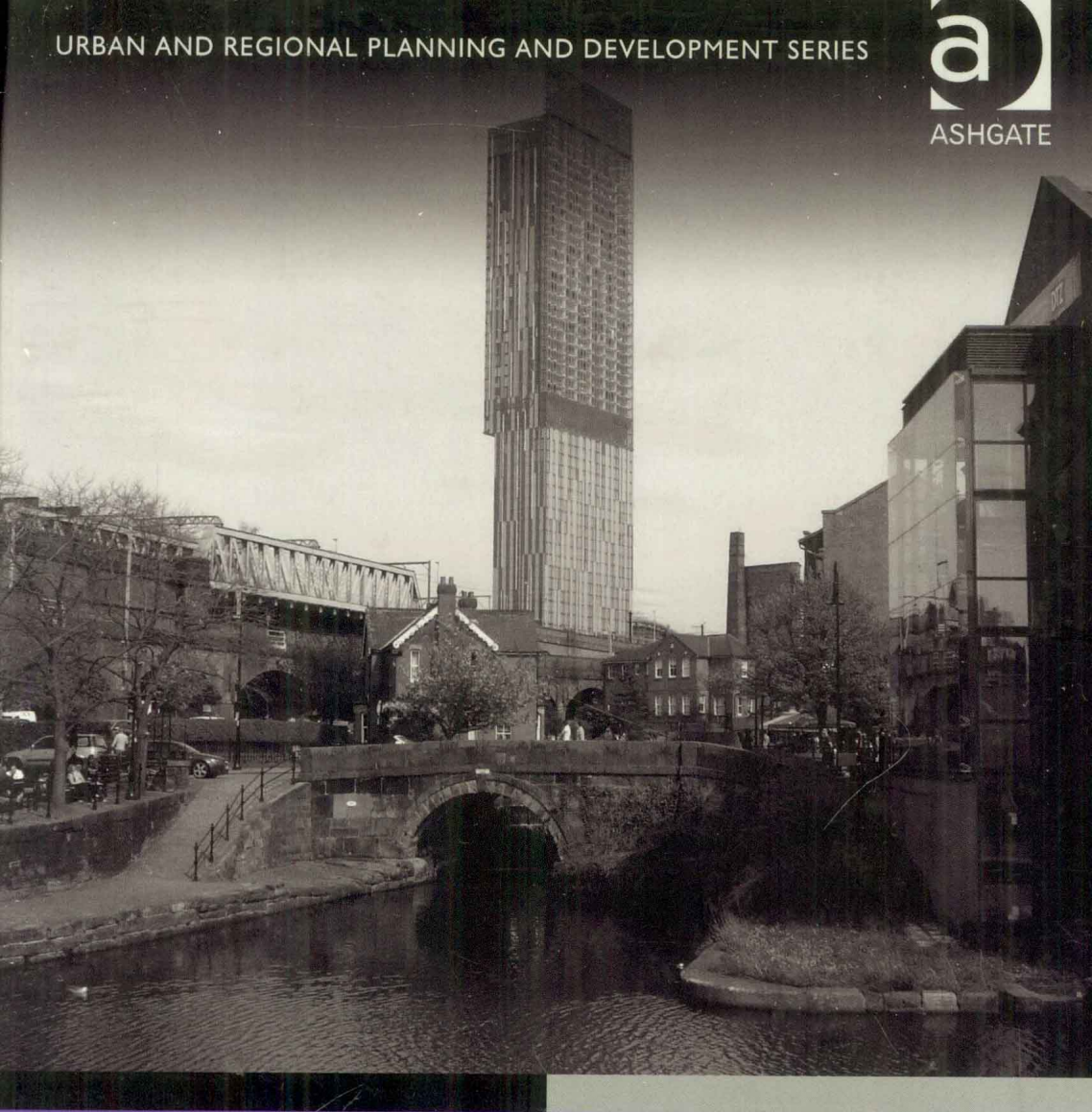


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Inventive City-Regions

Path Dependence and Creative Knowledge Strategies

**MARCO BONTJE
SAKO MUSTERD
PETER PELZER**

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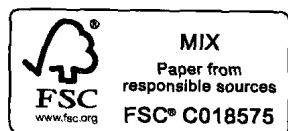
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Amsterdam, July 2010

Marco Bontje, Sako Musterd and Peter Pelzer

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Chapter 1

Introduction

In the late 1990s and the first decade of the 21st century, the academic, political and societal discourse about urban and regional development changed. After discussing the implications of the shift from a Fordist to a post-Fordist economy and society for about two decades, a new paradigm shift could be witnessed around the turn of the century. This upcoming paradigm suggests that the economic future of cities and city-regions increasingly depends on the capacity to attract, generate, retain and foster creativity, knowledge, and innovation. Several variations on this theme have been coined as concepts: the creative city, knowledge city, creative knowledge city, creative economy, knowledge economy, creative class, learning region, etc. The approaches linked to those concepts and hypotheses differ considerably in terms of cause-effect relationships and the analysis of how urban economic growth 'works'. What they have in common is that they all stress the crucial role of creativity and knowledge as the engines of an urban economy that constantly needs to innovate. Initially the academic, political and societal discourse mainly involved the advanced capitalist world, which was rapidly losing its industrial mass production to low cost locations like China, India, Southeast Asia and Eastern Europe. However, meanwhile also China is investing heavily in its creative economy, while India has successfully added advanced knowledge-intensive services and production after its initial focus on attracting basic administrative and communication services from Europe and North America.

While knowledge does still play a prominent role in many regional development strategies, creativity seems to have won the popularity contest among urban and regional policy-makers across the globe. Even though the importance of creativity and/or culture has been emphasised by several academics and policy-makers many decades earlier, although not in a market-like way, two actors in the urban and regional development discourse are mostly responsible for this celebration of creativity as the key element of urban and regional economic future perspectives. First, in the late 1990s, the UK was the first country where a national government strategy for the creative industries was launched. It is even said that the UK national government has invented the term 'creative industries', though academics like Allen Scott had already worked on the closely affiliated term 'cultural industries' earlier. The timing of the UK government was fortunate: creative industries enjoyed their most rapid growth phase so far in the late 1990s. Helped in addition by the then still popular 'Third Way' political agenda of 'New Labour', an unprecedented period of about a decade of economic growth in the UK (and most of all in London), and catchy slogans like 'Cool Britannia', the creative industries rapidly became an icon of economic restructuring and growth in the UK. Next to the 'creative

epicentre' London, cities struggling with economic restructuring like Manchester, Liverpool, Newcastle and Birmingham were encouraged to play the creative card. Soon enough other European countries followed the UK example, and meanwhile, national, regional and urban programmes to attract and/or stimulate creative industries have spread across the globe. Second, Richard Florida published *The Rise of the Creative Class* and instantly became a celebrity academic in 2002. He claimed that for a city to become economically successful, attracting creative talent was the top priority. His 'creative class' is a broad and heterogeneous category of high-skilled and/or talented professionals in creative and knowledge-intensive industries. To attract this creative class, cities should offer an attractive living environment characterised by diversity and tolerance. Diversity in terms of population composition, but also activities and functions; tolerance for an array of contrasting lifestyles, cultures and ethnicities. For several years it was said that his book was supposed to be on each policy-maker's bedside table. While academic critique soon emerged and has only grown since 2002, Florida and comparable 'academic consultants' like Charles Landry have remained influential policy advisers throughout the world, and concepts like 'creative class' and 'creative city' have reached countless local, regional and national policy documents.

These events and actors have caused a new and vivid debate about how cities and city-regions should respond to the economic restructuring processes they are confronted with. The literature on the emerging creative knowledge economy often suggests that city-regions are the focal points of this economy. Creative industries, in particular the small firms and self-employed, are said to flock into the inner cities, while larger firms and knowledge-intensive services like finance, legal services and ICT rather prefer city-edge or suburban locations. All sectors involved, however, though with different location preferences, prefer to be in city-regions instead of moving out to distant 'edge cities' or sprawled highway locations. The emerging creative knowledge economy may from that perspective have been one of the main driving forces behind the 'urban renaissance' that took off in the late 1980s. Creative industries and knowledge-intensive services (also known as advanced producer services) were among the fastest growing economic sectors in terms of jobs and turnover in the late 1990s and early 2000s. Economic backlashes like in the aftermath of '9/11' were only brief interruptions of this continuous growth, though the impressive growth rates of the late 1990s have not returned so far. Currently the deep economic recession caused by the credit crunch definitely impacts on the knowledge-intensive services. After all, it was one of these service sectors, finance, where this crisis started, and many other knowledge-intensive services suffered because their operations were intertwined with or dependent on banks and other financial activities and on the economic climate in general, that got worse due to the crisis. The impact of the current crisis on the creative industries, however, is less clear so far; there are even some indications that parts of the creative industries kept growing despite the crisis, but no doubt generally the crisis will have negative impact on the creative industries as well. Creative industries generally deliver luxury goods and added value to

companies, products and people; in times of crisis, products and services like advertisement or design are often less in demand. Still, looking beyond the crisis, it is, for the time being, hard to imagine an alternative economic growth path for city-regions in advanced capitalist countries that would replace the recent and current focus on creativity, knowledge and innovation.

Small wonder, then, that virtually every city and region in West and Central Europe has meanwhile developed policies and strategies to attract, retain and encourage creative industries, knowledge-intensive services and/or R&D. Often such policies and strategies are an integral part of urban or regional (re)development strategies, or linked to policies in affiliated domains like urban and regional planning, social policy or cultural policy. Most of these cities and regions tend to see a creative knowledge economy as 'the best bet for the future' and one of the main goals of such policies and strategies is increasing the international competitiveness of their city or region. Here we encounter another 'mantra' for urban and regional development that has gained increasing popularity in recent years. It is no longer considered enough to win the national league of cities and regions, or to find a successful niche that is unique within a country; nowadays even cities of modest size are supposed to aim for a higher position in international city rankings. What this 'competitiveness' exactly means for urban and regional development is still unclear, but fact is that the word is expected to be mentioned frequently in virtually every urban and regional development strategy.

The research project

The project 'The Inventive City' that this book results from explored and analysed the strategies recently or currently adopted by cities in different European countries to strengthen their urban economic profile and to realise or maintain urban competitiveness in the long run. Special attention was paid to strategies directly aimed at the attraction of specific types of firms and investors, and strategies aimed at the attraction and perhaps also the retention of a specific work force. Our main interest was in strategies aiming at creative and knowledge-intensive industries and affiliated institutions (for example higher education institutes, networking organisations, intermediates between business, policy and/or education), as well as the people working in these industries as employees, managers, self-employed, freelancers or entrepreneurs.

Urban development policy in Europe in the 1980s and 1990s frequently concentrated on solving urban social problems like improving the chances on work and integration of less educated, poor, long-term unemployed and/or ethnic minority groups. To the extent that such policies also included attention for improvement of national and international competitiveness, the dominant belief was that investing in 'classic' location factors, such as improving transport infrastructure and communication networks were the most important measures. In recent years the debate has changed significantly. 'Knowledge', 'innovation' and

'creativity' have become the key concepts in the political and academic debate about urban economic development. This is expressed in a rapidly increasing number of cities profiling themselves as 'knowledge city', 'creative city', or a combination of both. However, probably only few cities will eventually be able to really specialise in this direction.

Several publications and projects have provided case studies or comparative studies of such urban development strategies and the competitiveness of cities in recent years (e.g. Hutton 2008, Landry 2006, Montgomery 2007, Simmie et al. 2002, Van Winden et al. 2007, Yigitcanlar et al. 2008). Generally speaking these studies focused strongly on economic development potentials of cities, more particularly on strengths and weaknesses and on the local government strategies in these cities as such. This project adds one other perspective, which is the extent to which historical pathways influence urban and regional competitiveness, in particular the heritage of economic sectors which were dominant in the past, the influence of political systems, and critical incidents or events (Kovács et al. 2007, cf. Martin and Simmie 2008). The connection between past and present deserves further elaboration, to which this study aims to contribute. In combination, and relating these perspectives to each other, this results in the following four questions that will be leading throughout the book:

1. What are strengths and weaknesses of Western European cities and urban regions as locations for creative and knowledge-intensive industries?
2. What are the economic development strategies of Western European cities and urban regions and what is the role of creativity, innovation and knowledge in them?
3. How do the economic development strategies relate to the strengths and weaknesses of Western European cities and urban regions as locations for creative and knowledge-intensive industries?
4. How does the historic development path of a city-regions influence these strengths and weaknesses and what are the implications for these economic development strategies?

The city-regional case studies involved comprise Amsterdam, Munich, Helsinki, Barcelona, Manchester, Birmingham, and Leipzig. In each of these city-regions, an inventory of policies related to improving urban and regional competitiveness was made and semi-structured interviews were held with representatives of organisations involved in these policies. On the one hand, these were representatives of municipal and regional government bodies. On the other hand, representatives of non-governmental stakeholders targeted by or involved in implementing the policies were interviewed, such as local entrepreneurs, inhabitant groups, housing corporations and cultural organisations. Moreover, a comparative data set on the cities' economic structure, population composition, housing market and quality of life was gathered, to assess to what extent the recent development of the case study

cities matched the theoretical insights on 'competitive cities' and the current local and regional policy ambitions.

The research project this volume is mainly based upon was part of a programme on 'Innovative Use of Space' ('*Vernieuwend Ruimtegebruik*'), subsidised by the Dutch government meant to stimulate research contributing to a strengthening of the Dutch national knowledge infrastructure. The project was a collaboration of the Urban Geography programme of the University of Amsterdam, and the Research and Statistics Department of the municipality of Amsterdam. In the final stage a connection with the EU funded ACRE research programme ('Accommodating Creative Knowledge') was also established.

Reading guide

In Chapter 2, we will critically reflect on the academic debate on city-regional competitiveness and the role that creativity, knowledge and innovation are supposed to play in this. We will discuss literature addressing recent changes in the city-regional economies in advanced capitalist societies; the increasing importance of creativity, knowledge and innovation in these economies; key concepts in the recent debate on this issue like creative and knowledge-intensive industries and the creative class; and the importance of historic development paths of city-regions as part of the explanation of their recent economic performance. Chapter 3 presents the research setup and methodology in more detail. We will explain the selection of city-regional case studies and highlight their main similarities and differences. We will also reflect on the method mix we chose to analyse the case studies from an international comparative perspective, and the strengths and limitations of our approach.

Chapter 4 presents a brief statistical comparison of the seven case-studies on key indicators expressing their recent socio-economic development and level of *international competitiveness*. Next to figures on dynamics and structure of population and economy, we will also discuss the position of these city-regions (or their core cities) in some of the most influential rankings of European cities and regions.

Chapters 5–11 form the largest part of the book. These chapters discuss the seven city-regional case studies: Amsterdam, Barcelona, Helsinki, Birmingham, Manchester, Leipzig, and Munich. Each of the case study chapters is organised similarly to facilitate comparison. Each case study chapter starts with an introduction to the city-region's socio-economic situation in the early 21st century. This is followed by an account of the city-regional historic development path. The following sections address our impression of the city-region based on the expert interviews, recent relevant policy documents and other policy-relevant publications. Topics in those sections include: recent development trends; what makes the city-region stand out in international competition; recent relevant economic, spatial, social and cultural policies and strategies; the regional component of these policies

and strategies; and the role of creativity, knowledge and innovation in these policies and strategies. Each case study chapter ends with an assessment of the city-region's strengths, weaknesses, opportunities and threats.

In the final chapter, Chapter 12, we put the findings from the seven city-regions in a comparative perspective and address the central research questions mentioned above. This also leads to policy recommendations, although generalisations from seven case studies in five countries are obviously limited, and recommendations for possible further research.

Chapter 2

Theoretical Framework

2.1 Introduction

Economic innovation concerns the development of new ideas and new methods that perhaps ultimately result in the creation of new products. Innovation tends to be associated with the presence of knowledge and creativity. Environments in which there is a lot of knowledge and that are also known as creative places may offer the proper conditions for innovation and thus for the development of new products and subsequently for new prosperity. However, a sparkling innovative idea may in fact arise everywhere; when people get inspired by something and that ‘something’ may easily go beyond our imagination. In that sense it is difficult to think about the existence of specific places where innovations would be developing in particular. Having said that, it may be crucial to know what places are essential to further nurture the innovation as soon as it has been established in a rudimentary form. There appears to be at least some evidence that suggests that the type of place – at various scales – plays a role in that nurturing process. Then the question becomes: what types of places are fit for the development of specific types of new economic activity? In theory, a wide variety of answers can be given and for the moment it seems wise not to adopt one single view on what might be particularly important to the development of new economic activity. Yet, there is a body of literature from which some answers to the question ‘what type of places’ can be derived. Most of that literature started with a focus on certain economic sectors, and currently that is mainly on the knowledge intensive and creative industries. The presence and growth of these industries is generally seen as a strong indicator of new and promising urban economic perspectives. For us, and in this book, it is particularly interesting to see what the (place) specific conditions for the development of the two just-mentioned economic sectors are. However, there is another reason for a focus on these sectors as well. Creative and knowledge intensive industries tend to be especially connected to urban environments and as such these sectors are held highly relevant to the futures of cities and their regions.

So, attention is directed to the development of knowledge intensive and creative industries in (parts of) urban regions. If we would be able to provide sufficient evidence for what the relevant conditions are, we also would be able to provide good advice on the policies that could be applied to enhance the urban region’s positions in these sectors. This, however, is not an easy task due to the fact that likely the development of employment and activity in these sectors is not only dependent on a range of dimensions that currently can be found in daily practices, but also on developments and structures from the past. Actual structures and processes in

the economy are often embedded in structures and processes that are history now. If these conditions were good for knowledge intensive and creative industries, these would already have developed long ago, but because of that they also likely created good conditions for current development of activities in these spheres. This refers to the path dependence of regional economic development. However, not just the structures and processes, also the past and current policies may have an impact upon current levels of economic development. Urban development may reflect changes in society, but it will also have repercussions for societal change. Obviously, such circular processes result in complicated contexts for explanation.

As has been set out in the introductory chapter of this book, in this study we aim to contribute to the understanding of the interrelations between various (urban) conditions and economic development, through statistical analyses of changes in the urban economy and interviews with a range of stakeholders. This is to learn more about past and current structures and processes and policies that already may have (had) their impact on urban economic transformations. However, before we will go into that investigation, we will first briefly address these issues on the basis of theories that have been developed to understand the rise (or lack of it) of knowledge intensive and creative industries in urban environments. In this chapter we will pay attention to path dependence and related deep-structural conditions for the development of knowledge intensive and creative industries. Here we include literature that stresses the importance of networks between individuals and firms and the importance of individual trajectories people have gone through. This will be followed by a section in which attention will be given to contemporary theories, starting with 'classic' theory on agglomerations of scale and theory in which clustering of activity and institutions is central. These relate to organisational and the wider infrastructure conditions for economic development, such as road, rail, water and air transport infrastructures as well as infrastructure for telecommunications, the tax climate, availability of space, labour and capital, etc. Apart from these conditions, we will also ask attention for so-called 'soft' conditions or amenities in cities and their environments. These amenities, in particular, would have paved the way for many 'creative' people (the 'creative class') and indirectly would have contributed to the development of knowledge intensive and creative industries ('creative cities'). Whether that is really the case remains to be seen, though.

2.2 Path dependence and deep structural conditions

'Path dependence' is a term that is frequently used in the social sciences, but how is the term defined? Pierson (2000) proposes the idea of increasing returns, meaning that '... the probability of further steps along the same path increases with each move down that path' (2000: 252). Mahoney argues that 'Path dependence characterizes specifically those historical sequences in which contingent events set into motion institutional patterns or event chains that have deterministic properties.' (2000: