

Building Regions

Andrew Curry looks at why some regions and cities prosper while others decline and thinks it seems to be an unpredictable mixture of economics, social network and place, with cultural institutions

such as the BBC playing a major part in seeding regional success.



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The question of why some regions and some cities prosper, and others decline, remains to some extent a mystery. As a subject it has fallen between the cracks of different disciplines. The conclusions are still contested. However, as we come to understand complexity better, it seems that success is an unpredictable mixture of economics, social networks and place.

One of the central findings from research is that public institutions have a central role to play – and increasingly cultural institutions are an essential part of the mix. Organisations such as the BBC, which combine scale and expertise with a long-term view, and have a public and creative purpose, are unusually valuable when it comes to seeding regional success.

It is a subject of pressing importance. Conventional regional policy has, by most accounts, done no more than offset the effect of market-based economic systems to suck resources to richer areas from poorer areas, slowing the cycle by which those places which are already doing well start to do better.

Despite the conventional wisdom that increased globalisation and the digital revolution mean ‘the death of distance’, in practice distance still matters. It may appear counter-intuitive, but proximity matters more when value is created

Opposite: *MediaCityUK*

from increasingly rich and complex types of knowledge. Equally, our leisure is also more likely, not less, to involve going somewhere to do something. Place still has a purpose. Knowledge is more than just information; experience is more than just consumption.

And, looking forward a generation, proximity will become more important, not less. Energy prices are expected to increase, perhaps sharply, as oil supplies decline, and increasing constraints on carbon emissions will also make it harder to travel. Making sure that localities work – that people can live, work and play within a reasonable geographical area – will become more important to public policy.

The nineteenth-century economist Alfred Marshall was the first to ask why certain industries gathered in certain places; why there were cutlery companies in Sheffield, iron workers in Birmingham, or cotton textiles in Manchester. His explanation was about the relationships between businesses: once a group of firms emerged, they created a market for skilled workers; specialist support businesses would be attracted to the area; and groups of firms would exchange ideas and develop technologies and innovate more quickly. In a famous phrase, he said, ‘The mysteries of the trade become no mysteries; but are as it were in the air.’



Source: Michael Porter

Fig. 1

In effect, Marshall described a system which functioned as an ecology, before such language was widely used. The American management theorist Michael Porter – who has advised the British government – has more recently gained much attention for his notion of a ‘diamond’ which underpins successful regional development, but at heart his model is little more than an updating of Marshall’s pioneering work. It links competing firms, market demand, supporting industries, and ‘factor conditions’ (often

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education institutions) which support the development of skills, expertise and technology (Fig.1).

The biggest global study of why particular places become sources of technological and economic innovation was conducted by the sociologist Manuel Castells and the geographer Peter Hall. In *Technopoles of the World* (1994) they found the types of factor identified by Marshall and later by Porter to be necessary, but not sufficient. Some places which had the right ingredients did not succeed.

This was because context was critical. Networks of businesses and people emerge in particular places because of a particular mix of the technical, cultural, social and historic. The critical ingredient in Castells and Hall’s study was the ability of the location to ‘generate synergy on the basis of knowledge and information’, and then to apply it to productive commercial applications. Such development is often ‘path dependent’; long-term outcomes may be disproportionately affected by small events early in the development cycle.

There are three important initial conclusions from this:

- 1 Outcomes of any attempt to manage for regional success are likely to be unpredictable.
- 2 ‘Picking winners’ is likely to fail.
- 3 Copying elements of success elsewhere is likely to be

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unsuccessful, since it is never possible to understand all of the specific contextual factors which have created that success.

In other words, approaching this issue as just being an aspect of economic policy is not enough.

The second element lies in social networks, and the different forms of knowledge capital embedded in them. By knowledge capital we mean the knowledge that people have and hold, the connections between them that enable that knowledge to flow between them productively, and the values (for example, values such as ‘co-operation’) which enable it to be used productively. Such capital becomes much more valuable as the inter-connections increase in number and density.

There are four kinds of knowledge capital: social, cultural, human and intellectual. They are slow to develop, difficult to legislate for and almost impossible to measure, and are distinct from one another. Building the depth of social networks takes patience – and it needs a base to build on.

The notion of human capital derives from the notion that capital is increasingly found in the knowledge and skills of the workforce rather than in traditional assets such as land, machines or buildings. Human capital resides in individuals, although well-managed organisations can convert this into intellectual capital, which should be greater than the sum of its parts.

Intellectual capital is generated inside organisations (non-commercial as well as commercial), and can be thought of as the ‘competitive knowledge advantage’ of an organisation. But its roots are often found in human capital created in educational, cultural and related institutions. Equally, companies can burn off their own human and intellectual capital, and they do.

Social capital is the social equivalent of human capital in that it resides in groups, not individuals. It has been defined as

‘the ability of people to work together for common purposes in groups’. Values such as ‘reciprocity’ and the ability to accept and honour obligations lead to the creation of trust, which has a measurable economic value. As the Swedish academic Leif Edvinsson has said, ‘Trust is the bridge which knowledge flows along’.

Although human, intellectual and social capital are all necessary to the long-term development of creative industries, they are not sufficient. The fourth component is cultural capital. If human capital resides in individuals, intellectual capital in organisations, and social capital in groups, cultural capital resides in places (Fig. 2). It represents collections of shared meanings and understandings, shared history, a process of local negotiation about signs.

The Manchester music scene provides an example of how such cultural capital develops. In the late 1980s, bands such as New Order, the Stone Roses and the Happy Mondays, and DJs such as Mike Pickering and Paul Oakenfold, emerged from a cultural mélange which included the city’s black subcultures, techno, house and indie music. Local entrepreneurs helped, such as Tony Wilson. The Factory Records label – already a decade old – was based in the city, and the label had, along with the Manchester band New Order, also financed the opening of influential Hacienda club.

The Manchester scene imploded in the early 1990s in a mire of drugs and local gangsterism, but it proved resilient. Its cultural ecology, which included sets of relationships – between musicians, promoters, managers, and producers – as well as shared learning, created the conditions for the later emergence of bands as different as M People, the Chemical Brothers and Oasis. By then, the city’s club scene was booming, as Manchester was promoted as a ‘24-hour

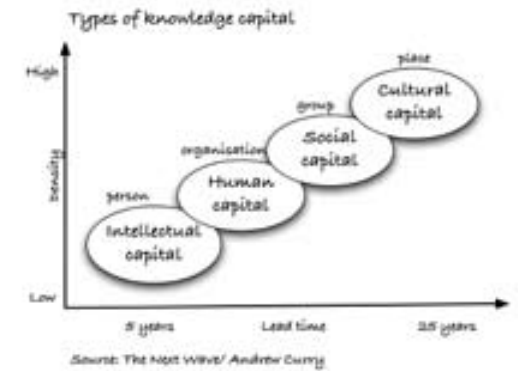


Fig.2

city'. The more recent Manchester successes, Doves, met in the Hacienda.

The third part of this equation is about places. Rosabeth Moss Kanter in her book *World Class* (1995) suggests that to attract and keep high-quality knowledge-based industries, cities need both 'magnets' and 'glue'. The magnets are the landmark institutions which attract business, while the glue is the interaction – social more than economic – which makes it stay. In the United States, for example, Boston's magnets include its research and education institutes, of which Harvard and MIT are the most famous. Their development has been stimulated by federal government spending on defence and research over 40 years. The economist Diane Coyle expanded on this point in her paper, *The Richness of Cities*: 'Institutions of education, science, culture and entertainment are as important to economic success as airports and railways. This is a message some local officials and politicians find hard to accept'.

In *The Creative City* (1995), Charles Landry and Franco Bianchini describe this quality which keeps people in a city as *milieux* – the pleasures of the place:

Being a base for knowledge-intensive firms and institutions, such as universities, research centres, and cultural industries, has acquired a new strategic importance. Future competition between nations, cities, and enterprises looks set to be based less on natural resources, location, or past reputation, and

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more on the ability to develop attractive images and symbols and project these effectively.

In other words, institutions on their own are not enough. The 'creative city' needs to offer more: to create symbols, events, exhibitions and spaces of exchange. Face-to-face contact is an essential complement to telecommunications, not a substitute. Events can support a local cluster while also creating the social exchange, especially with outsiders, which is essential to development. Sheffield University holds an annual Documentary Festival which attracts national and international programme makers. Manchester very deliberately set out to support its music industry with 'In The City', an annual festival that includes seminars and workshops as well as gigs. It is place that enables the intellectual capital of firms to become the social and cultural capital which transforms a city or a region.

Richard Florida's work on the 'creative class' links these last two. His work has its critics, but at its core is an observation about the increasing economic value of knowledge workers (the creative class is broadly defined) and the spatial and cultural characteristics of cities which tend to attract them. In summary, he argues that cities which attract knowledge workers tend to be those which have greater diversity and higher levels of quality of place, and in turn this is because members of the creative class tend to make location choices on the basis of lifestyle interests. It's about culture as much as amenities. The rewards tend to go to the successful; once a place gets a reputation for being cool, more people want to work there.

And tolerance and diversity can have rich rewards. Cross-pollination is particularly valuable for the development of creative and cultural industries. Paris, for example, has become the European centre for the production of ‘world music’ because of its cultural and transport links with its former colonies in West Africa (Senegal, Mali, Côte d’Ivoire and so on) which have meant that African musicians seeking a wider market gravitate to Paris to play and record. As in London and elsewhere, cultural diversity is an economic asset.

If the story here is about a complex interchange between economics, social networks and qualities of place, there’s still a missing ingredient.

Cultural capital and social capital are both social constructs which depend, crucially, on public investment over a prolonged period of time in what one might call public capital – human, cultural and social (Fig. 3). The reason for this is a straightforward matter of economics: as James Coleman has observed, such capital is a ‘public good’, and as with all public goods, there will not be enough investment in it if is left to the market.

Public institutions seed industrial clusters in multiple ways. At one level, the presence of a public broadcasting institution of the size of the BBC can have large and positive effects

on the development of industrial expertise. The decision to locate the production of *Doctor Who* in Cardiff, for example, has galvanised the Welsh broadcasting industry. The DCMS report *Staying Ahead*, written by the Work Foundation, identifies both the economic effects (income from network production budgets finds its way into local suppliers) and also the development of skills (as experienced Welsh designers come home and work with younger colleagues), as well as creating a sense of excitement about Cardiff.

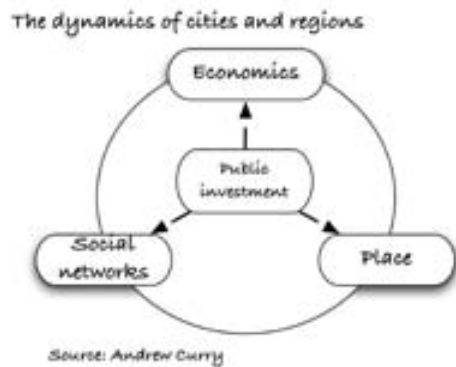


Fig. 3

But public investment has other effects as well; it creates the opportunity for experimentation, for different aesthetics, as Robert Wyatt of Soft Machine sang in ‘Moon in June’, his paean to BBC Radio 1’s Peel Sessions:

*Playing here is lovely, here on the BBC
We’re free to play almost as long, and as loud, as a jazz group
Or an orchestra on Radio 3.*

Playfulness matters because it is about doing things which do not have to be delivered, which are done for their own sake. As with children, play offers safe spaces in which individuals can take risks and experiment.

This is, however, a long game. It took 30 years for Silicon Valley to emerge as a world leader, supported richly by public investment in its formative period. It has taken more than 20 years for Cambridge to achieve eminence as a software centre. Such time scales are not for the fainthearted. And because of the complexity of the process, it needs leaders who are willing to be ‘civic entrepreneurs’, who care about politics, business and culture. The lack of such inclusive and long-term leadership is often a factor which holds regions back.

For regions and cities have to build their success for themselves. Ecologies are local affairs. The public resources which need to be spent on the development of clusters need to be acquired and managed locally.

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The story of Salford’s MediaCity, still in its early days, is nonetheless instructive. The BBC’s decision to move several national network production departments there, along with its Manchester production centre, has encouraged Salford University to invest in premises in MediaCity for teaching and research, and these will also encourage technology innovation and spin-offs. As a result, the complex has been able to attract substantial research funding from both the UK and the EU. The university’s involvement will mean that digital media innovation will extend beyond broadcasting, to health, sports sciences, the built environment and other schools where it has strengths. It should also open up innovation in learning methods. If one of the lessons is about creating possibilities rather than picking winners, MediaCity creates the space in which opportunities are able to emerge.

Social and cultural capital is largely a product of social and cultural investment, built (sometimes accidentally) through public expenditure. Some of its results are unpredictable and not readily measurable. One of the outcomes of the expenditure on art colleges in Britain in the 1960s and 1970s, for example, was a lot of good rock and roll – from The Beatles to The Who to The Kinks to Roxy Music. (The art schools also produced, as intended, a lot of good designers and creative directors.) With hindsight we can identify the reasons for this: art colleges at the time attracted disproportionate numbers of students from more diverse backgrounds, who were more likely to take risks; many of the characteristics which we know, also with hindsight, produce cultural capital and innovation. Even though it was a valuable outcome, both culturally and economically, it was not intended and could not have been anticipated. Ecologies need connections to emerge, but they also need space, time, commitment, energy and patience. ■

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