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Policies for Firms or Policies for Individuals? Amsterdam, Munich and Budapest

Zoltán Kovács, Heike Pethe and Manfred Miosga

Introduction

Most authors researching 'creative industries' focus on the clustering mechanisms of creative companies and the hard factors that attract them. In the same way, many of the available policy documents emphasise hard conditions and focus almost exclusively on creating favourable local conditions for such firms. In contrast, Richard Florida (2002) stated in his often-cited work that cities and regions should not focus on the creative companies, but on the people who work for these companies or might start such companies themselves. For them it is soft conditions that really matter and not the hard conditions. Florida also came to the conclusion that talent, technology and tolerance (3Ts) are important conditions. He argued that growth is powered by creative people (talent), who prefer places that are culturally diverse and open to new ideas (tolerant), and the concentration of 'cultural capital' wedded to new products (technology). Cities can formulate and implement rather different policies to create favourable conditions for attracting and settling the creative and knowledge-intensive economy. In this respect, a major strategic question is whether these policies should focus primarily on attracting firms engaged in creative activities, or is it enough to attract creative people as suggested by Florida.

To approach the dilemma for practice, this chapter discusses the examples of three European metropolitan regions of similar size – Amsterdam, Munich and Budapest. These cities have developed under very different socio-economic and political circumstances, and they followed distinctive pathways to become modern European metropolises. Their public

administration and political decision-making systems have also been rather different. However, one thing is common in all three cities; they would like to attract knowledge-intensive activities and become creative cities. In order to reach this goal each city has formulated policies, over the last decade, to boost the development of the creative knowledge economy. The aim of this chapter is to summarise and compare these policies and give special attention to their goals and contents, and their success or failure. Among others the following questions are addressed:

- Do existing policies on creative and knowledge-intensive economy focus more on the location of businesses or people?
- Do the metropolitan economic development policies specifically address the conditions for attracting an international skilled labour force?
- To what extent are economic development policies in metropolitan regions connected to other policies like housing, environmental or cultural policies to attract and cater for the desired 'talent pool'?
- How are such policies influenced by the wider national and regional context?

In order to answer these questions, we first introduce the theoretical framework of the creative city and competitiveness policy debate. This is followed by a short presentation of the economic development of the cities, an account of the state of the creative and knowledge-intensive economy and a discussion of policies implemented in the selected cities to create favourable conditions for the creative economy. At the end of the chapter, the 'hard' or 'soft' factor dilemma is addressed in the light of the experiences from Amsterdam, Munich and Budapest.

Do policies help in competition? – a theoretical framework

Richard Florida captured with his phrase 'talent, technology, tolerance' the importance of individuals for the economic development of cities. He underlined that the ability to attract human capital is crucial for the economic success of metropolitan regions and that existing urban amenities such as cafes, restaurants and a vivid and diverse street life are important in this (Florida, 2002). Other researchers including Ley (1996) and Butler and Savage (1995) also noted that the demographic structure of urban areas had changed. An increasing share is academically educated and has high incomes. They were oriented towards liberal values, work in creative or knowledge-intensive occupations and often live in inner-city areas. Their presence had changed the urban landscape. Retail, housing and cultural activities were increasingly influenced by the demands of the new professional class. Urban policies were increasingly oriented to meet the demands of

this well-paid stratum and to manage urban restructuring to improve the conditions for these individuals.

The American geographer Alan Scott, however, challenged this approach. In his view, attracting highly skilled individuals and 'creating a high-quality urban environment rich in cultural amenities and conducive to diversity in local social life' (Scott, 2006, p. 11) is too limited. The 'mere presence of "creative people" is certainly not enough to sustain urban creativity over long periods of time. Creativity needs to be mobilised and channelled for it to emerge in practical forms of learning and innovation' (Scott, 2006, p. 11). Scott points out that the interrelationship between the presence of creative people and regional development is more complex and more recursive. The activities of creative companies play a more important role. Scott observed that creative companies are organised in a local production system. In those production networks, companies profit from each other by exchanging information and common learning processes which revolve around the production of a certain product. They also share regional resources by relying on the same labour force, establishing common economic and social institutions. Often they also share similar values, practices and conventions. In other words, the existence of these externalities can reduce costs for regional producers. Companies also profit from the agglomeration economies, because the networks of complementary and specialised producers generate additional opportunities. Members of networks share regional facilities; they profit from each other's presence and a qualified labour market, and they participate in common learning processes (Scott, 2006, p. 8f). Scott concludes that 'Any viable developmental program focused on building a creative city must deal – at a minimum with setting up a local production system, training or attracting a relevant labour force, appropriate programming of urban space, and ensuring that all different elements involved work more or less in harmony with one another' (Scott, 2006, p. 11). In his view the support of the companies within the region is vital for regional success and competitiveness. Although he also mentions the 'programming of urban space', Scott underlines that the investments in the urban environment can only be successful when a healthy business environment exists.

In Western industrialised countries, any investment in the urban environment and actions to support companies were traditionally performed by different departments or ministries. One department was charged with some or all responsibility for economic development and policies towards firms; social and cultural policy was mainly aimed at individuals and households or neighbourhoods and was often the responsibility of one or more other departments (perhaps education) while planning or urban development departments whose remit was also related to these policy issues took on a middling position. Whereas some policy lines addressed companies directly, others such as housing or school development focused

on the needs of individuals. The division of responsibilities, the aims of departments and cross-sectoral engagements have changed. Although more common integrated activities are still rare. The evolution of cultural departments illustrates this.

Public expenditure on the cultural sectors is abundant in European countries compared with the USA. The US federal agency in charge of National Endowment for the Arts (NEA) administered a budget of \$115.2 million in 2002. In the Netherlands, municipalities, provinces and the national government spent €4.95 billion for culture in 2002 (CBS, 2008). In Germany, theatres, operas, museums and other cultural institutions ved €8.19 (Statistisches Bundesamt, 2008). Traditionally, this budget is used to support the individual enjoyment of high culture as it was produced by theatres, operas, museums or heritage organisations. It was mainly addressed for the individual use of culture. In the 1970s, emancipatory and educational aims came to the fore with the slogan 'culture for everybody' a common expression of equal access to culture. Art was conceived in terms of its aesthetic and social values, but not in terms of its use-value for the economy (Klamer, 1996). The reasoning about the economic value of culture entered the discussion in the mid-1980s. Then culture was not only seen in terms of individual enjoyment and education, but also as a location factor and in terms of its multiplier effects. At this stage arguments still started at an individual level. They would run like this: through the supply of cultural infrastructure, individuals in key economic position profit from the consumption of high-end culture; the image of region is improved; the elite invests in the regional economy or consumes other regional products which generate tax revenues. Thus, culture works as indirect leverage for economic development. The support of culture was justified by functional and economic arguments: culture supports innovation, it creates employment and it cushions de-industrialisation. Subsidies into the art sector, the support of civil engagement in culture and culture-led urban generation can generate economic growth in other realms (Micheel and Wiest, 2002). The old, sectoral policy was challenged by additional arguments. The production of culture does not only happen in the realm of subsidised high culture, but the privately run cultural or creative economy increasingly grows in employment and turnover. Culture and creativity have become vital for cross-sectoral innovation and the creation of new products. The sectors are more strongly interlinked at different stages of the production chain. The share of self-employed entrepreneurs steadily increases in this sector so that the distinction between companies and individuals increasingly fades away (Mofsig, 2005).

In spite of these changes in activities related to culture, the discussion about a suitable policy for the creative knowledge industries is still active. Should governments invest in individuals or companies? Is the current

creative knowledge policy an expression of neoliberal policy which contributes to the economic penetration of non-commercial realms as Peck and others have recently asserted (Gibson and Kong, 2005; Peck, 2005, 2007; Chapain and Lee, 2009)? Does it also support uneven development of places and does it widen social inequalities? Does the state play a new role as 'facilitator' and 'partner' in Europe in the same way that Lewis et al. (2008) described for the designer fashion industry in New Zealand? How can a new policy be developed without neglecting individuals, but recognising the new economic organisation of the creative knowledge society? How is the policy influenced by the national and regional context?

Economic development and political conditions

To what extent can policies influence the economic development and competitiveness of cities and how can the growth of the creative knowledge economy be stimulated by policy instruments? Most probably the right answer to this is that it depends on many factors including the general structure of the local economy, the long-term development of the labour market and the local political climate. We start to explore the possible answers to our main question in different European urban settings by discussing three European metropolitan regions – Amsterdam, Munich and Budapest – with contrasting development paths.

With 2.2 million inhabitants, *Amsterdam* metropolitan region is the largest urban agglomeration and primary economic centre of the Netherlands. The economic weight of Amsterdam and its region is outstanding, 17 per cent of all companies and 15 per cent of the national workforce is based on the region (Bontje and Sleutjes, 2007, p. 42). The region is characterised by a diversified service economy, which comprises 85 per cent of total regional employment (Bontje and Sleutjes, 2007, p. 45). Banking, information and communication technology, logistics and trade, tourism, higher education and the cultural economy are prominent activities.

The leading position of many of these sectors was established in the seventeenth century when Amsterdam was the second largest city in the Netherlands and the wealthiest city of the world (Tordo, 2003, p. 108). In the so-called Golden Age, Amsterdam controlled a global colonial empire. Every second ship which made its way to Asia was carrying the Dutch flag between 1600 and 1800 (Mak, 2006, p. 129). Since then banking and trade have been important functions, and gradually Amsterdam also established itself as a cultural centre. Painters such as Rembrandt, Ruysdael and Hals shaped European baroque painting profiting from the high demand of wealthy citizens. Philosophers such as Spinoza and Descartes were attracted to the city due to its open intellectual climate. The favourable position

of Amsterdam was terminated by the Napoleonic Wars. In the subsequent century, the economy mostly stagnated and the city missed the Industrial Revolution (Mak, 2006, p. 195).

After World War II, the harbour of Rotterdam surpassed Amsterdam – another clear sign of the long-term economic downturn of the city (Bosscher, 2007, p. 350). In the 1980s, the economic situation was still challenging. As Terhorst and Van de Ven (2003, p. 95) noted: 'Amsterdam was a city in crisis with a declining population, large-scale unemployment, a skyrocketing number of people on welfare, growing crime rates associated with drug dealing ...'. The Dutch economy was badly affected by the oil crisis, low productivity and high wages and the shift from an industrial to a post-industrial economy. The region lost 21.1 per cent of its unskilled employment and gained an additional 8.8 per cent high-skilled jobs between 1970 and 1984 (Zorlu, 2002, p. 218). National urban policy focusing on the development of 'new towns' also contributed to the shrinkage of Amsterdam.

The traditional Dutch social organisations (liberal, socialist, protestant and catholic political and social communities) lost influence which lead to conflicts between old-fashioned, authoritarian representatives of the local government and members of the new social movements (Terhorst and Van de Ven, 2003, p. 93). This anti-growth coalition also blocked effective economic policy.

However, since the late 1980s, the region has experienced a long period of economic success. Gradually, problems were solved and the former disadvantages turned out to be assets. In 1982, employers, unions and the government signed the Wassenaar Accord. This deregulated labour law, limited wage increases and led to a reduction in unemployment. The close cooperation between the central state and the large cities was embodied in an urban pro-growth policy which also introduced competitive elements of revenue allocation (Terhorst and Van de Ven, 2003, p. 96). The neglected inner-city neighbourhoods were seen as important sites for state-stimulated, but preferably private investment. The communication, transport and cultural infrastructure were significantly improved. Twenty years before Florida underlined the importance of the creative class as consumers, an Amsterdam academic, Rob van Engelsdorp-Gastelaars, advised the city to accommodate the better off by stimulating culture and festivals. Amsterdam applied for the Olympic Games 1992 and became 'Cultural Capital of Europe' in 1988 (Terhorst and Van de Ven, 1995, p. 353). Private investments in the urban development were supported by tax credits for homeowners and a low real rent mortgage rate (Terhorst and Van de Ven, 2003, p. 97). Due to the diversified economic structure and the new private consumption of goods and services, the economy of Amsterdam recovered. The formerly neglected, restored historical buildings became an asset to attract highly skilled persons from outside. In addition, several cultural institutions were established by squatters contributing to the recovery of Amsterdam as a vivid creative city.

Munich is one of the most important centres of research and development, as well as high-tech industry and the media in Germany. With a current population of approximately 2.5 million inhabitants, the Munich metropolitan region has developed into one of the most dynamic and economically prosperous urban agglomerations in Europe in the post-World War II period.

Being the capital and the administrative centre of Bavaria since the fifteenth century, Munich profited from the early investment by the state in the arts, architecture and sciences. In particular, the royal patronage of the sciences in the late nineteenth century was of great importance for the early development of quality industries which capitalised on new technologies and inventions (e.g. the media, technical instrumentation). It is also important to note that, instead of becoming a heavily industrialised town, Munich became predominantly a centre of commerce, culture and higher education – which later on spared the city the painful task of post-Fordist economic restructuring.

The reconstruction of the historical cityscape after the massive devastation of World War II contributed to the gradual development of the tourist industry and the flourishing of service functions. The comprehensive modernisation of urban infrastructure (transport, public spaces, etc.) and successful organisation of the 1972 Olympic Games provided a solid basis for successful city branding in the 1970s and 1980s. Another decisive event in the post-war period was the move of Siemens Company from Berlin to Munich as it created the nucleus for the spatial concentration of other German and international companies. The post-war years also marked the beginning of the Bavarian technology policy, especially through investment in R&D as well as in the arms industry. After the oil crisis, Munich and central Bavaria developed into the leading German high-tech region during the 1980s and 1990s. The economic development was strongly supported by infrastructure policies of the Bavarian State as well as the city of Munich. The present economic situation of Munich can be characterised by a dynamic labour market, low unemployment rate, high purchasing power as well as dynamic growth in the service sector. What is the secret of this economic prosperity?

One part of Munich's strength as a business location is based on the diversity of its economic structure and the mixture of global players and SMEs. This modern and balanced economic structure is often referred to as the 'Munich Mix' (*Münchner Mischung*). This term not only refers to the mixture of big and small enterprises, but also to the diversity of economic activities what is partly the outcome of long-lasting economic policies. The economic success of Munich can be attributed to the existence of numerous clusters including biotechnology and pharmaceuticals, medical technology, environmental technology, ICT, aerospace, the media and finance, all of which constitute the foundations of a well-developed creative economy.

These activities form the innovative growth poles of the city region. The clusters are not only made up by links among enterprises of the respective

branches but also by links to the numerous research institutions in the Munich area, by the networks of SMEs and large enterprises as well as links to commercialisation protagonists.

With 2.5 million inhabitants, *Budapest* and its metropolitan region is nowadays one of the largest and economically most dynamic regions east of the former Iron Curtain. The prime position of the city within the national economy is well reflected by the fact that 44.5 per cent of the Hungarian GDP was produced in the Central Hungary Region and 35 per cent in Budapest itself in 2004.

The current position of Budapest in the broader international and regional context can be traced back to the rapid economic and urban development over the last third of the nineteenth century – what is called the era of K. u K. Monarchy (*Kaiser und König*). In this period, Hungary was a rapidly modernising country of the European continent and due to its economic, commercial as well as cultural influence Budapest played an outstanding role among European metropolises (Kovács, 1994). This harmonic and dynamic development was interrupted in the following decades of the twentieth century; by World War I and the subsequent economic stagnation of the inter-war period; and then by World War II and the forceful introduction of the Soviet type state-socialist system (Enyedi and Szirmai, 1992).

During state-socialism, just like in other parts of east-central Europe, industry and industrialisation was considered the main tool for the modernisation of the economy and society. Due to the centrally planned system, economic restructuring could not take place and the structure of the economy and especially industry did not change significantly throughout the whole period. Though traditional industries (food and textiles) had shrunk and engineering strengthened, the post-industrial economic transformation was prevented by state intervention. Only the economic stagnation of the late 1970s and early 1980s forced the state-socialist regime to implement new policies that brought about a decline in factory employment and a growth in services, especially in the field of trade and tourism. As a result, the number of manual workers in Budapest fell by 23 per cent between 1975 and 1987 (Kovács, 1994).

In terms of urban development, the 1970s and 1980s were characterised by large-scale public investments on the edge of the city in the form of huge high-rise housing estates, containing a vast number of almost identical, relatively small dwelling units. At the same time the historical quarters were neglected, setting the stage for the physical decay of large parts of inner-city neighbourhoods (Kovács, 2006).

The political system changed completely after 1990. The return to self-governance and the subsequent shift of control from central (state) to local (community) level was an important component of the political transformation affecting urban development. This gave local municipalities more power to control and influence their own development. In Budapest districts suddenly became the main actors of urban development, and

the planning system was switched to a very liberal and decentralised bottom-up model.

The city arrived at the gate of political changes and democratic transition with an outdated economy. Industry still employed 36 per cent of the active earners of Budapest in 1990. Due to the change of political system in 1989–1990, a deep and comprehensive economic transformation process started. The most significant trend was the collapse of heavy industry and the increasing importance of services. As a consequence of the rapid growth in commerce, tourism, business and financial activities, the ratio of services in the occupational structure increased from 62 to 78 per cent between 1990 and 2006. The rapid economic transformation was also fostered by foreign capital investments mainly in the fields of logistics, telecommunication, creative and high-tech industries (Dövényi and Kovács, 2006).

During the transformation Budapest and its urban region kept its leading position in the economic development and modernisation of the country and even further increased it in innovative activities (Meusburger, 2001). Budapest now serves as the gateway for innovation and modern technologies within Hungary, and it is the prime national centre of most creative activities (education, R&D, media, finances, etc.).

The creative and knowledge sector and policies enhancing its development

The role and structure of creative knowledge economy show significant differences among the European regions (see more details in Musterd and Gritsai, 2009). Due to their function as science and high-tech centres, some urban regions including Cambridge, Munich (Hafner et al., 2007) or Toulouse (Peyroux et al., 2007) have been described as ‘technopolis’ (Castells, 1989). The development of these regions was partly enhanced by large-scale public investment such as the establishment of research institutions, science parks and an excellent university infrastructure. In other European regions, despite recent economic developments, the role of the creative knowledge economy is still limited. This is the case in most of the post-socialist countries where the linkages between businesses and public institutions such as universities and research institutes are generally weak. In these countries the service economy is less developed, an alternative cultural scene is rarely tolerated and a private cultural economy is hardly present (Paalzow et al., 2007; Stryjakiewicz et al., 2007; Dainov, 2008). In addition, governments in eastern and central Europe do not always recognise the economic importance of creative industries, thus they do not place major investments in this sector.

The three cities referred to in this chapter exhibit clear differences in the role of creative and knowledge-intensive economy. Amsterdam represents

the bohemian cultural hub, with distinct forms of creative and cultural industries. Munich with its aspiration of becoming science and technology as well as higher educational centre in the heart of Europe is the case of *aufstrebende Stadt*. Budapest offers the example of post-socialist city, with a rapidly changing economy within a shifting macroeconomic framework. What can these cities show up with respect to the creative knowledge economy and what are the main policies enhancing its development?

Amsterdam

The position of Amsterdam as the capital of the creative knowledge economy in the Netherlands is very strong. The number of companies has been growing since 2000, and an increasing share of new companies belongs to knowledge-intensive and creative industries. In total, 31 per cent of all companies and 26 per cent of all employees in the metropolitan region belong to the creative knowledge sector – the highest concentration in the Netherlands (Kloosterman, 2004; Bontje and Sleutjes, 2007). The importance of Amsterdam is also well reflected by the fact that 24 per cent of all Dutch creative knowledge companies are located in the Amsterdam metropolitan area, making it the prime concentration of the Dutch creative knowledge economy. Especially for certain creative industries and the ‘law and other business services’ sector, the Amsterdam region is dominant. The city is the financial capital of the Netherlands and the prime location of financial headquarters and stock exchange activities. The film and advertising industry as well as the most important cultural institutions of the Netherlands are also situated in the region. What is the secret of this success, and how have national and local policies contributed to the growing concentration of knowledge-intensive activities?

For a long time, the Dutch corporatist regime emphasised low wages and accepted the related slow growth of labour productivity. After labour shortages became more visible during the rapid growth of the ICT industry at the end of the 1990s, innovation-related policies came to the fore. The national government put three programmes for the creative knowledge industry on the agenda: The first scheme ‘Pieken in de Delta’ aimed to strengthen the core areas in the ‘Randstad’ for international competition (Ministerie EZ, 2004). This programme combined a spatial investment and regeneration strategy with defined key sectors in the creative knowledge economy, and invited local and regional governments as well as public and private actors to apply for national funding in the so-called *Creative Challenge Call* launched in 2006.

A second programme *Ons Creatieve Vermogen* supported the interaction between creative industries and other economic branches (Ministerie EZ and Ministerie OCW, 2005). Thus, it was mainly oriented at the business community. Different actors were brought together in a third programme

called *National Innovation Platform*. This was created as a discussion platform between the public and private actors to foster the interaction between all levels of education (school, university and further education) and entrepreneurship (Innovatieplatform, 2006).

The national level took a leading position in formulating the policy in the Netherlands. Although the needs of individuals were recognised and school curricula are adapted to enable individuals to compete in the new economic environment, business-oriented programmes dominated the national strategy (Figure 16.1).

There were few initiatives at the regional level because there are no formal government institutions at the regional level in the Netherlands – and the provincial level which is the formal second tier is one level too high to be relevant for metro areas. The establishment of regional government failed in 1995 due to the lack of popular support for it (Lans, 2006). In spite of that, the *Stadsregio Amsterdam*, a collaboration of municipalities and economic organisations like the Chamber of Commerce, agreed to improve the accessibility and connectivity of the Amsterdam region by air and water and through technical networks in the so-called OPERA-plan (ROA, 2004).

The Chamber of Commerce in Amsterdam coordinated a second initiative. After proposing their own strategy *Gaan voor Goud* (Amsterdam, 2004), they developed a vision with the Chamber of Commerce Flevoland and Gooi en Eemland. The so-called *Regional Innovation Strategy* aims to improve the conditions for innovation in knowledge-intensive industries such as ICT and life sciences as well as in the creative industries (Amsterdam et al., 2006). Linkages between regional clusters are supported by creating networks and organising events. A loose collaboration of several municipalities and chambers of commerce (*Regionale Samenwerking Amsterdam – RSA*) handed in several applications for the Northern Randstad (Noordvleugel) and, for example, received funds from the national *Pieken in de delta* programme to develop a regional agency for the creative industry (www.ccaa.nl).

In November 2007, several municipalities in the region launched a new form of voluntary organisation which provided the organisational framework for regional initiatives. The collaboration of the municipalities is pragmatic, they work together either to apply for national funding or to improve their visibility outside the Netherlands. Due to the missing regional administration economic actors, such as the Chamber of Commerce often take a lead. Thus, the programmes are mostly business related, although the *Pieken in de delta* programme provides funds for urban development programmes as well.

Programmes which attract highly skilled individuals are not new in the city of Amsterdam. The regeneration of the inner-city housing stock or the investment in the cultural infrastructure (museums, theatres, etc.) has improved the liveability of the city, although those programmes did not directly address creative knowledge workers. The first reports (Musterd,

Scale	Responsibility	Name of programme
NATIONAL	National Government	<i>National Innovation Platform</i>
		<i>Our Creative Potential</i>
		<i>Peaks in the Delta</i>
REGIONAL	Regional cooperation Amsterdam (RSO)	→ <i>Creative Challenge Call</i>
	City Region Amsterdam	→ <i>Opera-Plan</i>
	Chambers of Commerce	→ <i>Regional Innovation Strategy</i>
	Randstad North wing	→ <i>Creative Cities Amsterdam Area</i>
MUNICIPAL	Municipality of Amsterdam	→ <i>Kenniskring Amsterdam Innovation Motor</i> } Topstad policy
	Collaboration between departments	→ <i>Creative Industry – main points</i> } Creative city policy
MUNICIPAL	Support from municipality	→ <i>Amsterdam Creativity Exchange Streetlab</i> } Agencies <i>Broedplaatsen</i>

Figure 16.1 Policy lines for the creative knowledge industries in the Amsterdam region.

2002) and the proposed establishment of programmes for the creative knowledge class, however, were strongly contested in the city government and conceived as 'elitist' and socially selective by city representatives.

The city council of Amsterdam has, however, agreed two relevant policy programmes. The first is an umbrella programme for the current legislative period. *Topstad* aims to bring Amsterdam back into the top five European business locations (Gemeente Amsterdam, 2005, 2006, 2007, 2008). The *Topstad* programme is subdivided into different pillars for different policy fields. The *Kenniskring* pillar (Knowledge circle), for instance, supports the exchange and collaboration between knowledge-intensive business and educational and research institutions, and it promotes the expansion of ICT infrastructure. The *I Amsterdam* programme, in contrast, is a regional city marketing programme for tourism which aims to attract more senior affluent tourists instead of young backpackers looking for 'sex, drugs and rock 'n roll'. *I Amsterdam* also supports the allocation of new businesses,

fairs, congresses and events like the Amsterdam Fashion Week and the Cross Media Congress, PICNIC. Recently, the city has also tried to police the red-light district by renting former window brothels to young talented designers from the Netherlands. The first draft of *topstad* addressed the social cohesion between different communities. It made strong reference to the previous *Wij Amsterdammers* policy which was created after the murder of an Amsterdam film director by a radical Moslem. Also the support of individual talent has become less prominent. The evolution of the programme was in a more business-oriented direction.

A second municipal programme called *Hoofdlijnen Creatieve Industrie* focuses on the creative industries. The programme is the result of collaboration between different municipal departments (economy, spatial planning, culture and society). It was passed by the city council in May 2007, and it covers the current legislative period 2007–2010 (Gemeente Amsterdam, 2007). The programme comprises six targets: the first two points improve the existing educational structure and target the development of human capital. The quality of 'creative education' is enhanced in vocational schools as well as universities. Organisations are established to involve immigrants in the creative economy. Three points are more directed towards business development. New business start-ups are provided with new consulting structures and their access to capital will be developed. Various communication platforms will be created by supporting conferences, infrastructure and cross-sectoral exchange for all businesses. Finally, international branding and international business contacts are backed. The last goal addresses spatial development. The creation of studios and working and living spaces for creative workers and artists is also mentioned as part of the development and maintenance of Amsterdam as an attractive tourist and living environment.

Many elements which are mentioned in the *hoofdlijnen* are not new. The programme rather attempts to integrate existing initiatives. The municipality of Amsterdam has assisted organisations that address and manage the needs of various creative knowledge workers. For instance, *Broedplaatsen* agency helps artists to find affordable working space in the city. The non-profit organisations *Mediagilde* or *Waag Society* that were established by former social activists enable individuals to improve their IT skills.

The examples show that many measures in the *hoofdlijnen* and *topstad* programmes tackle problems of individuals and companies alike. Especially among the self-employed, the distinction between companies and individuals is often difficult to pursue. The business-oriented elements are, nevertheless, more pronounced. Even where programmes put the education of individuals to the fore, they also lead to the improvement of the education level of the regional labour force. The city of Amsterdam started to attract highly skilled professionals in the 1980s. This strategy is still relevant, but the business-oriented approaches have become more prominent and the

group of creative knowledge workers gained more attention. The creative knowledge policy became one of the first cross-sectoral policy approaches. Departments such as culture and education which used to cover individual needs are now more open to make links with a changed business environment. The programmes were proposed by different administrations of the city. In the political arena, however, they were strongly contested and this may explain why there was less demand for a policy orientation towards the support of individuals.

Munich

Although it is not the largest city in Germany, Munich and its region can be considered as one of the prime German locations for the creative and knowledge-intensive industries. One-third of employees in the Munich region work in the creative knowledge sector, and in the city of Munich their share is even higher with 37 per cent. Over the years 1996–2004 (and despite the crises of 2001), the turnover as well as the number of firms in the creative knowledge economy grew. The high education qualifications of the population, excellent transport infrastructure and accessibility as well as the high number of public and semi-public research establishments provide a solid basis for the creative knowledge industries in the Munich region.

In recent decades, Munich has repeatedly benefited from decisions in which both the federal government and the Free State of Bavaria have been instrumental. These decisions provided new impetus for the creative knowledge hub on the Isar and improved the city's image in the eyes of creative knowledge workers.

Construction of the new airport at Erdinger Moos and the relocation of the exhibition centre to the former airport, for example, both encouraged and facilitated growth in this area. The players in the region likewise have a hand in shaping the environment in which they operate. Decisions by companies to ramp up their R&D activities in the region are one example. Initiatives launched by universities to attain a leading position in the international arena and to achieve excellence in research and education are another.

The policy of Munich on culture and arts enables art to be presented in various forms at the city's numerous museums and theatres, as well as to support artists and encourage debate about art, history and religion. Other local government departments also pursue policies that are conducive to growing and nourishing the city's creative potential. Any one policy that promotes Munich as a creative knowledge hub thus simultaneously affects an array of focused policies in other areas such as culture, housing, infrastructure, social affairs, the economy and employment. In other words, such policies fulfil a powerful horizontal function.

In Munich's sizeable labour market, highly qualified individuals benefit from plenty of job opportunities that stem from the sheer diversity of knowledge-intensive and creative companies in the region. Logically, therefore, an economic development policy that seeks to attract technology-intensive companies and forward-looking industries is also a policy that promotes highly qualified individuals. Munich seeks to pursue such a policy by designating commercial space for specialised technology and business parks. Such parks exist for example in Messestadt Riem, on the southern edge of the city, and in Freiham, and in 2008, the new Munich Technology Centre is scheduled to open in Moosach. This policy also encourages the formation of industry clusters (Landeshauptstadt München, 2007).

Munich is also a popular congress venue, boasting a well-developed infrastructure for trade shows and events of all types and sizes. Leading international trade shows, large number of focused events, festivals and specialised congresses create all kinds of opportunities for creative knowledge workers to meet, communicate and build networks.

Munich operates a kind of 'home office' policy to foster tolerance and integration within its own boundaries. The city's policy puts great emphasis on keeping the peace, and integrating foreigners in the mainstream society and ensuring broad acceptance towards minorities. The recent construction of the Jewish Museum is one of the many examples in which the Bavarian capital applies itself to issues in its own history and encourages the integration of the Jewish community in the life of the city. Essentially, the city's policy focuses on anti-discrimination and equal opportunities. It aims to nurture mutual respect and recognition, encourage a positive awareness of cultural diversity, assert an across-the-board integration policy that improves access to education, vocational training and the labour market and enable foreign nationals to increase their participation in local society.

Budapest

At the end of 2004, there were 264,000 active economic organisations in Hungary in the field of creative and knowledge-intensive industries; 42.3 per cent of these firms (ca. 112,000 companies and sole proprietors) operated in the metropolitan region of Budapest and employed 427,000 people. Taking into account the number of firms, the relative weight of Budapest Metropolitan Region (BMR) within Hungary is especially outstanding in the fields of ICT (53.6 per cent), R&D and higher education (52.4 per cent). Among the different branches of the creative and knowledge-intensive industries, 81.8 per cent of the enterprises in 'motion pictures and video activities' and 71.9 per cent of 'publishing' are located in Budapest and its metropolitan region. The ratio of economic organisations operating in the field of 'reproduction of recorded media', 'software consultancy and supply', 'research & development' and 'insurance & pension funding' is also above 60 per cent (Kovács et al., 2007).

In Budapest, policies facilitating the growth of creative and knowledge-intensive industries can be identified at three different levels: national, regional and local. The most influential national policy is the 'New Hungary' Development Plan. This defines the strategy for sustainable growth and competitiveness of Hungary for the period of 2007–2013. The creative economy is emphasised among the thematic priorities. As part of the 'New Hungary' Development Plan, the national government initiated the *Budapest Innopolis Programme* which is strictly an economic development programme, primarily focusing on strengthening the knowledge-based economy. In order to increase the competitiveness of the city, the Budapest Municipality, the main universities, R&D institutions and R&D-related companies joined to establish three development poles: Information Society Technology Pole (ITT), MediPole and EcoPole. The cooperation between academics, universities and entrepreneurs provides the opportunity for each pole to integrate into the single European research and economic area. The aim is to achieve a milieu which is attractive for foreign investors and also boosts the local actors' innovation capacity, increasing the importance of high added value activities represented locally.

Being a unitary state, regional level governance has traditionally been weak in Hungary. Only recently the Regional Organisation and Development Act (No. 21/1996) introduced a regional level: Hungary was divided into seven statistical planning regions made up by counties. Budapest and Pest County together form the Central Hungary Region. However, regional identity and cohesion is generally weak in Hungary. Not surprisingly, the collaboration between the city and municipalities lying in the metropolitan region is problematic. On the regional level, the development of R&D and creative industries also enjoys high priority in policy documents like the support scheme of the EU funded *Operational Programmes*. The Central Hungary Operational Programme aims to increase the international competitiveness of the region and to strengthen the growth of the knowledge-based economy. In this respect, the most significant targets are the stimulation of cooperation between the players of knowledge-based economy, the development of creative and cultural industries in the region producing high added value and the creation of new innovative jobs. Within the Operational Programme, the role of Budapest is highlighted as that of a development pole, integrating R&D and innovation activities in Hungary.

On the local level, the Medium-term Urban Development Programme for Budapest (the so-called *Podmaniczky Programme*) provides a clear orientation and priorities for the development of creative and innovative industries (cultural life, knowledge-based economy, IT sector). The programme outlines concrete projects within the full spectrum of sustainable urban development and aims to strengthen the position of Budapest amongst the competing metropolitan regions of Europe. The main priorities include the establishment of 'technopolis' areas in the northern and

southern part of Budapest, the establishment of links between university, governmental and commercial bodies, and the creation of technology clusters, the support of the development of science parks and urban 'technopolis' quarters, the development of key organisations of a knowledge-based society (education, libraries, e-government, etc.). These policies focus nearly exclusively on the development of 'hard' factors creating space and infrastructure for the knowledge-based economy, improving higher education and stimulating research and development. These activities are definitely part of the creative economy but they are not equated with it. Substantial parts of the creative sector like arts, media, publishing, entertainment or creative business services are hardly addressed in policy documents. These parts of the creative sector are more used to self-generating activity and they do not generally respond so well to formal funding and other supportive mechanisms. Indeed, this is the case in Budapest where festivals, art events, design, media or creative entertainment activities develop within the loose framework provided by the highly decentralised public administration system. A good example is the spread of 'ruin bar' culture in the inner part of Budapest. 'Ruin bars' have been established in abandoned residential buildings in the dilapidated inner-city neighbourhoods since the end of the 1990s. These venues regularly host different cultural events, fashion shows, art exhibitions, musical performances and promote a vivid cultural scene. They have become focal points for particular groups of consumers often including those involved elsewhere in creative activities and cultural industries. Ruin bars as a distinct cultural phenomenon is the result of post-socialist transformation of Budapest. The transformation since 1990 has created countless 'loose spaces' in the city where alternative forms of public life and creative reuse could evolve due to weak planning control (Kovács, 2006).

Conclusions

There are significant differences between the three cities discussed in this chapter in terms of the mechanisms, goals and contents of competitiveness and creative strategies. The differences derive partly from their distinctive development pathways and partly from their wider political conditions. Due to their historical development and global connectedness, Amsterdam and Munich have much better points of departure to become creative cities than Budapest. While state-socialism meant a serious obstacle for post-industrial development in Budapest, Amsterdam and Munich transformed their economy steadily in the 1970s and 1980s. They could formulate their urban economic policies to create an attractive business environment for global players, and they also implemented policies (e.g. urban regeneration, city marketing) which influenced competitiveness much earlier than Budapest.

Another dimension of difference is associated with the political systems of the respective countries. Munich has been developed in the framework of a federal state in the post-World War II era, where the federal level (*Bundesland*) had a much stronger control over sectors which had a direct impact on the growth of the creative knowledge economy (higher education, R&D, culture, tourism). In this respect, we can also say that Amsterdam and Budapest have been more dependent on national policies than Munich. This is especially true for Budapest, since post-socialist transformation and EU accession in 2004 provided little room (and money) for local incentives to develop the creative knowledge economy.

The public administration and thus political decision-making system in the three cities are also substantially different. In Amsterdam and Munich, the city council is a strong player with direct influence over every aspect of life in the city. In Budapest, a two-tier administrative system was introduced in 1990 and the decision-making power was substantially shifted from the city to district level. Local governments of districts became very influential and they could elaborate their own policies in many fields including housing, health and social care. The decentralised public administration system has brought about many conflicts and problems in Budapest, but as has been noted the lack of strong central control (and policy) can provide favourable conditions for certain creative activities to flourish.

We can also observe clear similarities in our three cities. In each case, the main emphasis of competitiveness policies rests on the improvement of the basic infrastructure of knowledge creation. This normally includes new technology centres, science parks, university facilities and research laboratories. Development of long-distance transport, especially airport, facilities are also frequently on the agenda. All these developments are clearly aimed at creating new enterprises and improving knowledge transfer, and not so much the attraction and retention of creative people. The primary objectives of national, regional and local policies in our three cities relate to provision of hard factors that are seen as enhancing competitiveness. Soft factors are considered to be important only at the local (city or urban district) level, and policies (initiatives) aimed at attracting talented people in these cities are either weak or absent.

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