Part I

Introduction
Making Competitive Cities: Debates and Challenges

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Debates and challenges

From the start of the twenty-first century, challenging debates have taken place about the essential conditions for the development of new economic activities in advanced economies. In particular these have included the conditions that enable the development of creative and knowledge-intensive industries in urban or metropolitan environments. The key questions addressed in this book in ‘Making Competitive Cities’ are about how to facilitate the rise of so-called ‘creative knowledge cities’ and how to anticipate and address issues associated with this.

Best-selling books by authors including Landry and Florida – ‘The Creative City: a Toolkit for Urban Innovators’ (2000), ‘The Rise of the Creative Class’ (2002) and ‘The Flight of the Creative Class’ (2005) – have shaped new debates about knowledge and creative cities. They have done this, in the first place, through sophisticated marketing of the books. But, because they have also suggested that successful urban economies could easily be established or engineered by local governments and other actors, they have attracted attention from beyond the academic and research communities. The messages in these books are that it is crucial to nurture the qualities of cities and urban environments that attract ‘the creative class’. Cities that do this successfully benefit from the intelligence and creativity of that class and these cities perform better, achieve higher rankings on the ‘creative index’ and increase their competitive advantage. Whereas previous policy preoccupations were with the formation, retention and attraction of firms and what influenced the location decisions of firms the new theoretical orientation has switched attention to creative individuals and how
attracting and retaining them underpins economic success. In a nutshell, the basic argument is that cities should create conditions to attract talent and when that talent – the creative class – is there, economic activity will follow. To be able to attract talent, cities should be attractive places to live in, they should be tolerant places and their urban residents should be open to new initiatives and to diversity. Although arguments about the importance of associations between urban amenities and economic growth are not new (Hall, 1998; Clark et al., 2002), the new presentation of an old argument and of the concept of creativity and the way the argument is ‘sold’ has resulted in increased attention to the economic geography of cities, particularly in more affluent sections of the world.

However, especially from within the academic world, the robustness of the arguments advanced about creative cities has been challenged. Critical commentaries have been published in academic and other journals and have presented both conceptual and empirical critiques (Hall, 2004; Peck, 2005; Markusen, 2006; Storper and Manville, 2006). These commentaries argue that the research evidence mobilised to justify the emphasis placed on urban conditions is very thin. In addition, from a historical point of view, and unrelated to any short-term boom and bust-related fluctuations in cities’ performance, there is nothing new in the argument that cities will be centres of creativity and innovation. This has been the case throughout history as Hall (1998) and Simmie (2005) have noted. Markusen (2006) has also argued that the connection between ‘being creative’ and ‘being successful’ is not straightforward. And perhaps the urban attributes referred to are more a consequence of city growth than a cause? Moreover creative cities or regions can hardly be created ‘out of thin air’ (Hall, 2004) and not all cities can aspire to become creative cities by adopting the approach recommended by Florida and others. A final set of criticisms levelled at some accounts of competitiveness and notably at Florida’s contribution is that at best they pay scant regard to wider impacts on social inequality and at worst are recipes for increased social polarisation. They are preoccupied with attracting the creative class and ignore other citizens or assume that they will benefit from trickle-down effects.

Against this background debate, there remain good reasons for a contemporary focus on the conditions for Making Competitive Cities. Perhaps modern competitive cities should indeed be referred to as creative knowledge cities. In advanced urban economies, there has been an ongoing loss of employment in manufacturing and related industries, especially in labour-intensive sections of these industries. Yet, simultaneously, in cities that are thriving – and during economic upswings – there has been a growth in knowledge-intensive economic activities, for example in advanced producer services and high-tech firms, where high-skilled employees have become the dominant category of labour. In conjunction with that, as well as driven by changing consumer behaviour, creative industries have gained importance in
advanced urban economies. This pattern of change may, in turn, have been driven by structural and global forces. More flexible forms of production, combined with a significant increase in the variety of products – even though the variety was frequently only superficial – gave way to increasing demand for the products of creative industries, including design, music, architecture and others. This has reflected a growing demand for ‘distinction’: building on the work of Bourdieu (1984), consumers are distinguished on the basis of their class position as indicated by the amount and orientation of their cultural, social and economic capital. Consumers distinguish themselves from each other – or are driven to do so – by consuming different products, including places to settle, on the basis of their class positions.

So, developing sufficient knowledge-intensive and creative industries within a city is of key concern for government and other urban stakeholders. Consequently, there are good reasons to make efforts to understand the conditions that are relevant for the development of these industries in urban areas and to understand how these changes in production and consumption impact on both economic and social life in cities (Scott, 2006).

Sectors

This book aims at contributing to the understanding of how to facilitate urban economic development, specifically focusing on creative and knowledge-intensive industries. Much of the debate hitherto has involved exchanging plausible assertions with or without evidence that appears selected to support the argument advanced. This book seeks to at least partly address the lack of robust empirical evidence. We report research findings from a major study in 13 European cities and urban regions that are introduced in Chapter 2. The research carried out has deployed a common methodology and referred both to creative and knowledge industries in general and to specific sectors within these broader categories. We will not embark on the discussion about the concept of ‘creativity’ and its meaning as such. Instead, we are interested in the varying developments of specific economic activities in (selected) creative or cultural industries and (selected) knowledge-intensive industry sectors. The objective is to contribute to the understanding of why cities and urban regions develop differently. This does not mean we do not see problems of definition. As Gibson and Kong (2005) have stated for the concept of ‘cultural economy’ (which is related to the concept of ‘creative economy’), there are multiple ways in which that economy can be defined. In their critical review of the literature, they discussed various different approaches. Their conclusion after discussing these approaches was: ‘What this discussion illustrates is that the polyvalent nature of cultural economies means that there are myriad conceptions in the literature, and the productive task ahead is not
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to sink into endless efforts at defining..., but acknowledge the polyvalency and address specific research agendas from there’. (p. 546). We have followed that recommendation and also taken account of other previous work including that of Pratt (1997) and Kloosterman (2004).

We have adopted a ‘sector approach’ in which we pragmatically define the creative industries [such as arts, media, entertainment, creative business services, architects, publishers, advertising, designers] and knowledge-intensive industries [such as ICT, R&D, finance, law]. In comparisons where the wider categories of creative and knowledge-intensive industries are regarded as important, in particular when studying pathways and the policies, we tend to refer to these creative and knowledge-intensive industries in aggregate. However, where the appropriate evidence relates to opinions, attitudes and behaviour we tend to make more specific comparisons, because the wider sectors are internally very heterogeneous.

For the creative industries we have focused on the most creative of creative industries, and within certain sectors, like advertising, this means the most creative parts of advertising and not standardised activities, such as the production of weekly broadsheets providing details of ‘dwellings for sale’. Following analysis of contemporary statistics for each of the urban regions involved, three sub-sectors of creative industries were identified as most important. Two out of these three were then chosen for further research by all teams. These were:

- creative parts of computer gaming, software development, electronic publishing, software consultancy and supply;
- motion pictures, video activities, and radio and TV activities.

A third important creative industries sector in the urban region was then chosen. This was advertising if it was among the most important sectors but was another sector when advertising was not important.¹

A similar research strategy was followed for the knowledge-intensive industries. Here all research teams focused on:

- law, accounting, book keeping, auditing, etc.,
- finance;
- R&D;
- higher education.²

The research carried out on these specific sectors also took into account the size and location of the firm, and where we sampled to identify respondents for parts of the study we adopted a sampling procedure to include self-employed persons and persons in small [1–5 tenured staff] and larger

¹ NACE codes 722, 921, 922 and 744.
² NACE codes 741, 65, 73 and 803.
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(more than 5 tenured staff) firms. We also sampled to include locations in the core of the metropolitan area and in the urban region beyond the core.

Questions and theories

The key questions or challenges in this book are derived from the wider public debates on how to foster economic development in urban regions and include the following very general question: ‘What makes cities competitive?’ Since we have based this book on rich empirical material which allowed for multiple comparisons between the urban regions, we have transformed the initial question into the following manageable research question: ‘What are the key conditions for urban economic development in different regions?’ Subsequently, we reformulated the question in greater detail: ‘What are the conditions for specific creative industries and specific knowledge intensive industries in different metropolitan regions?’ These questions implied an investigation of the development of the economic sectors, what has nurtured them and what will help to develop them further.

We applied four theoretical approaches and also referred to three different categories of actors that were regarded as of crucial importance for the understanding of economic development.

- The first theoretical approach includes a view of development which puts so-called classic location theory in the central position. We call this the ‘hard’ conditions or classic conditions theory. Here the availability of capital and of labour with adequate skills, proper institutional context, tax regimes, up-to-date infrastructure and accessibility are the factors that are regarded as playing the major role in explaining the development of firms in urban regions.
- A second and strongly related theoretical approach is associated with theory about economic clusters. In this field, agglomeration economies play a major role and it is assumed that activities cluster together where they use the same infrastructure, have linkages to each other and to the same environment and profit from each other’s presence and the enhanced image of the cluster. The development of clusters gets special salience in debates on pathways that urban regions have followed over time. This also relates to debates about path dependence of urban economic development.
- A third field of theory refers to the importance of networks. Personal networks of employees, entrepreneurs and managers may play a crucial role in the decision-making process determining where to start a business and also where to expand. These networks can have different characteristics, ranging from very personal to business related, from small to large and from local to regional or global.
• A fourth theoretical approach, finally, includes views on economic development that are strongly related to ‘soft’ conditions. This is a field of thought that is nearest to the work done by Florida and followers and what seems to have become the ‘New Conventional Wisdom’, as Buck et al. (2005) have called it. The suggestion is that creating the proper conditions for the settlement of creative talent will be the key to successful development. The focus is on a range of urban amenities that are attractive to individuals – including factors such as quality of life, quality of environment and urban atmosphere, well-functioning housing markets that provide alternative types of attractive housing, and factors related to levels of tolerance, openness and diversity.

We believe it makes sense to draw on all of these theories and use them in more rigorous empirical studies in order to reverse the current trend in some segments of economic geography where there is ‘more talk than test’. A narrow theoretical foundation and a thin empirical basis will, in the end, have serious implications for the development of urban policies aimed at enhancing the competitiveness of urban regions. It is our ambition with this book to come up with a broader theoretical foundation and more solid empirical testing of the crucial assumptions, thus providing the elements for developing better understanding and in turn better policies aimed at enhancing urban economic positions in the longer run.

As well as benefitting from a wide theoretical scope in this book, we believe that it helps to learn from the opinions and experiences of various actors in the field, as well as from policymakers and policy documents. We refer to three particular groups of actors selected because of their position in relation to key questions about the development of knowledge and creative sectors of the economy. These are:

• The managers of selected firms operating within the creative and knowledge-intensive firms under consideration. These managers potentially have power to make decisions about where to (re)locate and some will at least have some impact on crucial settlement decisions. What factors drive their decisions? What were the most important dimensions they considered?
• Since, increasingly, we are talking about globally connected economic activities, we also investigate what the opinions and motives and considerations are of transnational migrants who are employed in the creative and knowledge-intensive industries we focused upon. Why did they choose to live and work in a certain place? Was it because the jobs were there? Was it because they could earn most there? Or was it because of the soft conditions? Or was there some other reason?
• Finally, high-skilled and highly educated employees play a crucial part in some accounts of the development of the sectors we focus on. They can
tell us whether the soft factors identified in the literature had a major influence on their decisions over where to live and work. They can also tell us what kinds of considerations were important in their decisions and can clarify what conditions carried the most weight.

Information about the last category of actors (high-skilled employees and graduates) was collected through a survey. A total of 2,751 responses were obtained based on structured interviews (on average slightly over 200 per urban area). The survey data were collected in 2007. Apart from the common sector, size and location selection strategy that has already been referred to, we also agreed a common approach to the collection of information from respondents. This should not be taken as meaning that there was no variation between cities in the implementation of the approach. Of course, when working with many different urban and national contexts there are differences between the settings that should not be denied. These include sample frameworks, but also different local cultures that impact on some elements of the entire strategy. For example, in some contexts high-skilled employees in firms can be approached directly, whereas in other contexts the approach can only go via the management of the firm. Other issues included the variation arising from whether certain economic activities were present in each city. Although we chose sectors where some comparison could be achieved, the selected sectors are not equally distributed across all urban regions and this resulted in minor distortions of the ‘ideal’ strategy. Other locally specific issues also had some impact on the information we collected. Detailed data collection reports and response overviews for each urban region have been reported in ACRE reports 5.1–5.13. The researchers involved in the data collection in each of the urban regions expressed their confidence over the quality of the data, but also considered that the number of responses for specifically defined sub-sectors may be too small to generalise the results to all of those who belong to such a sub-sector. We believe that in general it would be unwise to treat the data as entirely representative for the sub-sectors we deal with. Even the combined larger data set, where some ‘noise’ in the data may disappear, at least for some analyses, should be treated more as an instrument to help us to present a range of indications of what are important conditions for the development of urban economies, rather than treating this as a perfect representation of the wide variety of situations and conditions that may exist in reality.

The information we obtained from managers and (self-employed) entrepreneurs applied to the same sectors, but was collected through an average of 25 semi-structured face-to-face interviews per urban region (reports 6.1–6.13). A similar strategy was applied to collect information from transnational migrants and a similar number of responses formed

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3 http://acre.socsci.uva.nl/results/reports.html
the basis for our comparative analyses (reports 7.1–7.13). We also used statistical material, as well as other written sources to get a better understanding of the various pathways affecting each region. For the policy section in this volume, we collected a range of policy documents at various spatial scales and combined the information in these documents with interviews with key informants.

The approach we have adopted enables us to engage with the contemporary debate but we do not attempt to address all aspects of it. While we refer at various points to the impacts of the development of creative and knowledge industry our focus is more on what attracts key groups to cities and on what common and distinctive factors are associated with different cities. The combination of the theoretical approaches and the opinions and behaviours of three categories of actors provides important insights that may be used as input for urban policies aimed at future urban economic developments. However, in advance of that understanding, policies have been developed in the past and policies are currently being developed. It is important to refer both to general policies which affect urban economic outcomes and to sector and other policies for economic development. This is not a simple task, since the policy landscape itself has become highly complex, not only because of the range of policies and professions that impact on urban economic development, but also because policy making in this field is multi-scalar and multi-actor. There is new governance that goes beyond the impact of classic government; but there are also new geographic scales that may be important, from the very local neighbourhood scale, via the city, to the urban region, the state and the higher levels, both governmental (e.g. the EU) and other international organisations (IMF, World Bank, OECD).

**Regions and sources**

This volume has been developed on the basis of a large research and policy project investigating the impact on the competitiveness of EU metropolitan regions of developing ‘creative industries’ and ‘knowledge intensive industries’. The central research focus has been on the conditions that drive the development and questions that are very close to those that guide the contributions in this volume. This volume refers to the results of research on economic developments, experiences and strategies in 13 metropolitan regions across Europe. The metropolitan regions involved are those of: Amsterdam, Barcelona, Birmingham, Budapest, Dublin, Helsinki, Leipzig, Milan, Munich, Poznan, Riga, Sofia and Toulouse (Figure 1.1).

This includes cities with different histories and roles – capital cities and second cities, cities with different economies, cities with industrial and port-based histories, but also cities with other profiles; and cities with different
cultural, political and welfare state traditions. This includes a much wider set of cases than is commonly addressed in debates about creative and knowledge-intensive industry within economic development and competitiveness policies. Through this we hope it will move the debate forward and provide a richer set of examples and tests for debate than exists at present.

The evidence discussed in this book refers to cities and their regions that are not leading in the European urban hierarchy and do not belong to the first range global cities. While the first range global cities (including London and Paris) are clearly able to demonstrate successful development of creative and knowledge-intensive industry, the questions we are addressing relate to whether other, ‘more ordinary’ cities are also able to achieve such development. We discuss urban regions from all over Europe and include eight west European metropolitan regions and five post-socialist cities in central and eastern Europe. Five of the thirteen urban regions are in southern Europe. The selected urban regions vary in size of population (from half a million in Leipzig to 4.2 million in Milan) and in the level of GDP per capita (from 2.7 to 54.0 thousands Euro) (Table 1.1).

**Figure 1.1** Thirteen urban regions included in the international comparative research programme ACRE.
They also vary in terms of the actual employment in creative and knowledge-intensive industries. Table 1.2 shows that all of the cities we are focusing on have developed significant employment in these sectors – from 18 per cent in Poznan to 31 per cent in Helsinki – but that some cities are more
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Helsinki, Milan, Munich, Budapest and Riga have particularly high shares of employment in creative and knowledge-intensive industries. The distinctive nature of the economies emerging is indicated by the skewness between ‘creative’ and ‘knowledge based’. Milan, Budapest, Barcelona and Dublin have higher shares of employment in creative industries while Riga, Munich, Birmingham, Sofia and Amsterdam are more knowledge based. Helsinki is strong in both sectors.

However, these cities and urban regions differ from each other in many other respects as well. In the current debates on the importance of ‘soft’ conditions for urban economic development it would, for example, be interesting to see how these territories differ from each other in terms of essential housing parameters. There are no obvious and reputable sources to consider the profile of cities in terms of these kinds of ‘soft’ conditions and one contribution of the research reported in this book is to fill this gap in evidence. Nevertheless some sense of the differences likely to apply in this area is indicated by data on housing tenure, housing costs and average consumption of housing space (Table 1.3).

These data indicate the complexity of the housing offer associated with different cities. The cities in central and eastern Europe have the smallest and the least-expensive housing and to some extent the pattern mirrors differences in GDP. However tenure differences reflect different histories of state intervention and privatisation and the relationships between housing provision variables, and between these variables and others, are not simple or linear. We do not have at one extreme a set of affluent, mature cities and at the other cities that are relatively new in responding to the demands

### Table 1.3 Differences in housing and housing costs: Percentage of households in owner occupied and social housing, prices of houses and apartments and average living area.

<table>
<thead>
<tr>
<th>Year</th>
<th>% owner occupiers</th>
<th>% social renters</th>
<th>Year</th>
<th>Average house price (per m²) (£)</th>
<th>Year</th>
<th>Average living area m² per person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amsterdam</td>
<td>2004</td>
<td>18</td>
<td>50</td>
<td>2004</td>
<td>2,044</td>
<td>2004</td>
</tr>
<tr>
<td>Milan</td>
<td>2001</td>
<td>59</td>
<td></td>
<td>2004</td>
<td>2,261</td>
<td>2004</td>
</tr>
<tr>
<td>Birmingham</td>
<td>2004</td>
<td>75</td>
<td>28</td>
<td>2004</td>
<td>1,943</td>
<td>2004</td>
</tr>
<tr>
<td>Helsinki</td>
<td>2004</td>
<td>45</td>
<td>23</td>
<td>2001</td>
<td>430</td>
<td>2004</td>
</tr>
<tr>
<td>Poznan</td>
<td>2001</td>
<td>8</td>
<td>10</td>
<td>2001</td>
<td>811</td>
<td>2004</td>
</tr>
<tr>
<td>Budapest</td>
<td>2001</td>
<td>84</td>
<td>9</td>
<td>2001</td>
<td>2,261</td>
<td>2001</td>
</tr>
<tr>
<td>Riga</td>
<td>2001</td>
<td>50</td>
<td></td>
<td>2004</td>
<td>896</td>
<td>2001</td>
</tr>
<tr>
<td>Toulouse</td>
<td>2001</td>
<td>39</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barcelona</td>
<td>2001</td>
<td>68</td>
<td>14</td>
<td>2001</td>
<td>2,500</td>
<td>2001</td>
</tr>
<tr>
<td>Dublin</td>
<td>2001</td>
<td>62</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leipzig</td>
<td>2001</td>
<td>10</td>
<td>4</td>
<td>2004</td>
<td>1,670</td>
<td>2001</td>
</tr>
<tr>
<td>Munich</td>
<td>2001</td>
<td>22</td>
<td>7</td>
<td>2004</td>
<td>4,530</td>
<td>2001</td>
</tr>
<tr>
<td>Sofia</td>
<td>2001</td>
<td>81</td>
<td></td>
<td></td>
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</tbody>
</table>

Source: Urban Audit.
of a competitive global economy. Nor do we have a simple continuum of city types at different stages of development. Rather we have cities with different economic and housing structures and strengths and – as we will see in greater detail later in this volume – also with different assets, histories and legacies and different governance and organisational arrangements and policy traditions. Each of these different dimensions has the potential to affect the opportunity, approach and pattern of economic development and especially the development of creative and knowledge-based economic activity. In short, there is much structural variety of the urban regions in Europe. The focus on these cities in the rest of this book highlights the diversity in Europe. It also enables discussion of the different strands of theory set out in Chapter 2.

In this book, we present the results of research by referring to a limited number of urban regions in each chapter and comparing aspects of the urban economic development in these regions. The research teams are specialised in the fields we cover and based in 13 European scientific institutions. They were brought together to rigorously evaluate, reformulate and empirically test assumptions about European urban regions and their potential for attracting creative industries and knowledge-intensive industries.

**Pathways, actors and policies**

The considerations set out in this introduction have informed the structure adopted for this volume. The introduction and a wider elaboration on the literature in Chapter 2, together form Part I. Four different sections follow this. In Part II (Pathways) we concentrate on the development paths of urban regions. The basis for this is an analysis of available statistical data over time and analysis of the conditions that have played a significant role in developing the regions. This section covers some of the typical paths cities have followed or are still following. The chapters deal with robust comparisons between the cities and identify commonalities between them. However, it is also evident that key events, political and economic ‘ruptures’ and other factors have created very special trajectories and distinctive pathways. In this section, the real character and the special assets of each city are stressed while highlighting what is most characteristic and distinctive about the paths that the city and its region have followed over time and how this shapes the potential for development of knowledge-based and creative industry for the urban region’s position in terms of urban economic potential today. There are clear differences in the type of pathway followed and this has implications for policy development in the creative and knowledge sectors.

In Part III (Actors) we address the importance of key actors or target groups in the development of creative knowledge regions. Following the directions
indicated by the literature, we focus particularly on three groups: managers of creative and knowledge-intensive firms, transnational migrants who are working in creative and knowledge-based industry and employees with higher educational qualifications. The aim is to understand the drivers behind the decisions made by them and through this to contribute to the discussion of recruitment and retention within strategies for the development of knowledge-intensive and creative industry.

The chapters are based on answers to questions about the extent to which these actor categories are satisfied with their living and working environment; the reasons for moving to their current region of residence; the extent to which their expectations of living and working in this region (based on the regional image in the outside world) have been justified; how long they are planning to stay in the region and, when planning to move, the main reasons for this decision. We assess the relative importance of the location factors that have played a role in the decision-making process and include ‘classic’ factors, such as accessibility, job availability and ‘tax-climate’, the importance of clustering opportunities, the role of networks and the presence of ‘soft’ factors, such as the quality of space and atmosphere of the city and region.

In Part IV (Policies) the focus is on policy. Whilst there is a wide variety of urban economic realities, there is an even wider variety of intervention strategies. Reference is made to current policy, and visions of local and regional governments in different cities and this is used within a common framework to complete a review of the approaches adopted. The central contribution of this section is to address the question: ‘What do the policy makers see as the most relevant strengths and weaknesses of their metropolitan regions with respect to international competitiveness?’ ‘To what extent do local and regional governments in the case study regions aim to build on existing regional strengths, and to what extent do they look for new strengths with regard to economic specialisations?’ ‘To what extent are the economic development strategies and visions embedded in broader urban development strategies and visions?’ ‘Are economic development policies connected to regional spatial development policies, housing policies and/or policies to attract and cater for a “talent pool”?’ ‘What is the role of “hard” location factors? Is there sufficient opportunity for “clustering”, are there enough facilities that enable networking, and how about the state of the “soft” location factors in the metropolitan economic development strategies?’ ‘Do metropolitan economic development strategies specifically address the conditions for attracting a skilled international labour force?’ ‘To what extent can we speak of an integrated regional strategy, and on what geographic and administrative level?’

Finally, in Part V (Synthesis) we highlight the crucial findings that have been elaborated upon in this book and set out the implications arising from this.
References


