated place marketing [Warner 2011, p. 160].

BID existence is conditioned by a need of collective action. It does not mean, however, that the benefits are distributed equally among all participants. Empirical studies show the following regularities:

- Benefits resulting from *BID* are not equally distributed;
- The biggest *BID* participant (*anchor participant*), who bears the costs of *BID* initiation and organisation has a decisive influence on the success of the undertaking;
- *BID* is less often formed on areas featuring a great degree of fragmentation of settlements [Brooks, Strange 2011, p. 1359].

Due to the above, the internal structure of *BID* may decide about its durability and stability. Moreover, one has to take account of the consequences *BID* can lead to for the remaining users of the urban public spaces. The most important consequences include:

- alteration of a model of rendering public services from a system based on the public goods into a system based on club goods, which leads to exclusion and differentiation of the level of services offered within the urban area;
- formation of a Swiss cheese model, where, within the system of local public goods, the „clubs" (*BID*s) are holes, and the remaining elements of the public sector form a tissue which connects the remaining parts of the system – this leads to area fragmentation;
- the problem of connecting payments with benefits, which is contradictory to the idea of taxation, according to which public services received are not equivalent to taxes paid;
- possible conflict of interests between owners of properties who are *BID* members and the users of a given public space; *BID* founders focus on consumers rather

than users visiting public spaces for non-commercial purposes – this may lead to an attempt at excluding the latter;

- lesser ability of local authorities to react to the needs of the local community; the authorities may be willing to shift the burden of responsibility for supplying public services to *BID* members [Warner 2011, p. 157].

To sum up, it has to be underlined that BID *functioning* impacts both the participants of the undertaking as well as the other users of urban space. Apart from benefits for *BID* members, it can also generate effects such as fragmenting the area and changing it into a club good.

Conclusion

Despite major challenges related with collective actions in urban public spaces, cooperation of users seems to be an inevitable element of management of that type of areas. Taking account of problems which are faced by the centres of big cities in Poland, one should consider a solution which is applied in other countries, in which *Business Improvement District* (*BID*) model has been introduced as a method of public space management, which has contributed to increased competitiveness and improved quality of public services rendered at a given place.

References

Bierwiczonek K., Lewicka B., Nawrocki T., 2012, *Rynki, malle i cmentarze: przestrzeń publiczna miast śląskich w ujęciu socjologicznym*. Zakład Wydawniczy NOMOS, Cracow.

Borowski R., 2012, *Współpraca w grze w dobra publiczne,* [in:] *Ekonomia eksperymentalna*, M. Krawczyk (*et al.)*. Wolters Kluwer, Warsaw.

Bradley R., 2001, *Business Improvement District,* [in:] *The Inner City. A Handbook for Renewal,* R. L. Kemp (Ed.). McFarland & Company, Jefferson, North Carolina.

Brooks L., Strange W., 2011, *The Micro-empirics of Collective Action: The Case of Business Improvement Districts.* Journal of Public Economics, Vol. 95.

Carmona M., Magalhães C., Hammond L., 2008, *Public Space: the Management Dimension.* Routledge. London and New York.

Fischbacher U., Gächter S., 2006, *Heterogeneous Social Preferences and the Dynamics of Free Riding in Public Goods.* Discussion Papers 2006-01, The Centre for Decision Research and Experimental Economics, School of Economics, University of Nottingham.

Garnett N. S., 2012, *Managing the Urban Commons*. University of Pennsylvania Law Review, Vol. 160.

Hardin G., 1968, *The Tragedy of the Commons.* Science, No. 162.

Harvey D., 2012, *Bunt miast. Prawo do miasta i miejska rewolucja.* Fundacja Nowej Kultury Bęc Zmiana, Warsaw.

Hoyt L., 2003, *The Business Improvement District: An Internationally Diffused Approach to Revitalization*. MIT, Cambridge.

Nawratek K., 2012, *Dziury w całym: wstęp do miejskich rewolucji*. Wyd. Krytyki Politycznej, Warsaw.

Olson M., 2012, *Logika działania zbiorowego. Dobra publiczne i teoria grup.* Wyd. Naukowe SCHOLAR, Warsaw.

Ostrom E., 2013, *Dysponowanie wspólnymi zasobami*. Wolters Kluwer, Warsaw.

Polko A., 2012, *Urban Public Spaces – from Economics to Management,* [in:]: *Urban Public Spaces – Economic and Management Perspectives,* K. Heffner, A. Polko (*et al.)*. Studia Regionalia KPZK PAN, Vol. 34, Warsaw.

Ratcliffe J., Flanagan S., 2004, *Enhancing the Vitality and Viability of Town and City Centres*. *The Concept of the Business Improvement District in the Context of Tourism Enterprise.* Property Management, Vol. 22, No. 5.

Sefton M., Shupp R., Walker J. M., 2006, *The Effect of Rewards and Sanctions in Provision of Public Goods.* Caepr Working Papers 2006-005, Center for Applied Economics and Policy Research, Economics Department, Indiana University, Bloomington.

Smith V. L., 2013, *Racjonalność w ekonomii.* Wolters Kluwer, Warsaw.

Warner M. E., 2011, *Club Goods and Local Government. Questions for Planners.* Journal of the American Planning Association, Vol. 77, No. 2.