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Reconceptualising the relationship between the creative economy and the city: learning from the financial crisis

Paper for special theme issue of Cities on the creative economy and the financial crisis

Abstract
This paper deploys the financial crisis as an opportunity to examine a number of key questions about the relationship of the creative economy and the city. We argue that weak conceptualisation of the nature of the relationship between the creative economy and the city, as well as a lack of clarity about what the creative economy is, has subverted debates about this important topic. This paper comprises four major sections: the first introduces the field of the creative economy, the second section seeks to clarify what exactly we mean by the term financial crisis; here we highlight the multifaceted character of the financial crisis and its variable impacts across the field of the creative economy. The third part outlines the range and diversity of the actually existing relations between the creative economy and the city. In the fourth section we reflect upon the earlier argument to consider what we can learn about the impacts (actual and expected) of the financial crisis on the creative economy and the city, and additionally to reflect upon what this might indicate about the changing and perhaps transformed relationship between the creative economy and the city in the last quarter century.
Reconceptualising the relationship between the creative economy and the city: learning from the financial crisis

1. Introduction

The current financial crisis offers a unique opportunity to examine a number of key questions about the relationship between the creative economy and the city. We will argue that weak conceptualisation of the nature of this relationship, as well as a lack of clarity about what the creative economy is, has held back debates about this important topic. The financial crisis presents an ideal opportunity, a natural experiment, whereby we can test theories of co-dependency. As we will note, the default hypothesis would suggest that the creative economy should have been one of the first casualties of the financial down turn, not one of the few areas of the economy that would survive and come out ahead. This we argue is one indicator that the normative view of the relationship between the creative economy and the city needs rethinking: existing conceptions have left us insensitive to a number of outcomes. Moreover, dominant conceptions have not provided a convincing explanatory basis upon which to propose effective, or alternative, forms of governance and policy. Thus far, the dominant modality of relationship between the creative economy and the city has been expressed through the lens of the ‘creative city’ (Florida 2002). We argue that this is but one of a variety of approaches, which collectively might better be seen as a field of policies and explanations rather than a singular example (Pratt 2010). Moreover, we will argue that, additional to the implicit temporal specificity framed by the current financial crisis, that institutional and national specificities should also be part-and-parcel of accounting for the emergent forms of ‘creative cities’. Finally we ask what we can learn from the circumstances generated by the financial crisis about the emergent relationship between the creative economy and the city.

This paper comprises four major sections: the first introduces the field of the creative economy, and is sub-divided into two parts: defining and clarifying the notion of the creative economy, and accounting for economic transformations; while the second addresses what roles the creative economy might perform within them. Next, the second section of this essay seeks to clarify what exactly we mean by the term financial crisis; here we highlight the multifaceted character of the financial crisis and its variable impacts
across the field of the creative economy. The third part outlines the range and diversity of the actually existing relations between the creative economy and the city. Again, we seek to stress the multiple and situated relationships between the creative economy and the city, and of course by implication with the financial crisis (in its diversity of forms and outcomes). In the fourth section we reflect upon the earlier argument to consider what we can learn about the impacts (actual and expected) of the financial crisis on the creative economy and the city, and additionally what this might indicate about the changing (and perhaps transformed) relationship between the creative economy and the city in the last quarter century.

2. The creative economy

The aim of this section is twofold: first, to account for the contemporary transformations of social and economic life; and second, to identify what role the creative economy may play in these shifts. We begin by establishing our working definition of the creative economy.

a. concepts

The subject of definition of the cultural and creative industries, or the creative economy - the term we use in this paper – has been much disputed in the academic and policy literature (Pratt 1997). This state of affairs is not at all surprising as the creative economy has been an object of emerging conceptual importance and empirical significance that did not show up on previous analytical radar screens. A number of papers and books have addressed the rapid emergence and increasing stabilisation of concepts, and the development of measures in the field of the creative economy (Evans, 2001 and 2009; Pratt 2004; Hutton 2004; Hesmondhalgh and Pratt 2005; Pratt 2005). This paper adopts the term ‘creative economy’ as it is now an internationally accepted term, as underlined in the two path breaking UNCTAD reports of the same name (UNCTAD 2008; UNCTAD 2010). Critically this idea is wider than the notion of creative industries, generally a term that has been confined to those commercial industries involved in generating intellectual property. The concept of the creative economy takes in a broader scope that includes not-for-profits, informal and public funded activities, as well as for-profit, formal, and private sector activities; moreover, it includes the production systems and value chains necessary to sustain such products. The recently revised UNESCO definition and cultural framework operationalises just such a definition (UNESCO Institute for Statistics 2009).
Various cities and nation states have sought to develop ways of measuring the growth and development of their creative economies. This has been a challenge owing to its novelty as a ‘new’ industrial activity: the creative economy does not have a unique industrial or occupational classification. The UNESCO definition uses a unique amalgam of classifications, and represents a practical way forward for scientific work until governments and census agencies create some new classifications. The result is not perfect, but offers a pragmatic way forward to begin to capture the empirical outlines of what is clearly an important sector of economic activity (see UNCTAD 2008, 2010). The empirical picture is fragmented and diverse, and more research is needed to clarify conceptual issues and to inform policy choices. That said, the creative economy is economically significant. Accordingly more attention has been directed to the ambition of analysts and policy makers to use the ‘promise’ of the fast growth of the creative economy to drive economic and social development in cities. As we note below there are diverse conceptions of what role the creative and cultural industries can, or may, play in cities; there are also important conceptual and definitional issues to consider.

Within these data constraints various agencies have begun to monitor activity in the creative economy. The latest UNCTAD report (2010), focusing particularly on issues of trade and development, has highlighted a very important fact, namely that despite the economic downturn (in 2008 total global trade contracted by 12 per cent), even so world exports in creative goods and services reached $592 billion in 2008, more than double the 2002 figure; representing an annual growth rate of 14 per cent for the creative economy in this period. This fact has led to a rapid re-evaluation of the role of the creative economy in economic development, especially in the Global South.

Cultural production systems have operated at regional levels over much of history, based upon long-established traditions of collaboration, trust, and reciprocal specialization, as seen in studies of the ‘Third Italy’ and other regions featured in the ‘new industrial district’ literature (Becattini 1989, 1990). These regional production systems continue to be important, as observed in the Baden-Württemberg, Milan-Lombardy and Ile de France cases (Storper and Salais 1997). Recent work has suggested that the creative economy

1 The creative economy, quite literally, falls between the gaps (the taxonomies) of traditional industrial classifications (rooted in the mid 20th century industrial structure) hence are rendered invisible. It is only with the micro disaggregation and re-aggregation of data that analysts have been able to move toward a more satisfactory measure of the creative economy (see Pratt 1997, UNESCO 2009). Of course, new taxonomies will be required to resolve this problem, and these will take many years to implement.
echoes such development trajectories (see Scott 2008). However, the echo is not in all respects a true one, but distorted in a number of different ways: namely, that transport costs play little direct role in the ‘weightless economy’, but that firms and workers still cluster in high cost premium locations. The reason has much to do with embedding creative work and practices in a rich social and knowledge infrastructure that requires face to face interaction and exchange (see Coe 2000; Indergaard 2003; Bathelt, Malmberg et al. 2004; Asheim, Coenen et al. 2007; Hutton 2009; Pratt 2009a).

If there is one defining characteristic of the creative economy then it is that it tends to an urban bias, especially in its higher valued added moments. While directly comparative data for the world is not yet available, a recent report for the European area demonstrates the distinctive urban focus (Power and Nielsen 2010); this urban-creativity nexus is also reinforced by a number of detailed sub-sectoral studies of urban creative industry clusters worldwide. In the case of London, sitting at the top of the urban hierarchy, we can observe that in some cases creative industries have become significant players in the urban economy. Data from the first half of the last decade show that the third largest sector of the London economy is that of the creative sector (GLA Economics 2002; GLA Economics 2004). It is thus not surprising that policy makers have begun to wake up to this previously unobserved (or underplayed) aspect of the economy. However, as this paper argues, commentators and policy makers have been hampered by poor conceptualisations and by ill-conceived governance models that have seldom delivered desired results.

Further, a major five-year collaborative project on ‘innovation and creativity’ in Canadian city-regions points not just to an urban bias in the location of creative industries and labour, but rather to a tendency for the most highly-developed concentrations of cultural industries and specialized labour in the largest metropolitan areas. Thus, Toronto, Montreal and Vancouver occupy not only highest echelons of the Canadian urban hierarchy in terms of population and employment, but also encompass disproportionately large shares of important, high-growth creative industries, including film, video and television production, computer graphics and other new media, music, architecture, and advertising (Bourne et al 2011). Similarly, Asian cities such as Tokyo, Seoul, Bangkok, Taipei, Beijing and Shanghai enjoy dominant positions in cultural industries within their respective nations, reflecting in part historical advantages (Ho 2005), but also the contemporary advantages of global/globalizing cities which include superior transportation and communications, major universities and higher education, and proliferations of
special-purpose institutions and agencies which foster the development of key sectors and industries (Daniels, Ho and Hutton 2012).

This association of creative industry concentration and urban primacy is of course of benefit to the cities concerned, but also sets up another policy dilemma in the reproduction of inter-regional development, employment and income disparities. Fully a quarter of a century ago Doreen Massey (1984) famously elucidated the socioeconomic consequences of a new spatial division of labour in Britain favouring the broadly-defined London-South East region, based in large part on its concentration of growth industries. London’s national primacy was of course greatly reinforced by the financial sector boom following the de-regulation and marketization policies of the Thatcher government, and has been further augmented by the expansion of London’s creative economy sectors over the past two decades. In Asia the emergence of contemporary cultural industries in cities such as Tokyo, Seoul, Beijing, Shanghai, Bangkok and Singapore tends to reinforce the spatial concentration of development enjoyed by primate cities in the region. National governments naturally want to capitalize on the economic and financial returns accruing from the leading constellations of cultural activity in capital and primate cities, however at the same time they open up the challenges of the socioeconomic and political consequences of over-concentration.

While we have latterly begun to see some data on headline employment and output for parts of the creative economy we have less understanding of the processes of change and organisation within the sector. The normative viewpoint is that all economic sectors are the same for analytical purposes, and hence generic measures and analyses, as well as evaluation techniques and policies, are appropriate. This view has been contested in the case of the creative economy (Pratt 2007). Research paints a stark picture of the characteristics of the creative economy. Organisationally, there is a bifurcated structure, comprising a few extremely large organisations, and many thousands of micro enterprises, or self employed, single person businesses: all of them are active in international markets. Often the product is intangible (or virtual), and its regulation and control – let alone ownership - can be difficult to manage. Attempts to wrest control over profits has led to the reengineering of companies from distributors, to producers, to retailers, and to copyright rent collectors. The interstices of the organisation of the creative economy is in flux, and has a ‘missing middle’ in an organisational sense (Pratt and Jeffcutt 2009).
In normative analyses a fundamental unit of economic analysis is the firm; however, the most common organisational unit in the creative economy is the project (which may last only weeks or months) (Grabher 2002). Standard data on firms is therefore of little help here. Likewise normative analyses that fail to explore the economic and social ecosystem (beyond the firm) leading to somewhat constrained insights that miss most of the economic action that takes place outside firm boundaries (not as trade, but as systems that firms are embedded within). Another characteristic of the creative economy is risk, although it varies by industry, a 10 per cent success rate of product is not unusual. Of course, the 10 per cent success has to recoup the losses of the other 90 per cent. This places unusual discipline on innovation and product development. That said, there are in many cases much lower start-up and early product/service development costs involved relative to other industries (such as manufacturing, which involves expensive prototype development and testing), owing to the low costs of experimentation associated with digital technologies, outsourcing, and the deployment of contingent labour. Moreover, the speed of new product development is perhaps greater than that for other industries. Added to which, and what is yet another organisational fix to these extreme problems, the creative economy, or critical parts of it, tend to hyper-clustering (Picard and Karlsson 2011). The clustering is not designed to minimise or economise on the movement of goods (many of which are virtual anyhow), but rather to filter and exchange fuzzy information, in a timely manner (Pratt 2006; Hutton 2008). Clustering in certain high-resonance districts of the city also reflect another urban advantage, as seen in the affinity of creative firms and labour for heritage structures, both in terms of representational and concrete building values (Helbrecht 2004, Hutton 2006). Finally, all of these factors combine to offer a premium for producers who are embedded in sites of consumption. In short, cities are the natural home of the creative economy.

b. Transformations

Although futurologists like to point to new sources of economic growth, be it the information society, or high tech, new tech, bio-tech or nano-tech, as we have seen the information society is in many ways like the old one (Webster 2006), and the differences between innovation moments can sometimes be exaggerated. Appreciation of change is challenging and requires subtle new concepts and descriptors. In this section of the paper we cautiously try to place the creative economy in relation to accounts of more general economic change.
The statement of the size, activity and recent growth of the creative economy is surprising for most analysts, and has left them struggling for explanations. The most commonly repeated accounts draw upon a version of post-industrial society, and sector theory: but neither address the qualitative transformation of the creative economy (or its relation to the rest of the economy), nor its urban focus. The simple ‘sector’ model of Clark (1940), is in part descriptive analysis, and in part forecast, of relative employment shares in the economy. The model outlines the shift in the relative importance of employment in the primary sector (agriculture), vis-à- vis the secondary (manufacturing), and eventually, to the tertiary (service) sector. As the expansion of the service sector became apparent, later writers such as Gottmann (1983) sought to extend this ‘sector’ analysis to incorporate a quaternary (information services), and even a quinary (innovation oriented activities) sector. Daniel Bell, too, in his prescient treatise on *The Coming of Post-Industrial Society: a venture in social forecasting* (Basic Books: 1973) foresaw a growing cultural content in production among advanced economies, as well as a more central role for scientific knowledge and information.

More radical voices have questioned the conceptual utility and validity of the manufacturing-services division (Walker 1985); more recently, the divisions between production and consumption have also been interrogated (Tapscott and Williams 2006). Other writers pointed to a distinction between ‘producer’ and ‘consumer’ services (Singelmann 1978), and ‘materials’ and ‘information-handling’ services (Porat 1978). Whether one separates out culture from knowledge and innovation or not, the ‘inevitability’ of the next stage of economic activity, either as business cycle or sector, is suggestive (particularly for those seeking to talk up the ‘new economy’) of the creative economy being the ‘next big thing’. Nations and cities seek to hitch their futures to the next rising star; and creativity has, for the last decade, been it². One might question whether the ever fine -grained distinctions between elements of the service sector may be missing a bigger question of the conception of production as a whole (Sayer and Walker 1992; Thrift and Olds 1996; Amin and Thrift 2004; Gibson-Graham 2006). The narrative of post-industrial society has been attractive to politicians and policy makers. They have sought to argue that sectors are substitutable, so according to this thesis manufacturing should decline,

² Of course sector ‘theory’ is, like business cycles, a post-hoc descriptive summary of activity: they are not an explanation of process, nor the basis for extrapolation or projection. Moreover, the descriptive narrative rather depends on the choice of industrial taxonomy. As we have noted above, taxonomies for the creative economy, let alone the knowledge economy are not beyond dispute.
and knowledge industries, or creativity, would take its place. As Garnham (2005) notes, this idea was important in shaping the national policy environment in the UK in the 1980s, and gives a rather more normative and conservative interpretation of the UK Creative Industries initiative.

It is noteworthy that London’s lost manufacturing jobs for the 1980s and 1990s as a result of de-industrialisation were replaced (gross) by gains in financial services jobs (Pratt 1994). This does not quite accord with a sector transformation model. The fact that the net change results in massive in migration and persistent joblessness is clearly a problematic issue. Given the skillset and qualifications (actual, or a result of oversupply) required to work in the creative economy, we can see a parallel process happening here. The human capital and skill sets for major sectors – manufacturing, banking and finance, and the cultural economy industries – are for the most part not transferable, so growth in any of these tends not to soak up surplus labour shed in earlier rounds of restructuring. So, the creative economy, just like the financial services, is not a general panacea: it may exacerbate unemployment. However, in London, as in most cities of the world that have turned to the creative economy, the main focus of policy makers and politicians has not been on cultural production, rather it is on place marketing and consumption: namely the instrumental use of culture and creativity to attract ‘real’ (high tech manufacturing) jobs. Before we explore the pallette of policy approaches and notions of the creative economy in relation to the city it is necessary to underline what we understand by the current financial crisis.

3. The financial crisis

The aim of this section is to reflect upon the notion of the financial crisis. We want to stress that it should not be only viewed in an economically reductive fashion, but should also include an appreciation of its socialised elements. In particular we want to tease out the public sector and private sector spending, and the political legitimacy aspects, of the crisis. Our aim, guided by a more open notion of financial crisis, is then to review the positioning of the creative economy in relation to it. Of course, analyses of the recession, or crisis, could fill a library. What we seek to do below is to highlight three interwoven threads and the differing potential for impact on economies, and in particular the creative economy.

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3 It has been argued that this creative industries initiative sidelined the rather more successful urban based cultural industries policies pursued at urban level in the UK. See Pratt (2010) for further discussion of these tensions within policy makers, and over key concepts.
so doing we want to create analytical spaces to understand and appreciate why such a diverse set of responses to the recession are found in the creative economy.

The initial challenge of evaluating interdependencies between the creative economy and the city is to clearly understand what we might mean by the financial crisis. In this sense, we do not mean the various empirical measures and technical definition of recession and default, sovereign, corporate or personal debts, used by governments or even those of the rating agencies. Rather, we want to focus on three dimensions of the financial crisis: public, private and governance, as such differentiation of interlocking dimensions is useful in helping us tease out the specificity of process and outcome as they are likely to impact on the cultural and creative industry outcomes, the issue we take up later in the paper.

The first dimension is the private investment field, and more particularly falling profits, and inability to service debts due to under consumption, or production at too high a price point (labour costs, or management and organisational issues). This is the classic de-industrialisation model. Of course neither agriculture nor manufacturing never disappeared from the world economy, but were produced in different ways, in different locations (with different technology, or lower costs), as first acknowledged in Fröbel et al’s concept (1980) of the New International Division of Labour (NIDL). Related to this is the rush to colonise the higher stages of the value chain (usually aided by regulation or governance). In fact the argument underpinning the concept of the knowledge economy, and to an even greater extent the creative economy, is that these activities are higher value, and higher wage payers can support them. Hence, developed economies have tended to assume dominance. So far there has been little large-scale relocation of higher value ‘research and design’ functions, that constitutes the knowledge economy, to the periphery as transpired with manufacturing. However, this prospect is constantly evoked as a potential crisis. The fact that the knowledge economy has tended to be more embedded in social and economic institutions such as in education and training, and that regulation and governance has been framed by them, has given the West a short lead time.

Second, the public sector. Despite the fact that in most nations the state underwrote the banking bailouts and failures, it has gone on to absorb a double blow by failing to invest in social and economic recovery. The balance of political debate favours tax cuts to stimulate growth as part of a neo-liberal, small statist approach. It is a confused picture as many states are also experimenting with a Keynesian style of expanding the money supply and
public investment in infrastructure projects. However, these have been dwarfed by the scale of the banking bailouts, and as noted below, questions of legitimacy of governance have come to the fore. Thus, the norm at present is massive cut backs to public services.

It is important to point to the spatial and structural differentiation of the state responses. It has been notable that countries of the Global East are situated differently in the crisis as generally savers and lenders, rather than spenders and borrowers (as the West has been) (see Cohen and DeLong 2010). As commentators have noted, this is a mirror image crisis with imbalances on both sides. China is of course the polar opposite of the US in this regard and public investment, manifest in urban development, is the rule. Fujita (2011a) points to the complex responses of Japan to the crisis, noting regime change, but not the adoption of neo-liberalism; plus a partial dis-articulation of Tokyo urban regime from that of the nation state. It has been interesting to note that Japan has been exceptional in its relative lack of enthusiasm both for the creative industries, and for creative city policies, the reasons for this would merit further research (see Sasaki 2010).

A third dimension is one of a crisis of legitimacy of governance (see O’Connor 1973; Habermas 1975). We have seen repeated examples of nation states and cities struggling with this. With respect to nation states we must draw upon discussion of regulation theory concerning crises of regimes of accumulation and necessary restructuring designed to achieve new balances. As Brenner (2004) has noted there are scale and urban issues here, associated with patterns of governance. The down grade of the credit worthiness of many Euro zone countries including France, plus Japan and the US by ratings agencies at the turn of 2012 is yet another challenge to legitimacy and competence of governance that can lead to crises; as can public disorder or protest (on the streets4 or in the workplace). As has been noted by several commentators in this second phase of the recent crisis, credit ratings of sovereign states (and this phase is about the crisis of sovereign states not banks) is basically about the confidence of ratings agencies in the ability of the political organisation of governments to service debt as opposed to the volume of gold stocks or other assets. This is a very revealing shift that highlights the pronounced political dimension of the crisis.

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4 The ‘Occupy’/’We are the 99%’ movement has been one representation of this internationally; public protest at the austerity measures has been evident in Greece (see Mason 2012 for a recent account).
When we speak of the financial crisis of 2008 and its continuing phases and ramifications, we want to take some care in specifying the broader regional dimensions, as this malaise has not affected all economies equally. As Doel and Beaverstock (1999) observed the 1997 ‘Asian financial (or economic) crisis’ was absorbed principally by banking institutions, markets and governments within the region, with very little contagion experienced in New York, London and the financial markets of the ‘West’. As we discuss elsewhere, for the current (and ongoing) crisis, particularly major impacts were felt in London and New York, where the most important global concentrations of the most highly specialised (and remunerated) financial activities (derivatives, hedge funds, securities, foreign exchange) are concentrated. Other economies – even though conventionally included within the advanced western economic group, such as Canada – feature quite different domestic banking and regulatory systems, and the impacts of the 2008 crisis are far more limited than in Britain or the U.S. And growth continues in many of the leading Asian economies, even as the U.S. and the UK in particular continue to struggle, although increased inter-dependency (e.g. Chinese institutions holding massive amounts of American debt) represents a marked contrast with the situation which obtained in 1997.

So the consequence is that we cannot talk of a single financial crisis, or reduce it to its specific monetary or fiscal aspects (Fujita 2011b). As we have also noted this means that in different cities, and in different regions and nations, we will encounter variations. The implication is that crises are multi-faceted and hence affect different parts of the creative economy in different ways, depending on the particular constitution of funding. It is to the varieties (as opposed to the singularity) of the creative economy that we now turn.

4. The analytic field of the creative economy and the city

The notion of the creative city has been a poster child for funky urban regeneration, with arguably the most influential advocate being Richard Florida (Florida 2002; 2004; 2004; 2005; 2008). Interestingly, his concern is with the creative class and their power to attract mobile investors. There are other competing notions, such as that popularised by Charles Landry (2000; Landry 2006; Wood and Landry 2007) which focus on creative governance practices. Another influential perspective on formative pathways of the creative field, prominently represented by the work of Allen Scott and Michael Storper (Scott 2008 and 2010; Storper and Scott 2009), asserts the enduring saliency of agglomeration, labour markets, and embedded urban-regional cultural endowments and practices, constituting a
counter-thesis to Florida's idea of the primacy of the 'three Ts' (talent, technology and tolerance) in the synergy between creative labour and urban growth. In *The Creative Capital of Cities* Stefan Krätke presents perhaps the most comprehensive deconstruction of Florida's creative class thesis. Krätke's critique includes discussion of the taxonomic issue concerning the so-called 'creative class' which in Florida's formulation comprises a 'simple admixture of different middle-class groups with varying levels of education' (see also Siebel 2008) rather than a coherent socioeconomic model distinct from that of the 'new middle class' (Hamnett 1994; Ley 1996). Other problematic features of the Florida thesis concern apparent indifference to social polarization and dislocation outcomes, and a tendency to proclaim universalist policy nostrums without sufficient acknowledgement of local-regional contingency. Thus there is now a burgeoning critical literature on the creative economy of the city (Peck 2005; Pratt 2008), as well as a whole journal - *City, Culture and Society* - concerned with this debate and its broader contexts, so it makes more sense to consider the creative city a field of policy rather than one particular policy as the ideas have been fragmented and recombined many times in different places (Pratt 2010). Analytically, and for evaluation purposes, it is important to clarify the aims and objectives of any policy; accordingly, in this section we review the range of arguments that have become associated with the field. Our main concern is to clarify our expectations of the nature of the emerging relationship between the creative economy and cities; we have already preempted this argument to an extent above, pointing to the tendency for the creative economy to hyper-clustering based upon a micro-organisational analysis. The dominant focus for accounts of the creative city are pitched at a macro-scale - the urban economy - and are normative.

*a. Global cities and the cultural economy*

Until recently, the creative economy was absent from debates about global cities. As we have pointed out, empirically, this cannot be sustained, accordingly theorists have sought to retrofit existing theories, namely that of Advanced Producer Services (APS). As Sassen (2001) notes the relationship between global cities and producer services rests on three legs. First, the dispersal of production from the economic and spatial core. Second, the functional and spatial concentration of management and regulation functions; a process that itself has agglomeration effects. Third, the transformative role of services in economic activity more generally, and the concentration of such expertise favours those cities and
regions where they are located. The literature on global cities suggests that the financial sector, or Sassen’s Finance, Insurance and Real Estate (FIRE) industries, are the core of the advanced producer services. Strictly speaking, advanced producer services provide critical intermediation between production and consumption (Marshall and Wood 1995), or, the extension of production into consumption (Walker 1985). Beyond the FIRE group the usual list includes accountancy and management consultants, plus design and advertising (Faulconbridge 2011); additionally Sassen (2001) cautiously points to new media, and (Krätke 2003; Krätke and Taylor 2004; Krätke 2006) to media. Sassen has raised questions concerning how well APS accounts for the media industries, and Pratt (2009a; 2011a; 2011b) has taken this further, questioning the nature, organisation and functioning of the creative economy as distinctive industries rather than as instruments of a social or economic multiplier, and pointing to the need for more subtle analysis of the processes and outputs of the sector, and changing markets and institutions (as well as the diversity within the sector). Continuing this explication of where the creative economy figures in the development of cities at the peak of the urban system, Peter Hall incorporates cultural activities (and, relatedly, consumption) within his model of the ‘major service clusters in the polycentric global city’ (2006) – exactly forty years after his path-breaking volume on world cities (Hall 1966), while latterly scholars of Global Cities have expanded their taxonomies to accommodate cultural industries and related specializations (Taylor, Derudder et al. 2011).

b. The cultural-historic city

A second formulation of the creative city is perhaps the oldest. It has its roots in the cities of the Italian quattrocento, within which Rome, Bologna, Naples and more particularly Tuscan cities such as Florence, Siena, Pisa and Lucca represented the highest expression of the synergy between art, design and urban development. Later the London Exposition of 1851 was notable in its celebration of the connection between ‘art and industry’ in Britain – a recognition, implicitly at least, of the centrality of creativity to the success of leading economies. In the modern era, we can acknowledge the saliency of the City Beautiful movement and in the idealist policies of (elite) state led cultural promotion in the early 20th century in Europe and the US, and their colonies. This is the city of museums and grand architecture that seek to represent the power and legitimacy of the state and protector of cultural values. In this sense the historic city of culture articulates with national cultural polices of the period, and by default urban cultural polices (though
few existed). The most familiar is that most closely aligned with traditional cultural policy that seeks to defend from the dislocations of the market a particular local definition of high culture. The most common manifestation of this policy lies outside of the narrow confines of the humanist informed argument of culture as a civilizing factor for all society, and is that of the promotion of the built environment, namely heritage. Allied to this is the alignment of tourism management with culture. Contemporary debates in this field concern people management and sustainability as demand increases to challenge carrying capacity. Others focus on the development potential of ‘back office’ (or support infrastructure) of hotels and transportation services.

Culture is also central to the city and urban economy in Asia, both in historical and contemporary eras. With regard to the former the marked saliency of urban primacy in Asian states has shaped the dominance of cities such as Tokyo Seoul, Beijing, and Hanoi in terms of cultural production industries as well as in the embedded cultural meaning of the built environment (Kim et al 1997). To a large extent this historical primacy reinforced by spatial concentrations of power, capital and skilled labour has served to privilege these same cities as leading sites of contemporary cultural production in sectors such as film and video game production and new media, implicated in the (re)production of urban space (Hee, Boontharm and Viray 2012; Daniels, Ho and Hutton 2012), and including the formation of cultural quarters as an emergent form of the industrial district, as seen in the Singapore case (Hutton 2012a; Ho and Hutton 2012).

In recent years this discussion has focused on the role of heritage in attracting tourism and tourist income to cities; especially through the promotion of the niche ‘cultural tourism’ which targets upper income groups (Law, 1992, Richards, 1996, Ashworth and Tunbridge, 2000). This has been articulated within general tourist strategies focused on cities, and they have been aided and abetted by organizations such as UNESCO listing particular buildings and latterly branding whole cities as ‘cities of culture’.

c. Culture as hook for Foreign Direct Investment

The third strand of policy making within which the ‘cultural and creative’ is figured takes the form of economic development, place marketing and place based competition (Hall and Hubbard, 1998, Short and Kim, 1998). In the current round of internationalization cities and regions have competed against one another for mobile Foreign Direct Investment (FDI) in growth areas of the economy. Usually targeted are the biotechnology or
pharmaceutical industries. The argument most commonly used is that culture is the incentive that attracts investors and ‘compensates’ employees for their re-location. Cities are commonly willing partners in this process, for example in building infrastructure that will specifically appeal to such audiences. Of course, the role of (built heritage) culture as a unique product differentiator is a powerful one because it is immovable and unique to one place only (Knox 2011). However, even this line is now blurred as all cities build galleries and concert halls to attract investors, and we now have a host of simulacra heritage cities (Hannigan 1998).

A further turn has two dimensions. First there is the notion of the 'experience economy' (Pine II and Gilmore 1999) which has inspired policy makers to focus on the activities of consumption and to make them the 'show' (Crang 1994). Second, and the dominant debate, concerns Florida’s (2002; 2004) articulation of Glaeser's (1998) human capital mobility model. Florida identifies a relationship between niche cultural consumption and lifestyle which attracts a particular segment of the labour force (the creative class) to cities, and in turn, as this group is in demand by emergent high-tech companies, they will 'chase' the workers and locate in 'creative cities'. Thus, the creative city within this formulation is as much a magnet for investment (albeit a different variety) as the tourist city. Singapore represents one important case of a jurisdiction investing in a new cultural trajectory in an effort to maintain both its larger regional primacy and a place within global investment circuits, as these are attuned to places seen as on (or near) the leading edge of economic development (Ooi 2008; Kong 2000, 2011)

  **d. Culture as social regeneration**

A fourth focus of policy makers is on social inclusion. It overlaps a little with a humanistic cultural improvement notion; but in this case the betterment is not so much through high culture as through participation in cultural activities, commonly defined as ‘ordinary culture’. Such approaches commonly focus on small scale and neighborhood projects whose purpose is to ameliorate social tensions, to improve the health and welfare of people (Bianchini and CLES., 1988, Bianchini and Parkinson, 1993, Bianchini and Santacatterina, 1997). There is a considerable body of evidence that such projects are effective on their own terms (Matarasso, 1997, DCMS, 1999). However, social inclusion is usually one objective common to cultural and economic forms of regeneration. Landry’s (2000; 2006; Wood and Landry 2007) notion of the creative city draws on this model, but has a particular emphasis upon cultural and intercultural problem solving as a key to urban
governance. So in this interpretation, culture is a means to a better city, not an end in itself. A divergent reading of this model has been that used by the UK DCMS (DCMS 1999) who have used sport and culture as instrumental means to deliver other policy objectives (notably health and social inclusion): here less attention is paid to creative problem solving, more to the use of culture to ameliorate of social and economic tensions.

e. Culture as industrial policy

Finally, there are approaches that have an intrinsic focus on the cultural and creative industries (Pratt, 2005), these are founded upon the notion of treating the cultural sector as a primarily economic sector, as an industry. Industrial policy per se has lost some its luster at least within the ‘Anglosphere’, in contrast to some of the leading economies of Europe (Germany, France) and Asia (China, Japan, Singapore), so investing in creative sectors under the guise of cultural programming can provide cover for states and governments hoping to avoid the appearance of favouring particular industries. As such policies seek to promote the cultural economy. In cities, the concern has been to highlight the importance of co-location, or cultural clusters. A common policy has been to focus on the provision of infrastructure, or modification of planning to facilitate such co-location. In part, the cultural economy is valued for its perceived ability to re-use old industrial buildings found in many urban cores (Pratt, 2004, Pratt, 2008). It is less common to see arguments and policies that simply posit an intrinsic value of the development of the cultural and creative industries. To be effective this would require a move beyond infrastructure provision and toward strategic governance and network facilitation (see Pratt 2009b). Much of the focus in this field has been on issues associated with co-location of creative economy activities. As noted above, the normative view of clustering that facilitates the transfer of part finished goods, or transport costs, is ruled out as such transfers can be achieved digitally. The empirical fact of co-location of the some creative economy industries (film, television, etc.) in some of the highest cost cities in the world points to other factors, namely the particular knowledge and information environment (Grabher 2001; Grabher 2002; Bathelt, Malmberg et al. 2004; Bathelt 2005; Hutton in press).

This section has outlined five approaches to, or conceptualizations of, the relationship between the creative economy and the city. Not all are mutually exclusive, and they show that the nature of the relationship between the creative economy and the city, in real or
aspirational governance terms, is far from settled. However, there is enough evidence to suggest that normative, and generic, accounts are under-theorized, and under achieving in terms of explanations. This makes it very difficult for policy development. The dominant approaches thus far have prioritized consumption, or the display effect of culture, to draw extra visitors or migrants to the city. Only the latter, the production focus, explores the creative economy proper. However, thus far, much of the emphasis has been on the for profit aspects; the social and not-for profit has been less explored. The following section takes the financial crisis as a natural experiment to see just how independent (or otherwise) the cultural economy is of the financial services, and of economic growth in the ‘real economy’. As noted in the introduction cultural trade in goods and services has more than survived the recession: can the same be said for the creative economy and the city, and, are we looking in the right places?

5. Learning from the financial crisis
What is there to learn about the relationship between the creative economy and the city under conditions of financial crisis? First, that the financial crisis presents us with a natural experiment. The removal of substantial financial services support should, if the creative economy was simply dependent upon it, have caused an immediate faltering and subsequent decline into crisis. The fact that it has not should lead us to reflect upon our expectations and hypotheses. As noted in the previous two sections of this paper there are a range of explanations of the creative economy and the city, and what the financial crisis is.

Earlier in the paper we sketched out three facets of the financial crisis. We stressed that the local governance circumstances and the particular industry, or sub-section of the creative economy, would configure the likely outcomes. Referring back to the three facets - private investment, public investment and governance – we outline in this section the more specific outcomes for the creative economy.

The impact on the creative economy of recession in the private investment is specific and particular. The character of outcome depends upon the proximity to the market: those most directly dependent, such as those in ‘market futures’ such as advertising (and by extension TV and newspapers that are for the most part funded via advertising). In the early part of the cycle advertising revenues freeze in anticipation, and later begin to free
up in expectation of growth. In this sense they can be characterised as being out of, or ahead of, phase with the overall business cycle.

Perhaps paradoxically, based on normative expectations, those industries that rely directly on consumer spending in the creative economy seem to do better than most. These industries operate in a counter cyclical fashion. It has long been noted that the film industry does well in recessionary periods (as it has done so in this recession) (British Film Institute 2011); although not so well documented (as it is so new) this resiliency appears to be echoed by the latest sales data from the computer games industry. One may speculate about psychological motivations of this, however, the fact remains. So, for one reason or another, the creative economy that is directly in the consumer frontline has a structure and relationship with consumption that runs counter to the simplistic Maslow-style reasoning that underpins much of modern economics.

The traditional place for the public funding axe to fall is on the subsidised arts. One response is a simple tightening of belts, or a more creative policy approach that makes greater use of the voluntary sector. However, and in addition, the current recession has seen a quite pronounced configuration of impacts beyond the simple contraction of the public sector. The relationship between the state and the cultural economy has been changing rapidly in the last 20 years, and it is now closer to a hybrid public-private amalgam of co-funding, sponsorship and volunteering. One example is the museum sector in the UK. The expectation is that the larger flagship museums will be hit, but to be far more able than smaller institutions to weather the financial storm due to multiple

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5 It is a cruel footnote that the British Film Institute (BFI) was abolished as part of the UK Conservative –Liberal government austerity measures; there will be no further BFI statistical year books.
7 It is important to stress that the creative industries conception includes the whole production chain, hence this is not simply an index of retail sales.
8 See the current manifestation of this in the UK: Wright, S, Newbigin, J, Keifer, J, Holden, J and Bewick, T (2009) After the crunch, [www.creative-economy.org.uk](http://www.creative-economy.org.uk) and the web site set up to document the arts cuts: [Lost Arts](http://www.lost-arts.org/)
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funding steams (especially sponsorship) and internationalisation. Smaller museums are more likely to be subject to recurrent cutbacks and reliant on volunteers, and thus are in a sense already well prepared to extend further into this field. Commentators point to the more exigent problem facing mid-sized museums that are too big to rely on volunteering, but not big enough to attract substantial sponsorship. So, the point is that the impact falls in quite different ways by cultural sector and location\textsuperscript{11}. So, once again, the particularities of size and funding, and possibilities of recourse to voluntary support, or sponsorship, suggests quite different outcomes accruing from the same funding cut.

The final area is one of governance. The legitimation crisis tends to affect the creative economy less directly, although it is a governance crisis, and impacts more directly on the public sector (see above). However, the legitimacy question is not far away from any arts or cultural funding. It is common for the cultural economy and the cultural sector to be cut disproportionately hard as politicians grow wary of supporting what they, or they fear that their voters, might consider as ‘frivolous’ activities when others are arguing for health and education budgets, or support for the ‘real economy’ of manufacturing. It is common for governments to make an example of the cultural sector, cutting it hardest and first. On the other hand governments have responded by seeking to instrumentalise culture and use its ameliorative potential to salve the worst excesses of the legitimation crisis, to mitigate a grosser inequality. This has the impact of more apparent funding for culture and the creative economy, but focused on objectives that are at times inimical to that sector’s intrinsic needs.

The more simplistic dependency models of the creative economy are not sustained by the facts, there appears to be a more complex relationship. Indeed our insights into the particularity of the creative economy highlighted this possibility. The creative economy is not wholly in the for profit, or the not for profit sectors, moreover, and perhaps more importantly there is a co-dependency. There are many examples of co-dependency: in the video game industry, for example, freelance artists are not infrequently drafted in as contract workers for a period or to perform a specific task, and then return to life as ‘independent creatives’. The second point is that the creative economy is rapidly changing and transforming itself, and its relationships with the rest of the economy. Whether this is

\textsuperscript{11} Contributor to GLA cultural policy reference group, 18.11.09, from the Museums and Libraries Association (the MLA is another body dismantled under the UK ‘bonfire of the quangos’).
organisational transformation, or the shifting of valued added aspects of activities to organisationally and physically, and virtually located places, is not always clear, and indeed both processes may be occurring simultaneously. Third, while creative economies tend to have a precise footprint for some of their activities, they are increasingly characterised by strong multinational linkages, for example in input sourcing, recruitment, and marketing endeavours. They are implicated within constantly changing nodes of flows of knowledge and ideas, so one can therefore see why they are at home in the global city.

However, this complex foundation and structure means that an assessment of the strengths and weaknesses of the sector in its urban manifestation is challenging, as is the generation of hypotheses that would help us explore potential outcomes of financial crisis. As we have noted, there are different dimensions to crisis, and there are various formulations of the creative city. In the end the key question relates to what balance of public and private funding is found in each version of the creative city. Those that are public funding dependent are going to find things very hard indeed as governments slash arts funding and arts and cultural projects as part of austerity measures. This is likely to generate a cumulative disadvantage undermining sustainability in the sector. Here is an interesting pointer for mainland European cities that have a tradition of separation of the for and not-for-profit sectors in culture: this disconnect may result in them having difficulty benefiting from what consumption led activity exists. Alternatively those cities and sectors dependent on consumer spending may not fare so badly. Without doubt consumer spending is down, but spending on the creative economy has held up. This has happened in other recessions, but it seems stronger this time as the creative economy is so embedded in, and in some cases supports, other parts of the economy. Finally, questions of government legitimation are problematic. In the North America and the UK we are seeing a tightening of a neo-liberal impulse to smaller government. This is expressed by the decline in public spending, but also by deregulation, or in practice a removal of guidance in the economy. This latter point opens huge risks for future technology driven creative economies that rely upon proactive regulation to stabilise future markets and infrastructures. This could be the greatest threat, but one that will take longer to manifest itself. Of course, we have seen precisely the opposite governance response in many Asian countries.

Distinctions between creative services directed to final (or, alternatively) intermediate demand constitute another layer of complexity in the analytics of impact. For instance we
can readily acknowledge the saliency of design inputs to the advanced industrial economies of German corporations such as Daimler Benz, Siemens, Bosch and BMW (and thus to cities like Stuttgart and Munich). Design is also increasingly significant in the development of manufacturing in China and in Southeast and South Asia, as those jurisdictions seek to move higher up the value chain. Thus, where public resources are withdrawn the social regeneration city, and to a lesser extent the FDI and tourist city, is likely to suffer. The industrial (Stuttgart, Munich, Shenzhen) and global city (London, New York, Tokyo) are likely to be better sustained by the remaining private spending and the international flows.

6. Conclusions

It would be foolhardy to seek to conclude this article on a definitive note predicting outcomes of the current recession on the creative economy, and by extension the creative city. The contribution of this paper has been to outline a conceptual framework of interdependency between cities and the creative economy, mediated in part through the lens of the financial crisis, and to render visible a number of transformations that are taking place in the form and practice of the creative economy. The relationship between the city and creative economy has been opened up, and is not a simple dependency relationship, as in some cases the creative economy is playing a more substantive role. As we acknowledged the cultural sector ranks as the third most important such aggregate in London’s economy, and likely occupies a commensurately prominent position in New York, Los Angeles, Toronto, Berlin and Melbourne. There is evidence to suggest however that even in the most successful (or iconic) examples cultural industries may not be sufficient in themselves to support economies that are suffering from structural problems.

By way of contrast, in the lead Asian cities, traditional cultural roles (arts, literature, music and dance) performed by primate cities such as Beijing, Tokyo, Seoul and Hanoi have now been augmented by contemporary cultural industries and creative labour, including film and video games, computer graphics and imaging and other new media, and Internet design and services, together with ancillary consumption amenities (Hutton 2012b). Unlike many of the western cities under study in this special issue, too, many Asian cities enjoy a relatively buoyant fiscal and economic condition. Many of these Asian cities still have large industrial production and ‘mainstream’ service sectors, so the cultural economy may be of relatively less importance than is the case with counterparts in Europe and North America,
where postindustrialism is more advanced. But the unprecedented pace of capital relayering and industrial restructuring in Asia, accelerated in many cases by dirigiste policies and programs administered by the state, suggest that the new cultural economy will assume ever-larger shares of urban-regional economies in East and Southeast Asia and India as the twenty-first-century unfolds. The complexities of relationships within and between the sector need a lot more work, and so here rigorous comparative work would be of real value.

The peculiarities of organisation and extreme risk and turnover mean that generic economic accounts have less purchase. Just as an example, the past two decades has seen the emergence (and collapse) of a ‘new economy’ of technology-intensive dot.coms and ‘multimedia’ in cities such as New York, London, and San Francisco, supplanted in short order by a ‘new cultural economy’ of new media and design industries, and more recently by a ‘new digital economy’ (‘New Economy 2.0’) (see Foord and Evans 201x; and in South Manhattan Indergaard 2003 a 2004 and 2009, Pratt 2000, 2002, 2009a). The (apparently) abbreviated nature of innovation and restructuring characteristic of the ‘experimental economies’ of twenty-first-century cities, in contrast to the more durable ensembles of earlier periods, imparts a challenge to the traditional modes of economic analysis and accounting.

The creative economy is not simply a ‘good time’ candy-floss. Evidence for the latest recession challenges this and requires us to examine a new role for the creative economy in the city. It will be differentiated by various governance norms by scale and location. Moreover a one size fits all policy, or explanation, will not work. The uncritical acceptance on the part of a distressingly large number of city authorities of some of the more universalist policy prescriptions of the creative class thesis is likely to produce (to say the least) very uneven results. The ‘fast policy’ tendency (Peck 2002) and widespread mimicry of (so-called) ‘best practice’ lessons generated by the most successful cities should be replaced by ‘patient policy’ and commitment which recognizes inter alia the lead time and experimentation required to build successful cultural economies, and the locally-contingent factors that militate against the utility of generic policy ‘templates’ (see (Pratt 2009b).

On the more positive side some elements of the creative economy still seem to be thriving. However, the precise character of the new work and organisational conditions are worrying. The glamour, desirability and youthful image of creative work obscures many
negative characteristics. Some would argue that there is a need for new social regulation to deal with the problems of social and economic burnout of creative workers (under precarious labour market conditions). Such sentiments do not chime with the predominately neo-liberal and positive outlook for the creative economy. This complex balance of work and desire that celebrate freelance labour has potential long-term effects for social reproduction/ pensions, child care and other ancillary social programs that have not been fully explored. Moreover, despite the image of the media/ creative economy being socially liberal, tolerant and open, the harsh fact is that it is one of the most elitist and non-representative workforces of all industries. Discrimination is rife. Moreover, the conditions of entry in the creative economy of many cities require up to two years free labour on an internship before a job can be applied for. So, social exclusion is widespread (Gill 2002; Gill and Pratt 2008; Pratt 2011). Truly, we should be careful what we wish for in the creative city.

Overall, this paper has underscored the need for a more nuanced analysis of the creative economy, one that is attentive not only to regulatory and organisational factors, but attuned also to the socio-economic-political situatedness of the creative economy. In this sense we can see the need for a sort of institutional ‘varieties of creative economy’\(^\text{12}\) approach to the analysis of the relationship between the creative economy and the creative city. The particular forms and practices will however need to be the subject of continued empirical work.

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\(^\text{12}\) The idea here is to borrow from the varieties of capitalism approach pioneered by Soskice and Hall (2001).
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