Policy progress

Over recent decades, a range of new policies for attracting economic activities to existing urban areas has been developed. New policies were not just required because of economic restructuring processes, which
implied transformations from certain types of economic activity (such as manufacturing industry) to other types (such as producer and consumer services); new policies were also developed through new views on what drives urban economic development. With respect to the first mentioned process of economic restructuring, new activities were becoming more relevant while some of the existing activities lost position. This did not occur without consequences for urban regions. In some places the dynamics offered new opportunities, while simultaneously in other places a struggle against decline was predominant. The different development pathways of existing cities and urban regions seem to play a key role in the understanding of why some places succeed in adapting to the new structures and others do not. With respect to the second point, new views on what drives urban economies, we see a series of policies, each accentuating specific conditions for economic development. We artificially distinguish between these views, but in reality they are indeed overlapping, and remnants or bigger parts of one line of policy thinking coexist with others. We do not focus attention on why some undeveloped areas initiated action in the first place. Instead, we start with existing urban regions, with different histories and contextual and institutional characteristics, which, we believe, are crucial for the understanding of their current position and opportunities for renewing their economic structures.

If we are considering the past fifty years, initial policy aims were typically based on what is often called ‘classic location theory’. Authors such as Alonso, Weber, Christaller and Hotelling are frequently associated with this theory. Core concepts used by them are (relative) distance, transport costs and economies of scale. These are typically seen as essential conditions that firms have to take into account when trying to choose locations. The individual location decisions taken by firms would finally result in specific urban economic structures. The on-going focus on transport costs and distance implied the development of policies towards providing adequate technical infrastructures. Land for economic activity, roads, railroads, airports, telecommunication connections and other equipment to facilitate accessibility were central elements in the investments by local and national governments and – later – also by private firms. Increasingly, these were combined with policies aimed at enhancing the educational skills of the labour force, and in many contexts tax policies were also geared to the attraction of new economic activities. Theories that were built on agglomeration advantages and the site and situation characteristics of locations had taken centre stage.

To this very day, these ‘classic’ policies play a crucial role in most urban policies, but they were followed and overlapped by a strong and more explicit focus on creating and stimulating so-called economic clusters of activities. These clusters not only covered economic activities. Porter defines a cluster as: ‘a geographically proximate group of interconnected companies
and associated institutions in a particular field, linked by commonalities and complementarities’ (Porter, 2000, p. 16). Economic complexes are regarded as the engines of the modern economy, and many governments decided to invest heavily in stimulating the formation of specific clusters of economic activity and saw that as their prime objective.

Cluster policies remain a prime focus of today’s policy-makers, but over the past one-and-a-half decades these policies were accompanied by a ‘new’ and much challenged focus: policies that are aimed at creating conditions for the attraction of the ‘creative class’, or ‘creative talent’ (Florida, 2005), thereby focusing on ‘softer’ conditions, such as urban amenities and a tolerant atmosphere. Analysing the role of creativity in economic development and urban and regional competitiveness, Florida came to the conclusion that talent, technology and tolerance (3Ts) are essential conditions. He argued that talent is the key source for economic development and in fact precedes such development. Therefore talent should be nurtured through the creation of an attractive creative milieu. So he reversed the conventional wisdom that used to argue that economic activity and production are essential conditions required to attract talent. Local politicians embarked on Florida’s – consumption-related – ideas in large numbers, instead of continuing their old focus, which was on attracting firms. This other ‘angle’ resulted in new beliefs and in new opportunities for a range of policy-makers and politicians to change their current policies and achieve economic success at a low cost. The ‘creative class’ became the new buzzword. That class would be attracted by cities with urban amenities and a tolerant climate, and if this could be combined with developments in technology (which creative talent would help to develop anyhow), the economic future could only be bright.

This, however, is not regarded to be the only reality. Policy strategies aimed at supporting economic development in this way have been fiercely criticised by a range of scholars and the volume of anti-theses is still growing. In the recent literature the creative class idea has generated most criticism. Peck (2005), as one of the first scholars who rigorously criticised the creative class ideas, argued that such literature is just preoccupied with an elite, ignoring other citizens and forming part of a neo-liberal agenda in which it is believed that the jobs at the top will generate trickle-down effects for those at the bottom. Scott (2006) responded as follows: ‘... again with apologies to Florida, creativity is not something that can be simply imported into the city on the backs of peripatetic computer hackers, skateboarders, gays, and assorted bohemians but must be organically developed through the complex interweaving of relations of production, work, and social life in specific urban contexts’ (p. 15). In addition, Storper and Scott (2009) challenged the ideas that amenities and tolerance would be the most relevant new drivers for urban economic development. In an article called ‘Rethinking human capital, creativity and urban growth’, they asked the question: ‘Do jobs follow people or do people follow jobs?’ Their answer to this question clearly
supported the second option; they argued that ‘we need to take very seriously indeed the logic and dynamics of economic activity, and especially of locally agglomerated systems of production and work’ (p. 165). Others put themselves somewhere in the middle of the debate, such as Malecki (2004), who stated: ‘Urban and regional competitiveness is inherently multidimensional, including both traditional factors of production, infrastructure and location, as well as economic structure and more “ethereal” factors, such as quality of life and environmental urban amenities’ (p. 1108).

In a large-scale European research project we tried to widen the scope of this debate by testing similar questions while simultaneously taking other urban economic theories into account. That project was funded by the European Commission and called ACRE, which stands for Accommodating Creative Knowledge. The central research question that the project addressed was this: What are the conditions and adequate policies for creating or stimulating ‘creative knowledge regions’? We compared socio-economic developments, experiences of several categories of actors (managers, highly skilled employees and transnational migrants) and policy strategies in thirteen metropolitan regions across Europe to obtain more insight into the keys to successful long-term urban economic development. The metropolitan regions in the project were those of: Amsterdam, Barcelona, Birmingham, Budapest, Dublin, Helsinki, Leipzig, Milan, Munich, Poznan, Riga, Sofia and Toulouse. This includes cities and regions with different histories and roles – capital cities and second cities, cities with different economies and industrial, port-based histories, and cities with different cultural, political and welfare state traditions. It includes a much wider set of examples than usually informs the debates about creative and knowledge-intensive industry and economic development and competitiveness policies. The most important topics addressed focus on which metropolitan regions might develop as ‘creative knowledge regions’ and which regions might not; and why this is the case and, not least, what can policy do to influence this. Key findings of this project were that amenities, tolerance and diversity hardly played a role in the location-related considerations of the key actors addressed. Instead, employment opportunities (in the first place), personal trajectories and personal networks, and ‘classic’ conditions were of major importance. The results were published through a range of reports and journal articles, and a book was published with the title *Making competitive cities* (Musterd and Murie, 2010) that critically addressed the issues. That volume aims at understanding what the important conditions are for urban economic development in city-regions across Europe, but only limited attention was paid to the second main question of the ACRE project: What are adequate policies and strategies for creating or stimulating ‘creative knowledge regions’? After

1 http://acre.socsci.uva.nl/.
Making competitive cities was completed, further explicit policy analyses were carried out, based on additional analysis of policy documents, study of contexts and interviews with key stakeholders and policy-makers. The policy section of the project was directed specifically at gaining more knowledge about what types of policies and strategies could be applied to gain the best results – here to attract and retain new urban economic activity and (highly skilled) employees, migrants and managers in creative and knowledge-intensive industries. The findings, based on policy interviews and policy documents, were considered alongside the analytical findings from the first phases of the project and alongside current policies, and used to develop alternative policy views and ideas on policies for the development of creative industries and knowledge-intensive industries in urban regions across Europe. Reports have been produced for each city-region.2

Economic sectors

This volume aims to rigorously evaluate and test assumptions about urban and regional policies for specific economic sectors. This is about developing creative industries (such as arts, media, entertainment, creative business services, architects, publishers, designers) and knowledge-intensive industries (such as information and communication technology, research and development, finance, law) in metropolitan environments. We report findings from interviews and policy analysis carried out in the thirteen European cities and urban regions previously mentioned. We started with a selection of creative and knowledge-intensive industry sectors, following earlier work done by, among others, Pratt (1997) and Kloosterman (2004). For the creative industries, we focused on the most creative of creative industries, and within sectors, like advertising, this means the most creative parts of the sector and not standardised activities, such as the production of weekly broadsheets providing local advertisement and information. More specifically, based on analysis of contemporary statistics for each of the urban regions involved, three subsectors of creative industries were identified as currently most important. Two out of these three were then chosen for further research by all teams. These sectors were NACE (Nomenclature statistique des Activités économiques dans la Communauté Européenne) codes 72.2, 92.1 and 92.2:

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

A third important creative industries sector in the urban region was then chosen. This was advertising (NACE code 74.4), where it was among the most important sectors but another sector in other cities.

A similar research strategy was followed for the knowledge-intensive industries. Here all research teams focused on economic activities covered by NACE codes 65, 73, 74.1, and 80.3:

- financial intermediation, except insurance and pension funding;
- research and development;
- law, accounting, book keeping, auditing, etc.; and
- higher education.

The research carried out on these specific sectors also focused on firms of different sizes – small (one to five tenured staff) and larger (more than five tenured staff) firms – and in different locations – in the core of the metropolitan area and in the urban region beyond the core.

**Questions and approaches**

There is no single policy for a European creative knowledge city. The challenges are not the same in every city. Important differences in the economic and professional structure and functions, social composition, size, history and geographical location within Europe shape the current prospects and the challenges that different cities face. But although European cities are all very different, they are all affected by common trends and at least partly face similar challenges in the global marketplace for jobs, talent and investment. The question then is how European cities might best go about developing and implementing appropriate strategies and policies? What are the dimensions to take into account? To what extent are current and future policies informed by new or existing theoretical insights regarding how to create competitive creative knowledge cities? Are policy-makers sufficiently ‘place-sensitive’ and willing to develop tailored policies? What are the key theoretical assumptions policy-makers base their interventions on? What are their experiences?

These and related questions form the basis of this book. Answers to these questions are provided through cross-national, inter-city-region comparisons in each of the chapters. The on-going and alternative policies we present here are deliberately associated [by us] with three key concepts that have received insufficient attention in the past, but emerged strongly from our research: pathways, place and personal networks. These concepts are under-exposed in existing debate and we believe they deserve to be used to structure various policy approaches. This is why we have organised this volume around these concepts: first, by discussing policies that build upon
or distance themselves from previous development pathways and that take specific established historical positions into account (Part II of this volume); second, by presenting policies that work with place-specific characteristics to generate distinctive comparative advantages for the attraction of new economic activity (Part III); and third, by stressing the importance for policymakers of addressing the frequently forgotten role of personal relations, networks and existing connections between key players and specific territories (Part IV). Paying specific attention to policies that take these dimensions into account should not be seen as presenting a series of fixed formulas for economic success. We are convinced, and show, that urban policies aimed at cities becoming or staying competitive need to be tailored policies: that is, they need to be context-sensitive policies based on knowledge about previous development paths acknowledging their own strengths and weaknesses, and based on knowledge about crucial personal connections; hence the title of this book is *Place-making and Policies for Competitive Cities*. Existing strengths or weaknesses may be present in the form of specific clusters and conditions of basic technical and organisational infrastructures. The specific time- and space-dependent characteristics associated with these contexts represent very good reasons to develop distinctive policies that fit that city or metropolitan region.

The approach chosen by the research teams involved the consideration of policies and strategies alongside the actual dynamics in the regions under consideration and the literature and current strategic policies and visions of local and regional governments [long-term strategies]. Special concern was taken to position existing policies in their regional and political contexts, including how policies are influenced by European, national and regional policies. Strategic policies were discussed taking into account the instruments and mechanisms to achieve policy ends, including the following question: With what kind of human, financial and material resources will policy objectives be obtained? The researchers paid systematic attention to questions such as these: Are policies built on existing strengths or looking for new developments? Is there continuity or rupture? Is there consensus over policies or conflict? Which theoretical domain is stressed most (classic theory, cluster theory, soft conditions theory or network theory)? To what extent are policies embedded in broader urban development strategies and visions?

The effectiveness of policies is without any doubt related to the institutional structure and governance arrangements in each city. Therefore it is important to know the key governmental and non-governmental stakeholders that play a role in economic development in the local/metropolitan/regional decision-making processes. In which strategies or policies are they involved? Do they form local–national growth coalitions or local government–business public–private growth coalitions? Is there a policy network?
Together, documents and interviews offer the basic material for carrying out the policy analyses. Policies and strategies, embedded in their own institutional structures and governance arrangements were identified and considered in conjunction with evidence about actual economic development. The findings are presented in this book and refer to the three key concepts we have identified: pathways, place and personal networks.

The structure of this volume is as follows. In Chapter 2 we introduce the prevailing policy approaches and confront them with first ideas about alternative tailored policies. In that chapter we also briefly introduce each of the chapters in the remainder of this volume. This chapter is followed by the three substantive Parts II–IV, each with a focus on one of the three key concepts. In each of these parts a short introductory chapter is followed by further chapters that set out various policy strategies related to the focus of each part. In Chapter 18, the final chapter of this volume, we synthesise the most important findings and elaborate on some of the lessons learned for policy and analysis.

References