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## **Creative cities after the fall of finance**

### **Putting creative cities in context**

This special issue considers questions about the nature, prospects and needs of the creative economy of cities. The creative economy (or cultural and creative industries) has emerged as a key feature of economies among both ‘advanced’ and ‘transitional’ cities, and accordingly has merited a more prominent position within the urban studies discourse and agenda. While the lineage of influential work on the cultural economy of cities dates back at least as far as Allen Scott’s essay in *IJURR* (1997), the contemporary policy discourse has its origins in Richard Florida’s publication of *The Creative Class* (2002), a polarizing book. A decade into this debated, critics of Florida’s shorthand notion of the ‘three T’s’ (‘talent, technology and tolerance’) as foundations of creative class attraction and retention, have had success in reasserting the more fundamental and enduring saliency of capital, labour markets and deep-lying cultural assets and practices. Now it is time to push beyond these localized conditions to consider broader developmental forces and circumstances.

One basic question concerns developmental conditions that shape the growth of the creative economy and its constituent institutions, industries and labour

including governance, policy and other social factors. We might attribute the growth of the new creative economy of the city, in part, as an instrument of post-Fordism wherein various forms of production more insistently require design and creativity as inputs. These flexible systems are a means of sustaining competitiveness, as well as producing high-design final products for consumption by an affluent new middle class in the West and in the growth economies of East Asia and the ‘global south’. There is also a supply factor in the growth of artists in advanced societies, in the numbers graduating with arts and design degrees, and in the ‘design/creative’ inflection of work conducted by engineers, consultants and other professionals.

Then there is the enhanced ‘cultural content’ of urban development and place-remaking. This is part and parcel of the revalorization of the city and its property markets, expressed in urban design, architecture, heritage policies and programs for adaptive reuse of the city’s landscapes and built environment (Hutton, 2008). The aestheticization of city landscapes can be interpreted as a repudiation of the austere modernist values, but it also can be linked to expressions of place-making and marketing under neo-liberalism. Indeed, here is a good place to look for connections between some creative segments and speculative investment—in real estate.

This special issue of *Cities* is based on the assumption that profiles of an emergent economic trajectory must assess the resilience of key sectors and industries in the face of crisis as well as ongoing ‘stresses’. Here the example of the dot.com crash of 2000 and afterwards is a case in point: this apparently robust ‘new economy’ of information technology and new media industries collapsed when the bubble burst, but then re-emerged in the guise of ‘digital creative’ clusters. In fact, crisis often

spurs further development in a system of production/regulation as was seen with the evolution of mass production that commenced after the 1929 stock crash and continued through World War Two.

### **Spotlight on the creative economy: Ascendance and significance**

The current financial crisis has provided an opportunity to see anew a segment of the urban economy that has been chronically misinterpreted and misrepresented: the creative economy. Whether it be for rhetoric, aspiration, or plain desperation, the notion of the creative city has been a fixture for urban policy makers and managers. Many such efforts pivot on a suspect narrative (Florida, 2002) that appears even more shallow now that the good times have come to an end. It provides little intellectual defence against those who might write off the creative city as part of a bubble economy whose excesses and lack of substance warrants a return to economic ‘basics’ in a city of austerity. This special issue sets out to counter shallow narratives and assumptions by looking more forensically at the creative economy and its relationship with the city and other segments of the economy, including finance.

We allude to the ‘fall of finance’ as a point of reference. One might object that finance did not really fall, if that means a mortal plunge. Yet, the financial system still staggers from a debacle whose continuing fallout threatens not only the West, but also its export-oriented trading partners (e.g., Japan, China). The latest iteration of the crisis sparked by the fall 2008 bankruptcy of Lehman Brothers has shifted its locus to sovereign debts: the watershed moment was the downgrading of the credit worthiness of the US, followed by downgradings for major European nations. Recent

talk has been of ‘contagion’ and the undermining of whole global trading blocs (notably, but not exclusively, the Eurozone). The particular project of spreading an Anglo-American version of finance globally is discredited (Fujita, 2011). The question of whether we have reached the limits of a ‘finance-led growth regime’ or ‘financialization’<sup>1</sup> is beyond our scope. However, the existence of profound doubts about the future of finance is now part of the context for creative economies.

Importantly, such crises have their roots in real places, and real jobs and livelihoods. Cities are in the eye of this storm. Most obvious are the global cities that are centers of worldwide finance. Their rise paralleled that of the financial services as a leading economic sector after the 1973 oil crisis. It is easy to see the global city as an important urban context for the creative economy: the media industries and advanced producer services such as advertising stand alongside the dominant financial, insurance and real estate (FIRE) ensembles in the paradigmatic cases of London and New York. However, the special issue also examines a great variety of other urban contexts: Barcelona, Milan, Athens, Copenhagen, Yokohama and dozens of metropolitan areas in the US. Though finance may not dominate their economies, many of their real estate markets were conduits to finance and the mortgage securities bubble—as were many of their national and supranational financial frameworks.

This special issue poses the question of whether the creative economy might now play a larger role in shaping the future of cities. To what degree might we see

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<sup>1</sup> Some regulation theorists (e.g., Boyer, 2000) refer to a finance-led regime of accumulation while other scholars speak of a historic period of ‘financialization’. Aalbers (2012) defines financialization as entailing accumulation through financial channels (rather than trade or commodity production) and the imposition of the rules and logics of finance on other sectors.

the cultural and creative industries as a possible substitute for FIRE in the global cities and a successor to manufacturing in many others? Such a notion will, for some, be shocking, or simply seem absurd. Indeed, we do not want to argue that the creative economy is an equivalent economic base, but that it may have a substantial role in the future urban economy. It is too early to judge, but we have brought together papers to help frame, and hopefully begin to answer, such questions.

Our concern is not simply to map empirical trends, but to highlight the need for adequate conceptualisations of the processes concerned. We argue that there are a number of preconceptions about the urban creative economy that are either flawed or unhelpful for analysis. Our hypothesis is that some important changes are occurring within the creative economy, as well as between it and the rest of the economy. For example, the state-funded culture sector as fount of idealist good works has given way to a complex, interdependent mix of private sector, non-profit and public entities (Pratt 2009). Much of the creative economy of the city is at the cutting edge of economic organisation where categories such as ‘firm’ and public-private, formal-informal, production-consumption have less purchase or obscure what is happening.

Without doubt the creative economy is a newly visible aspect of social, cultural and economic life, as evidenced by the definition and measurements of the UN Commission on Trade and Development (UNCTAD 2008; UNCTAD 2010). In the most recent report the creative economy is noted to have grown at a faster rate than all other sectors of the global economy, and continued to grow through the early part of the recession. That contradicts the traditional view of culture and creativity as

mere ‘candy floss’ that rides on the ‘good times’ economy. According to this line of thought, cultural projects will be the first to be cut by governments during austere times, and the cultural economy will be the first to drop after the ‘real’ economy gives way. Whilst politicians may have such inclinations, the facts suggest that the implied causal chain needs scrutiny. What explanations are we to put in its place and what are implications for cities, policy making and livelihoods?

### **The place of creativity in the knowledge economy**

The dominant view informing urban cultural policy has long featured either the notion of the tourist-historic city or image of the city as attractor of FDI. Pratt (2008, 2010) notes that the latest version is Florida’s conception of the creative city. Pratt argues that Florida actually ‘undersells’ the creative city as he only focuses upon its consumption value, and continues to treat the creative city as ‘strange attractor’ for hi-tech development. Contrary to this, Pratt notes that there are plenty of examples of creative cities as production hubs, as evidenced by the proportion of employment directly found in the creative economy of many world cities<sup>2</sup>. More generally, Pratt advocates an alternative conception of creativity’s place in the knowledge economy.

One can argue that the knowledge economy, in the form that developed after the crisis-ridden 1970s, is actually the framework that now is under stress. A suggestive bit of evidence is the historical context of Daniel Bell’s famous book (1973), *The coming of post-industrial society*. His forecast of a dominant social class based on scientific knowledge and information-based occupations proved to be

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<sup>2</sup> In fact, Pratt calls for a conception that incorporates both production and consumption.

prescient (Ley, 2009). However, in the midst of the oil crisis and recession of the mid-1970s, Bell's forecast initially was seen as too optimistic. Yet, his perception of a strategic historic transformation turned out to be most timely. Many scholars (e.g., regulation theorists) now see that crisis as marking a transition away from the Fordist order, which not only included mass production, but also the regulatory framework that began to form after the 1929 financial crash and continued to develop through the early post-war period. The crisis of the 1970s was epochal for cities as well. The de-industrialization and industrial restructuring that followed the 1973 oil crisis ripped the heart and the tax base out of many cities. New York was famously driven to the threshold of bankruptcy. It was only later as economies grew again that Bell's thesis was taken up strongly by politicians, in some cases to 'will' a post-industrial society into place by actively dismantling industrial society (Garnham 2005). The period also marks that beginning of the rise of the financial services. Financial deregulation (e.g., the 'Big Bang') contributed mightily to the emergence of a finance-dominated universe anchored by the global cities of London and New York. Urban regeneration machines who seek to 'cash in' on the financial services add to their leverage. Many cities try to court footloose financial services companies to boost their accompanying 'knowledge economy' sectors: hi tech, biotech and multimedia (as it was once known). Like Florida's creative city model, such gambits suffer from a limited recognition of the productive dimensions of the knowledge economy. An intriguing alternative conception is Scott's production-oriented model of the knowledge economy of major cities which includes financial services



alongside the high technology and cultural industries. However, he does not deal with the dysfunctions of FIRE nor its contradictory relationship with the other two arms of the knowledge economy. The governance of such tensions may be a critical variable in the manifestation of creative economies and is a pressing matter in the wake of the 2008 crash (Indergaard, 2009). Will the stumbling of FIRE lead to the creation of governance frameworks that more favourable to the creative economy? Will it emerge out of FIRE's shadow to become a centrepiece of the urban economy?

The case of the new media in the late 1990s is suggestive, especially as it developed at the intersections of culture, technology and finance. With the bursting of the tech bubble in 2000, it was easy to write off the new media. However, as the creative economy has grown, new media is seen as a solid bet for many economies. Similarly, the computer games industry, another field traditionally scorned by economists, registers as one of the US's major export industries.

### **Toward a new research agenda**

The creative economy of cities is playing an important role in broad processes of economic change. However, discussions about the creative economy are obstructed by a lack of understanding of its nature and constitution. Some definitional and conceptual issues have been resolved.<sup>3</sup> Yet, there is much imprecise usage, including much of the writing about causality and process in creative cities.

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<sup>3</sup> For example, the UNESCO framework for cultural statistics (UNESCO Institute for Statistics, 2009) has been adopted by all member states.

In this special issue we offer a set of thoughtful papers which we believe contribute to a larger understanding of the complex relationships between finance and culture in the city, and more broadly to a reconceptualization of the city as site of creativity. They raise important questions about the relationship between the cultural economy, the creative city and the recession. The papers show there is a need to question the assumption that the cultural and creative industries are dependent on the financial services or are a subsidiary part of the urban economy. Second, our contributors suggest that much more attention be given to endogenous growth and cultural production. ‘Flash in the pan’ flagship developments of cultural facilities have dubious long-term value. Third, creative cities are not a silver bullet or a generic fix-it regardless of setting. Moreover, employment conditions in these industries often are not as attractive as they seem (Pratt, 2011): the preponderance of internships, short term contracts, gender, age and ethnic discrimination also should be concerns for policy-makers.

In sum, the special issue is meant to serve as a clarion call for research on the diverse manifestations the creative city takes in different places. We hope to contribute to a recalibration of research on the nexus of the city and the creative economy, one that is spatially and temporally embedded in particular contexts.

### **Structure and content of the special issue**

Following this introduction, the special issue opens with a pair of papers that focus on occupational structure to assess the impact of the financial crisis on urban

economies in the US. The first article by Kevin Stolarick and Elizabeth Currid-Halkett ('Creativity and the crisis: the impact of creative workers on regional unemployment') seeks to analyze the usefulness of Richard Florida's creative class theory (2002) in a time of crisis. Their study of 369 metropolitan areas in the US finds a strong concentration of the creative class in a metro area to be associated with lower unemployment rates. They conclude that creativity is vital for maintaining economic vitality during recession, although they note that they do not explore the dynamics at work. The second study by Carl Grodach and Michael Seman ('The cultural economy in recession: examining the US experience') examines whether the cultural economy is collapsing after the financial crash. They follow changes in its occupational distribution and geographic structure in the 30 largest US metropolitan areas over the last decade. While the boom featured widespread growth in the cultural economy, the recession has resulted in selective decline and growth. Cultural economy employment has declined in the cultural economy hubs of LA and NYC, areas beset by high foreclosure rates (e.g., Las Vegas, Riverside and Phoenix) and smaller, less specialized regions. Conversely, cultural economy employment has continued growing in rising mid-sized cultural economy centers such as Boston, Minneapolis, Seattle and Washington, DC. They conclude that this uneven geography means that the cultural economy is a better candidate for policy measures in some places more than others.

Next are two papers that examine the relationship of the creative economy to finance. Andrew Harris uses the career of Damien Hirst to illustrate interconnections between financial engineering and the commercial engineering of art in London

during the recent boom ('Financial artscapes: Damien Hirst, crisis and the City of London'). He shows the relationship between finance and art to be symbiotic: while finance influences art through its elevation of speculation, immateriality and symbolic value, art also shapes flows of money, people and ideas. Finance and contemporary art are similar in that both depend on new forms of media, are imprinted with complexity and volatility, celebrate the breaking of conventions, are interpreted in languages that are opaque and impenetrable, possess mythic qualities and lack regulation and transparency to the point that infrastructures for evaluation has been eroded. He adds that finance and art intersect in promoting postindustrial transformations of the urban built environment and in asserting the primacy of unrestrained market forces. In his article ('Creative cities, counter-finance and the aesthetics of exchange: Copenhagen's artmoney project') Mark Banks analyzes Artmoney, an alternative currency that aims to humanize exchange and to economically bolster artists against displacement pressures related to gentrification and culture-led development in Copenhagen. While his study of Artmoney's effects affirms the value of vernacular creativity and repersonalizing exchange, it also confirms the instrumental power of money and the commodification of art. Thus, the Artmoney experiment ends up attesting to ambiguities in the new union of culture and economy, even in alternative economic practices.

The relation of finance to the creative economy also arises in two case studies of global financial centers. The first of these, Michael Indergaard's study of New York ('Beyond the bubble: Creative New York in boom, bust and the long run')

extends the context of creativity to include speculative cycles and policy regimes. He finds that while the role of the creative industries has increased in the New York economy since 1993, they have been more vulnerable after speculative busts. This is especially true of those segments directly linked to particular episodes of speculation, such as architectural design in the mortgage securities episode. Specific industrial conditions (e.g., digitalization, tourism) also shape industry fortunes. Regarding policy effects, he proposes that federal interventions (e.g., TARP) temporarily buffered New York's economy after the 2008 crash while city government has experimented with more active support of creative industries (e.g., media, fashion). This leads Indergaard to conclude that the post-crash fate of New York's creative economy is not settled. On the other side of the Atlantic, Jo Foord examines changes in the creative economy in London. Her case study ('The new boomtown? Creative city to tech city in east London') reveals the transition of a creative space in East London from arts and crafts to a "creative digital cluster" featuring hybrid firms. Although the area is being touted as a Tech City, she finds the emphasis on technology to be exaggerated in as there is a blending of digital technology and creative development within firms. In contrast to theories that stress the role of positive externalities, these digital creative firms are dealing with risk and uncertainty by internalizing sectoral and skill diversity.

The next two papers visit the frontlines of the Euro crisis with case studies of Athens, Barcelona and Milan. The case study of Athens by Nicos Souliotis ('Cultural economy, sovereign debt crisis and the importance of local contexts: The case of Athens') illuminates the role of the Greek sovereign debt crisis in undermining

the foundations of that city's cultural economy. He shows that public borrowing and EU structural funds had boosted the consumption power of the middle class and corporate profits, which, in turn, helped Athen's cultural economy become oriented to consumption and imports. As these arrangements erode, this version of the cultural economy is no longer sustainable. The second paper offers case studies of Barcelona and Milan by Marianna d'Ovidio and Marc Pradel ('Social innovation and institutionalization in the cognitive-cultural economy: Two contrasting experiences from Southern Europe'). The authors compare attempts to bolster the labor market position of creative and artistic workers in the two cities. Although the cities fall under similar regimes ( EU welfare states) the two projects have taken different institutional paths. The Barcelona project produced sharper institutional effects due to the ability of an artists' association to connect with key actors. Conversely, public entities and collective actors in Milan failed to promote effective public interventions, leaving governance in the hands of private networks. However, the contingent effects of the financial crisis suggest a possible reversal of fortune. Austerity policies in Spain threaten public capacity in Barcelona while a new leftwing government in Milan promises to support cultural polices and local producers.

The final two papers in the special issue lead us further in the direction of comparative analysis. First Hideaki Sasajima analyzes how a creative city project in Yokohama regenerated urban spaces before and during the financial crisis ('From red light district to art district: Creative city projects in Yokohama's Kogane-cho neighborhood'). Having never recovered from its "lost decade" Japan now suffers

from the declining demand of Western trading partners. Another distinctive feature of this context is that Japan's government remains active in urban policy. This was evident in the Yokohama case where national quality of life policies reinforced efforts of neighborhood groups, provincial police and nonprofits to use a creative city project to transform a red light district into an art district. While national stimulus funds helped sustain such projects during recession, Sasajima concludes that the art district's homogeneity raises doubts about its standing as a creative milieu. The final paper by Andy Pratt and Thomas Hutton ('Reconceptualising the relationship between the creative economy and the city: Learning from the financial crisis') uses the crisis as an opportunity for a deeper exploration of the relationship between cities and the creative economy. They find little evidence that the creative economy is dependent on finance or is on the verge of collapse. Instead, they call attention to the churning nature of innovation and organization in experimental economies. These clusters are similar in the importance of organizational forms (e.g., projects and ecosystems) that facilitate use of contingent labor, outsourcing and digital technology to deal with risk and engage in low cost experimentation. However, such creative economic clusters are differentiated by governance norms, scale and location. Thus, Pratt and Hutton propose that institutional and national contextual specificities should be a basic component in the analysis of emergent forms of creative cities. There is a need for a more nuanced analysis of the regulation, organization and social-economic situatedness of the creative economy. Policy making should entail a process that is as situated and context-dependent as the creative economy itself.





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