

Economic downturn: a threat for creative city policy or a blessing in disguise?

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Abstract

Since at least a decade the creative city concept is very much en vogue. Culture and creativity are regarded drivers of urban economic development, and therefore as important elements of urban economic policy. In practice however, local policy in many cities is determined by a considerable degree of path dependency, while the creative city concept is not very solidly embedded in local policy. Irrespective of whether the global economic downturn that started in 2008 is under control again – as some comment – or not, it leaves little doubt that it can be regarded as a structural factor of change of the context for local creative city policy.

Although a relevant issue from the perspective of the creative city, systematic research on the effects of downturn is scarce as far as yet. By presenting a highly explorative analysis of these impacts, this paper intends to contribute to stop this gap. It aims to offer clues for more detailed research of the potentialities of creative city policy in financial and economically difficult times, and to enable local policy makers to further define their position with regard to creative city policy.

The paper explores the issue from two opposite perspectives. First, the crisis might be considered a challenge to take the path towards a creative industry-oriented economy more decisively. Alternatively, however, downturn may also be a factor that causes a retreat of policy in more 'safe' and 'familiar' traditional economic activities rather than creative industries and milieus. The analysis builds to a large extent on empirical insights and discussions from the Interreg IVB project *Creative City Challenge*.

1 Introduction

This paper addresses the issue of economic downturn and its possible effects on the development of creative economy and creative city policy. Its argument, in a nutshell, is twofold. The current economic downturn might be a decisive factor for urban and regional policy-makers to move towards stimulating and supporting a more creative industry-oriented economy in the broad meaning, i.e. involving production of both goods and services. As such, it might even be considered a blessing in disguise: the crisis as a challenge. However, downturn may also be a factor that causes a retreat of policy in more 'safe' and 'familiar' economic activities rather than creative industries and milieus.

Local and regional policy making authorities have paid increasing attention since the late 1990s to the growth of creative industry for urban economic development. As one of the very

first, Huddersfield (UK) dubbed itself ‘The Creative Town’ in 1997. Over the years, the objectives of creative industry development in urban policies have become increasingly versatile: next to economic growth, these now include also social cohesion, cultural diversity and physical quality of urban spaces. This trend has been accompanied by a growing amount of research-based literature and, as habitual, a fierce debate among academics between clear-cut advocates and sceptics and critics of the positive role of creative industries development in urban policy.

One aspect that has been hardly discussed in the debate about creative industry development in urban policy: the inevitable investments in creative city policy. To develop a flourishing sector of creative industries in cities requires at least investment by local and regional governments, property developers, and financiers, both monetary (subsidies, loans, grants, etc) and non monetary (training schemes, incubator programmes etc.) (KEA European Affairs, 2010). It is exactly the current economic downturn that now forces these investors to austerity policies and to more caution with regard to risk-taking. This raises the question if they still prepared to invest in creative industry development as they were before 2008? In spite of observations that the negative impact of the economic crisis is less on creative industries than on traditional mature economic sectors, this readiness is not self-evident.

Although still little academic literature is available currently about the effects of the economic downturn on the creative economy and – city, consultancy reports and discussions in the media and on seminars and conferences indicate that it is indeed a major topic. This elaboration of possible impacts of the downturn on creative city policy is an explorative exercise: we strived for a concise and thought-provoking rather than for a comprehensive paper that highlights the two opposite arguments mentioned above. The paper is an edited version of a discussion paper we prepared in the Interreg IVB project *Creative City Challenge* (CCC), which involves nine, mostly medium-sized, cities and city-regions in six countries in the North Sea Region (Romein and Trip, 2010a/b). The two opposite arguments as discussed in the paper are being illustrated by quotes from a SWOT analyses to shed light on the potentiality for creative industry development of the partner cities and regions in the project.

2 Background: path dependency and loose embeddedness of creative city policy

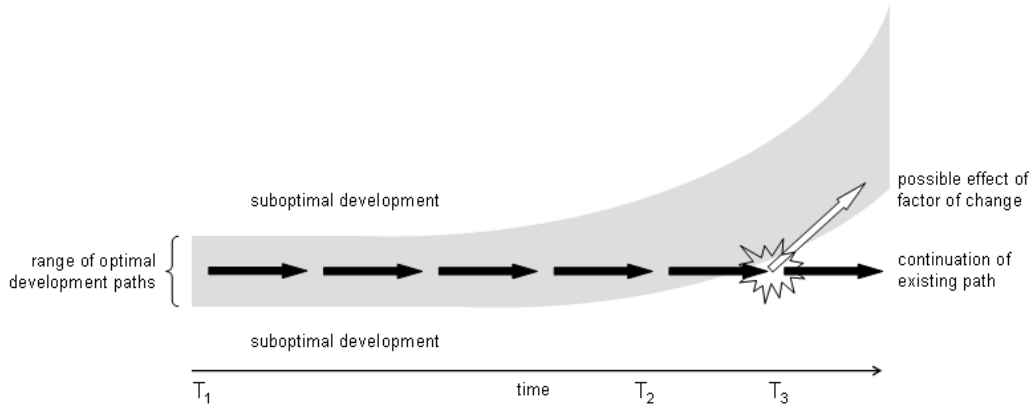
Path dependency describes the process by which an event in the past induces a chain of subsequent events according to an *almost* deterministic pattern. Thus, the possible choices of decision makers on any moment in time are constrained by preceding occurrences and decisions, and therefore can only be the result of bounded rationality. This means that path dependency is likely to lead to suboptimal situations (Pierson, 2000:252; Kay, 2005:553; Howlett and Rayner, 2006:6).

The classic example of path dependency is the development of the QWERTY keyboard (David, 1985:333-5). Once introduced to prevent typewriter typebars to get jammed, it continued to be the standard also among non-typebar machines, and even after the typewriter itself had become obsolete. Other keyboard arrangements enable faster typing, but they are off-standard and not part of typists’ education. For each user the benefits of being compatible to the existing system compensate for the costs of changing to another, technologically superior system. However, for the system as a whole this means a suboptimal situation (see Figure 1).

Many economic transformation processes also give evidence of a strong institutional path dependency. In traditional industrial cities, the focus of local authorities still tends to be the manufacturing industry, in which large investments have been made and which is in many cases deeply involved in local governance, sometimes unwittingly. A deeply rooted ‘industrial mindset’ and past investments in the manufacturing sector thus may pose a burden on the development of a service economy. Grabher (1993) found this to be the case for the steel industry in the Ruhr area, Kloosterman and Trip (2004) for the seaport industry in Rotterdam.

Nevertheless, the question remains why some cities are capable to change, while others in comparable circumstances are not (Martin and Sunley, 2006:419-20).

Figure 1: Adaptation of a suboptimal development path due to a factor of change.



Path dependency does not imply that the situation at a given moment in time can be predicted with complete certainty from the initial event. Actually, it remains possible all times to leave a taken path. This will normally be a hard and long-term process however, because the course of development is locked-in in its earlier stages, and the costs of reversal, or of adaptation to an alternative path, are often high. Normally, but not for certain, a path will only be left due to a structural cause or factor of change (Figure 1). The so-called policy philosophy model (Sabatier, 1987; Vermeijden, 2001) distinguishes between a normative core and a policy core of urban policy. The normative core involves basic principles and guidelines of urban policy, particularly values and axioms regarding the relationship between the major trends of urban development – economic, social, cultural, environmental – and of the institutional organisation of governance. This core both motivates and legitimates the policy core, i.e. the whole of planning concepts and strategies, programmes and projects in the practice of urban policy. Changes in the policy core can be introduced within the context of a relatively stable ruling normative core, but in the course of time more structural causes or factors of change cause the substitution of the ruling policy philosophy with a new, competing one.

It remains to be seen whether the current economic downturn may cause a new normative core to take over power in urban policies. It leaves little doubt however take it can be regarded as a structural factor of change. When it popped up in the second half of 2007 however, the development paths of urban economies grounded in manufacturing, and to some extent also those based on FIRE services (financial, insurance and real estate), were already under pressure and losing momentum. Urban policies that had kept focusing on these economic sectors gradually shifted towards, or crossed, the margins of the optimal development paths (the grey belt in Figure 1), hence losing effectiveness for local economic development.

On the whole, urban economic policies have not stuck exclusively to manufacturing and traditional services. Actually, increasing policy efforts have been aimed at stimulating creative industries and the creative city since the turn of the century, more in particular since Florida (2002) became a best-seller. This is illustrated by a survey conducted by EUROCITIES in 2008 that mapped 30 large European cities revealing that 80 percent of these had cultural and creative industries programmes supported by local and regional funding (EUROCITIES, 2009). The big picture is rather diffuse, however. Over all, the embeddedness of the creative city in local policy

is not very solid so far, implying that the downturn may be a stimulus to putting this type of policy into action, but also a threat.

3 Impacts of economic downturn for local and regional governments

In order to assess the possible effects of economic downturn on local and regional policy, we first present a brief characterisation of rapid evolution of crises that have led to the current economic downturn and of its consequences for local and regional governments, in particular their finances.

What is being called an economic downturn or recession in the past few years is composed of a rapid accumulation of several subsequent but interconnected crises, none yet resolved, that started in 2007 as a mortgage crisis in the US (Experian/SEEDA, 2009; Lee *et al.*, 2009; Dymski, 2010). The key catalyst for that crisis was “[t]he transformation of sub-prime mortgages [loans made to individuals and households that previously would have been subject to financial exclusion] into investment assets” (Lee *et al.*, 2009: 740). Problems started because regulation failed and “[t]he ability of these mortgagees to repay was undermined by a shift in monetary conditions and an increase in interest rates” (Lee *et al.*, *op. cit.*). Due to a wave of fear that paralyzed investors, large banks could no longer obtain financing in the market and were forced to take commercial paper that had financed the booming market for mortgage-backed debt obligations back on their balance sheet, leading to enormous losses (Dymski, 2010: 837). What started as a mortgage crisis, then extended into an international banking crisis due to the high level of connectivity of the global banking system. Governments saw themselves obliged to astronomic loans to banks in order to avoid the fall down of their national financial systems, leading to large fiscal deficits (fiscal crisis).

A link between the financial crisis and the real economy became particularly evident in late 2008. Just saved from downfall by government loans, a spasm of fear among banks has rapidly declined their willingness for intra- and interbank lending, reducing their capacity to lending to businesses and households. A slump in demand that has yet to be fully played out for a great many goods- and services producing industries has led to a rapid spread of recession of the ‘real economy’ lead (Experian/SEEDA, 2009:2). Public budget deficits in the advanced countries jumped from 1.2 per cent of GDP in 2007 to 8.9 per cent in 2008, and real GDP growth reached 2.8 per cent in 2007 but then fell to 0.5 per cent in 2008 and -3.2 per cent in 2009 (Finfacts Team, 2010).

Systematic information about the size and nature of impacts of the composite of crises on the different sectors in local and regional economies is still limited. But in spite of this lack of detailed information, it is clear that it has severely impacted upon both local and regional economies and governments. Local and regional policy making authorities became forced to stiff austerity policies, and the reduced preparedness by banks to risk-taking has rapidly declined their willingness to lend. In particular starting and small businesses in new economic activities were impacted by this lack of credit.

The Council of European Municipalities and Regions (CEMR) conducted a survey in March 2009 among its national member associations of local or/and regional authorities with the aim to assess these impacts. A summary of the response by 25 national associations includes seven main impacts (CEMR, 2009:62-3). Some additional information is obtained from a sample of four small and medium-sized cities (Rivas, undated). These impacts are:

1. *Loss on investments in the banking sector* – To those local and regional authorities who invested in the banking sector, the banking crisis implies a depreciation of financial products in which they had invested, a drop of the market value of their shares in banks, and a loss in income from dividends. The worst case scenario however, is the loss of all their money because of bankruptcy of banks.

2. *Loss on tax revenues* – Types of tax revenues affected are personal income tax due to increasing unemployment, company income tax due to lower consumption, and real estate tax due to fall-out of local housing market and lower investments in construction. The latter is often a rather immediate manifestation of economic slowdown.
3. *Lack of credits and high cost of borrowing* – The crisis in the banking sector has affected the availability of credits. Banks are now seeking lower-risk borrowers than before. Although the municipal sector in general has a relatively high rating in this respect, the requested volumes of credits often are only available at high interest rates due to liquidity shortage on the market, if available at all.
4. *Cash liquidity problems* – From some countries, difficulties in cash liquidity are reported due to lowered transfers of grants by the national to the local states. This involves either a general cut, a denial to some municipalities, or even an overall poor payment discipline by national authorities.
5. *Increased expenditure* –The responding associations have reported almost universally worries about expected increases of expenditures, in particular due to higher demand for social and welfare services as a consequence of citizens' loss of employment and income.
6. *Cuts in local authorities' staff* – Municipalities and councils, especially those severely affected by the direct impacts of the downturn, find themselves in the need to cut back on the number of employees in order to facilitate savings and decrease the personnel expenditure. This might contribute to the overall balance on the local job market and aggravate the social situation.
7. *Reduced service levels and slow-down of local and regional development* – The increased pressure on local governments' budgets and growing scarcity of credits affects ongoing expenditures in general service levels and investments in physical regeneration and infrastructure projects.

This a gross list of reported impacts. Their nature, size and even mere occurrence differ considerably between national associations of local governments and between local governments within one and the same association. Not all associations or municipalities have invested in banks or their financial products, municipalities in different countries levy different types and sums of taxes, and the proportion of their total budgets revenues that depends on local taxes differ. Likewise, municipalities' contribution to social expenditure and the types and size of 'packages' launched by national states to compensate for their liquidity problems differ between countries. However, hardly any city has remained undamaged by these impacts.

Urban and regional policy making authorities have invented and implemented an impressive variety of measures to counteract damages. Based on a survey responded by 131 European cities in 2009, URBACT (2010) distinguishes responses to two major challenges: employment (where will the future jobs come from?) and governance (how to manage of our cities in the face of major cuts of public finance?). With regard to future jobs, the survey revealed three broad, non-exclusive categories of responses: Promoting the Smart, the Green and the Good; Working on the demand side with diversified 'jobs rich' industries; and Investment to increase quality of life and long-term attractiveness of the city (URBACT, 2010:15-18). Attempts by cities to grow and attract as many knowledge-intensive industries as possible and to improve conditions for business start-ups and entrepreneurship are mentioned explicitly in the exemplification of these responses, but creative industries are not. The scenario that suggests that the creative sector may eventually benefit from the economic downturn is plausible, but the opposite scenario - economic downturn as a threat to the creative economy and creative city policy – still may also be popular among urban policy makers.

4 Economic downturn as a threat

A first scenario can be imagined in which economic downturn emerges as a major threat to the creative economy. The creative economy is still considered by many (including policy-makers and credit providers) as a risky whim, rather than as a solid economic sector. Faced with economic downturn and budget cuts, policy-makers might therefore choose to focus on the 'real economy', as Felton *et al.* (2010:619) refers to manufacturing and FIRE services rather ironically, and on traditional competition factors such as physical infrastructure. This may imply that creative city policies are downsized or completely ceased, and the creative economy disappears from the policy agenda. They may also be maintained in an austere form as strictly business-oriented policies, as for instance social policy and culture are more likely victims of budget cutting than 'hard-core' economic policies such as the provision of business spaces.

A number of specific characteristics of the creative industries can be distinguished that make this sector vulnerable in periods of economic downturn:

1. *Fragmented business structure* – The creative industries tend to consist of a bifurcated size-distribution of firms, including relatively large numbers of small or at best medium-sized business that have little resilience to financial setbacks. This may make them more vulnerable in the short term than the usually larger firms in most other sectors.
2. *High degree of specialization* – Many creative firms are not only small, but also highly specialized ('atomised') and dependent on supply chain linkages both inside and outside the creative industries. This makes them rather sensitive to the negative effects of downturn in other businesses or sectors. Advertisement is an example; so is architecture, which is highly dependent on the construction and development sector which, in its turn, used to be particularly affected by downturns.
3. *Limited access to credit facilities* – Compared to business in traditional sectors, creative industries find it relatively hard to gain access to credit facilities, mainly because traditional credit providers are not familiar with these new and 'experimental' activities (Caves, 2000; various papers in Henry, 2007). This problem becomes worse in times of economic downturn, particularly during the current 'banking crisis'.
4. *Lack of entrepreneurial skills* – Many 'creatives' consider themselves not primarily as 'entrepreneurs' – Clews (2007:67) comments that "students and graduates in art, design and media are uncomfortable with the term entrepreneur" for fear of losing artistic integrity or aesthetic quality – although they operate on a more or less commercial base. Actually, many lack the entrepreneurial skills that are required to guide their firm through the crisis (Aggestam, 2007; Pestrak, 2007). Moreover, skills training tends to be among the first things that are cut when budgets become tighter.

The above factors indicate that creative industries are vulnerable in times of economic downturn, but so may other types of industries. Policy may aim at, for instance, the provision of additional credit facilities or training modules for creative entrepreneurship. However, as policy-makers have to cut budgets or face massive expenditure on social benefits, they may also choose to abandon the idea of the creative city altogether and focus on other priorities. Several factors account for that:

1. *Rising unemployment* – Economic downturn confronts policy-makers with acute problems of increasing unemployment. The debate in favour of the creative economy focuses on quite a set of objectives, including innovation, jobs, wealth creation, social cohesion and urban regeneration that are not easy to disentangle, hence appearing unattractive for policies to address the issue of unemployment directly and on a short-term. Moreover, the specialized nature of the creative industries implies that they can hardly be considered a 'safety net' to absorb unemployment in other sectors such as manufacturing.
2. *Relative invisibility of downturn in creative industries* – Creative industries consist for a large part of micro-business and freelancers, who go out of business gradually. In contrast, rising unemployment in traditional sectors may bring about sudden massive redundancies that attract more attention of policy-makers, media and the general public. An urgent call

for measures to fight unemployment in these sectors is more likely, therefore, than a similar call in favour of the creative industries.

3. *Limited direct employment effects* – The importance of the creative industries as vital component of innovative (competitive) local economy is often underestimated. The creative economy is promising and receives a lot of attention, but its direct contribution to local employment is relatively small after all. Investment in creative industries is therefore often not thought of as a short-term solution for unemployment. Instead, it is more likely that policy-makers will focus on larger, more traditional sectors.
4. *Unpredictable policy effectiveness* – The creative sector is hard to define because it encompasses a wide variety of types of activities and jobs – Russo and Van der Borg (2010:668) speak of a “hodgepodge of estimation procedures and definitions.” Hence, the question whether this sector is well placed to weather the storm of the downturn is very difficult to answer. Despite the rhetoric about its large potential for the local economy, hard evidence remains relatively scarce (Oakley, 2004). The supposed contribution of creative industries to the local economy is rather unpredictable and uncertain, at least compared to that of traditional sectors. Moreover, the effects of stimulation policies for creative industries may be less than expected due to still insufficient knowledge and routine (e.g. Evans, 2005).
5. *Limited affinity of policy-makers* – Traditional industries are ‘mentally’ closer to many policy-makers. These industries often have powerful and long-established lobbies, strong professional organisations and a prominent place on policy-makers’ mental map. This may be regardless of their actual and potential performance. The same is often true for large-scale – prestigious – cultural or sports events and flagships of culture-led regeneration.

In partner cities and regions in the CCC project, the current economic downturn is certainly regarded as a threat to the creative economy, and to current creative city policies. As the below quotes from the SWOT Report (with the partner that made that quote between brackets) indicate, several of the above factors are being observed, often in combination:

The expectation of the performance of the creative industry may have risen even further due to 2009 European Year of Creativity and Innovation, up to a level that is practically impossible to meet. It is a main threat to the creative industry that public policy redirects priorities to other, more traditional sectors to which it attributes higher growth capacities in times of austerity policies (Bremen).

One of the threats to the further development of the creative industry due to the economic difficulties is the shrinking amount of resources available for supporting programmes and innovative research in Flanders (Leiedal region).

It is thinkable that mainly non-commercial sub-sectors, i.e. the Arts Council, local authorities, regional development agencies etc., will be affected by public spending cuts. The same may be true in terms of place making, i.e. for public sector financial support for building conversions, developments, public realm etc. (Newcastle-Gateshead).

Local political culture tend to be to play off different policy fields – including creative industry – against each other, especially in difficult times (Oldenburg).

Necessary budget cuts, for instance due to the current economic downturn, may lead to a reduced willingness to invest in the creative economy. What is more, it may also lead to a redirection of priorities – and investments – towards more traditional sectors that are perceived safer as the much more experimental creative industries. This is always a threat in regions like Skaraborg, with a traditional industrial structure. Skaraborg needs leaders that are more visionary, brave and persistent (Skaraborg region).

It is clear that policy-makers in these cities fear that budget cuts may go at the costs of creative city policy, especially as the competition for funding between various policy fields is likely to

increase. Furthermore, worries are expressed that decision-makers and politicians focus too much on short term results – such as immediate measures to fight unemployment – rather than on long term economic perspectives. As Thoma (in: Florida, 2010:106) states “... the structural change that must occur to move resources out of housing and the financial sector and to other, productive uses will take time to bring about.”

5 A blessing in disguise? Economic downturn as an opportunity

An alternative scenario can be thought of in which economic downturn proves to be a blessing in disguise. If the creative economy was already considered to provide a way out of a (path-dependent) dead-end development trajectory, it may now also be regarded as an escape from the recession. In this case, policy-makers could deliberately choose to intensify creative city policies, or to strengthen the focus of policies on specific sectors within the creative industries which they consider most promising. This, then, should also include the relevant types of creative consumption milieu. Such a shift in policy would assume a ‘reset’ of urban development, as suggested by Florida (2010).

This positive scenario is not wishful thinking, but is founded on a number of characteristics of the creative sector:

1. *‘Elasticity’ to (re-)start business or combine activities* – The micro-entrepreneurs and freelancers that characterise the creative industries are vulnerable to economic downturn, but they also find it relatively easy to set up a new business (Felton *et al.*, 2010). Their working patterns are flexible and allow them to combine different part-time and temporary activities and jobs. Even in more prosperous periods it is not uncommon to combine part-time work in the creative industries with a part-time job in another sector (Taylor, 2007; Brown, 2007; Clews, 2007; Felton *et al.*, 2010).
2. *Flexibility to adapt* – The small size and innovativeness of creative business also makes them flexible and allows them to adapt to new business models if circumstances change. For instance, it may be observed that business adopt a ‘shared risk and reward model’ (Experian/SEEDA, 2009:28) when credit facilities become scarce.
3. *Downturn generates new types of demand* – Creative industries can also benefit from some shifts in demand due to economic downturn: “Those sectors which appear to be bucking the trends do appear those that are the most innovative as well as being, to a large extent consumer-facing”. Prime examples are software and computer games “benefitting from a greater number of consumers choosing to stay home and spend money on experiences e.g. computer games rather than luxury items or [...] eating out in Jamie Oliver’s restaurant” (Experian/SEEDA, 2009:21). The challenge is to capitalize on such changing consumer demands.

The above reasons may explain the flexibility and resilience of the creative sector. The question is how policy should address these issues, and whether specific stimulation of creative industries during economic downturn is necessary at all. Nevertheless, there are a number of reasons why policy-makers should explicitly focus on the creative economy rather than on more traditional sectors. In other words, what factors can support the claims of – and supposedly on behalf of – the creative industries that they have a crucial role in the achievement of balanced and sustainable economic growth?

1. *Increasing importance of symbolic values* – A main argument can be found in the assumed positive spill-over effects of the creative economy for the wider economy. These effects are, among other things, related to a ‘chain reverse’ from a supply to a demand driven model of consumption in which “[i]t isn’t so much material goods that drive our consumption as the perceived status we assign to them” (Florida, 2010:138). Culture – design, ‘experience’ – add value to otherwise more mundane products and services, ranging from sneakers, electronics or cars to cosmetics (e.g. Body Shop) restaurant dinners or drinks (e.g. Starbucks, Hard Rock Café). In many cases the symbolic value of products can hardly be

considered separately from the product itself (cf. Pratt, 2009:496) and represents very tangible additional revenues, sometimes the largest part of the product's value. Moreover, without the variety of products with different designs and images – say just black and brown shoes would be available – the wider economy would also be smaller as far less production and retail facilities would exist.

2. *Increasing importance of innovativeness in the global economy* – The competitiveness of western urban economies in the current global playing field requires creativity and innovativeness – competing on production costs is no option. This implies that from a long-term regional-economic perspective an explicit focus on the creative and knowledge economy is necessary. This calls for more than a number of measures aimed at specific creative industries. The symbolic value of cities and places – the creative consumption milieu – also has become an important factor of urban competitiveness.
3. *Sharpened focus due to austerity policies* – Austerity policy is inevitable in times of economic downturn. However, a restriction of the budget for creative city policies may also lead to a sharper focus of policies. Creative industries are diverse. Various sectors operate in different markets, have different location preferences and are more or less embedded in the local production structure and labour market. Many creative city policies are rather diffuse and general, while, as Jarvis *et al.* (2008:10) suggest, “[...] a more effective approach might be to focus specifically on mapping, understanding and supporting particular niches within the creative industries rather than viewing them generally as a tool for economic regeneration and job creation”. Focusing creative city policy may at first require investments – primarily in research – but may eventually pay off as policies become less expensive and yet more effective.
4. *Human creativity is an untraded resource and relatively resilient against economic downturn* – In periods of economic downturn creative people do not lose their creativity. On the contrary, they have more time and more reason to critically consider their concepts and to adjust these to demand if so desired. Further, the creative scene in cities often exists of an upper- and an underground (Granger and Hamilton, 2010), i.e. formal and informal relations and meeting places. Whereas the upperground of ‘theatres and galleries, knowledge-intensive industries and formal boards and partnerships’ is supposed to be hit by the current downturn, the underground of ‘online blogs, communities of practice in squatted warehouses, and informal bars and cafés as popular meeting places’ appears to be much more resilient and to remain largely intact. On the other hand, once vanished the underground is very hard to restore when the economy recovers from a downturn.

While policy-makers in CCC cities and regions regard economic downturn as a threat, they also recognize that the crisis may provide new opportunities for the creative industries and creative city policy:

Due to the economic recession, there is a lack of easy jobs for school leavers, graduates and other, plus for those made redundant from other sectors. This makes it likely that more business start ups will occur in non-traditional sectors such as creative sector (Newcastle-Gateshead).

Many traditional companies, both large and small, in Dundee lack the vision and do not meet their potential to re-evaluating their market place through the lens of design and other symbolic values of their products in order to find new opportunities to continue functioning. Creative workers and entrepreneurs can help them to develop these important assets. What is more, the modern creative companies in Dundee tend to be very small and as such perfectly placed to adapt fast to changes in technology and thrive; they may just need more support and encouragement to do so (Dundee).

The current economic downturn clearly hits traditional industries. In reply, a new policy perspective that is more in favour of creative industry than before may receive more

attention. This may even offer opportunities to achieve a necessary change of priorities of economic policy in Bremen towards the creative industry, with particular attention for establishing or strengthening relations between creative and traditional industries to the benefit of both. The benefit of traditional industries would be the increase of the innovative capacity and individualization of products (Bremen).

To be able to adapt to the constantly changing environment as well as the needs and wants of actual and potential consumers companies need to be creative. It always has to spot new opportunities and look for ideas which lead to innovation. In this context creativity as a pre-stage of innovation serves as an essential resource for a company (Clegg and Birch, 2007:2). Moreover, creativity and innovation are not only needed for product creation nowadays. As Business Week (McGregor, 2006) states “(creativity and innovation) is about reinventing business processes and building entirely new markets that meet untapped customer needs”. Traditional industries can learn a lot from the creative industry in these respects, and the importance of creative industries rises because of its high potential for creativity and innovation (Hamburg).

The effect of economic downturn and quality of life choices encourage migration of creative sector business to smaller, cheaper cities with better lifestyles – less congestion, more access to countryside etc. There is evidence of both businesses moving from e.g. London to Newcastle and brain gain, i.e. creative practitioners looking for jobs in smaller cities as well as returning Geordies [people from Newcastle]. All this is made possible by the ease of operating from anywhere in world by technology improvements over recent years (Newcastle-Gateshead).

Property price reductions, lower interest rates and the collapse of the UK housing market reduce competition for sites and buildings, and leaves more opportunities for creative sector expansion (Newcastle-Gateshead).

These quotes clearly indicate that CCC partner cities and regions are well aware of the resilience and flexibility of creative industries compared to other sectors. Also, it is remarked that side-effects of the downturn, such as lower real estate prices of a search for cheaper cities rather than expensive ‘hotspots’, may be advantageous for some creative industries and for some cities. In fact, this is about the only reference that is made to the effects of economic downturn on the creative consumption milieu, such as housing.

6 Discussion

As a matter of conclusion to the paper, we raise two questions for further discussion by local policy-makers with regard to the position, significance and potentialities of creative industries in urban development in this period of economic difficulties:

1. The basic, most challenging question is why, or why not, policy-makers should pursue creative industries at all in a period of economic downturn? *Is this really the best way to survive the crisis or should we save our limited means for more urgent priorities?*
2. The overarching issue in this period of downturn and decreasing budgets is to work more efficient. Assuming that we choose to further develop the creative economy, this raises the question: *How to pursue creative industries in a period of economic downturn? How to do more with less?*

The current paper reveals major qualitative differences between the two opposite perspectives on creative industry development. The decision to neglect the creative economy for the moment and focus on traditional sectors in many cases seems to be inspired by short-term, perhaps even electoral motives. Media and their impact on the public opinion reinforce this effect. Mass redundancies tend to generate more publicity than the gradual reduction of employment in

specific sectors, and end up higher on the priority list of politicians and policy-makers. Dutch newspaper *NRC Handelsblad* (Luijt, 2010), for instance, signals that due to economic downturn one in four architects and urban planners in the Netherlands is unemployed. This means a loss of about 5,000 jobs, which took place without significant media attention apart from the mentioned article. In contrast, the loss of about 2,200 research jobs due to the planned closure of the Organon biomedical lab not only generated ample media attention but also political interference on the highest level, although futile so far (Banning and Wittenberg, 2011). This is not to say that one is worse than the other, but to sow the striking difference in media coverage and policy-makers' attention between events that are rather similar in many aspects.

In addition to this, the decision to neglect the creative economy is likely to cancel out recent investments in the, often still fragile, infrastructure of the creative sector. The societal, economic and technological trends underlying the rise of the creative economy - such as the increasing importance of design and ICT - are unlikely to be reversed or even brought to a halt due to the economic downturn. Therefore, a decision to stay in the course of the creative economy seems more in line with the future.

In the end, the question is not simply to focus on the creative industries *or* on the support of other sectors. Much more relevant, and probably more efficient, is to focus on the relations between the creative and other industries. The main challenge seems to be how innovations from the creative sector - in itself still a niche - can get through to more mainstream sectors, increasing and consolidating the market for creative products and stimulating innovativeness on other sectors. This would serve the interests of the urban economy as a whole, rather than dividing scarce means between creative and other policies.

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