Towards the Creative and Knowledge Economies: Analysing Diverse Pathways in Spanish Cities

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ABSTRACT Until 2007, many Spanish cities developed ambitious policies and programmes to foster the creative economy in a context of economic expansion mainly driven by the growth of the real estate sector. The goal was common but the means were considerably diverse. Currently, the development of creative sectors and the emergence of new economic activities in Spain have to cope with the deep economic recession affecting the country: given the considerably different specializations and prospects of employment creation, cities’ strategies differ from one to the next. In this paper, these differences are explored through the analysis of four Spanish cities: Madrid, Barcelona, Bilbao and Valencia. First, we analyse how different paths of industrialization and modernization paved the way for different forms of transition towards the creative economy. Secondly, we elaborate on how the local context, defined by the set of actors interacting and the existence of economic traditions, frames a specific vision on creative and knowledge industries. Finally, the paper indicates to what extent the development of the creative economy in the four Spanish cities depends on the combination of trajectories and disruptive changes.

Introduction

The transformation of economic activity that globalization entails identifies as key sectors those incorporating high added value from creativity and knowledge (Sassen, 2009). In this context, cities and their metropolitan areas face new competitive parameters that usually require rethinking traditional strategies of survival in the international arena, covering not only the discovery of innovative economic patterns but also new approaches to competitiveness. In recent decades the world’s major cities have experienced a significant
shift towards such activities, creating or attracting them, seeking to improve regional or metropolitan competitiveness.

Cities have limited resources and are basically defined by three elements; their own economic pathways, the agents involved and the policies that they develop (Musterd & Gritsai, 2013). Despite the importance of traditional and contemporary location theories, the conditions for creating or stimulating creative knowledge regions in the context of a global economy are certainly dependent on urban history and the economic tradition of the territory: different paths of industrialization and modernization pave the way for different forms of economic transition. Path dependence is stressed as a clear determinant of current urban strategies and, definitely, as a variable to be taken into account in defining economic challenges (Mahoney, 2000; Lambooy, 2002; Musterd et al., 2007). The diversity of world cities is huge in terms of dimension, economic specialization and trajectory; they could hardly follow the same strategy to attract economic activity.

During the last three decades, the Spanish economy has experienced major changes marked by modernization and internationalization. These were also decades of remarkable economic growth, with rates consistently higher than those of the Euro-zone countries. However, this growth has not been achieved without major chronic imbalances related to a GDP growth based on real estate expansion and the low rate of productivity achieved since the country entered the EU (Pareja-Eastaway & Turmo, 2013). Spain is one of the countries where the current crisis has seriously hit the economic system and the societal structure. Therefore, the analysis of how the four larger metropolitan cities, that is, Barcelona, Bilbao, Madrid and Valencia, have reacted to this major shock, their similarities and differences, together with their successes and failures, becomes of paramount importance. Despite their different economic specializations, GDP per capita and population size (see Table 1), these four territories are currently coping not only with the economic crisis but with the demands of a new global order where cities become the nodes of competition and innovation.

The main objective of this paper is to discuss the elements that contribute to a better competitive position for four Spanish city regions: Barcelona, Bilbao, Madrid and Valencia. These cities are considered as examples of the alternatives adopted by many Spanish cities, providing arguments to appropriately design policies to strengthen and improve those aspects that are considered as critical in a period of economic crisis and public

<table>
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<tr>
<th></th>
<th>Catalonia (*)/Barcelona (+)/Barcelona city (x)</th>
<th>Basque Country (*)/Bizcaya (+)/Bilbao (x)</th>
<th>Madrid (*)/Madrid (+)/Madrid (x)</th>
<th>Valencia (*)/Valencia (+)/Valencia (x)</th>
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<tbody>
<tr>
<td>Population</td>
<td>7,539,618/2,184,606/1,620,943</td>
<td>5,552,050/1,158,439/351,629</td>
<td>6,483,680/351,629</td>
<td>6,498,560/7234/2,580,792</td>
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<tr>
<td></td>
<td>5,117,190</td>
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<td>5,117,190</td>
<td>2,580,792/797,028</td>
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<tr>
<td>Surface (sq.)</td>
<td>32,113</td>
<td>7234</td>
<td>8029</td>
<td>23,255</td>
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<td>Provinces</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Municipalities</td>
<td>947</td>
<td>261</td>
<td>179</td>
<td>542</td>
</tr>
<tr>
<td>GDP contribution</td>
<td>18.6%</td>
<td>6.2%</td>
<td>17.6%</td>
<td>9.6%</td>
</tr>
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Source: INE (*) Autonomous Community; (+) Province; (x) City.
austerity. In particular, we aim to identify the role of path dependency and “top-down” approaches in the current strategies adopted by each metropolitan region: the different historical endeavours towards the creative and knowledge economy are assessed, together with a special focus on the articulation of governance in the territory and specific actors’ involvement in the process.

In order to do this, the results of CREAURBS (“Creativity and Knowledge: pillars for a new urban competitiveness”, 2010–2012), a research project funded by the Spanish Ministry of Economy and Competitiveness, are used. This study compares the aforementioned four metropolitan cities and their ability to compete in the international arena. The methodological approach we followed in this project was both quantitative and qualitative. In addition to the exploitation of the existing primary data provided by the INE (National Institute of Statistics), the Spanish Office of Patents and Brands, the Ministry of Economics and Competitiveness and the Spanish Social Security system, we conducted a survey in 2011 (CREAURBS Survey) with 250 creative and knowledge managers and workers, as well as 25 in-depth interviews with representatives of key actors (policy-makers, stakeholders, creative and knowledge companies) in the four metropolitan regions. As the focus of this paper is on political and economic changes, we present here some of the results of the qualitative interviews carried out with policy-makers and key experts or stakeholders.

First, we summarize the most relevant issues to be taken into account when looking at the relevance of path dependency in the context of urban competitiveness. Secondly, we analyse how different paths of industrialization and modernization paved the way for different forms of transition towards the creative economy in Spain and how the local context, defined by the set of actors interacting and the existence of economic traditions, frames a specific vision on what the creative industries are and how to promote them. Finally, the paper indicates to what extent the pathways of their economic development and governance models provide better tools to promote their competitiveness.

Path Dependency, Urban Competitiveness, and Creative and Knowledge Sectors

Historically, urban economic development has been nourished from the traditional theories of company location based on the existence of agglomeration economies and synergies between actors (Beccatini, 1979; Amin & Thrift, 1992; Porter, 1998). Later, other arguments have been developed based on the belief that the city environment and its quality of life, in short, the availability of “soft” factors, might be decisive in the location of talented people. The cities’ ability to attract and retain talent and creativity has been considered one of the most determinant variables for improved positioning within the urban competition scene (Landry, 2000; Florida, 2002).

Although the location of economic activity usually follows some incentives, such as benefiting from the externalities created between companies and the synergies between different productive processes, the impact across the territory strongly depends on the available technology, the structure of the market and previous patterns of industrialization. The benefits of the effects of attracting certain economic activities to the city essentially depend on how the territory is involved and connected with the existence of these effects (Scott, 2006). In particular, the economic links established between companies go hand-in-hand with the proliferation of a diverse range of social interactions that, although based in the economic fabric, go further in the establishment of personal and professional mutual
understandings, favouring the transmission of spillovers from this complex network to the
real world (Jacobs, 1972). This is particularly true in the creative and knowledge sectors
that consider human capital, talent, as a decisive input in making the most of the oppor-
tunities associated with the new economy.

Economic histories and cultural and political processes created and developed in
regions highlight their historical record; their temporal belonging to the market
economy, industrial development, geo-political characterization and the impact of
public policies (Kovács et al., 2007). Two spheres of great magnitude are relevant in
studying the competitive city of today: the economic and the social. Beyond thoughts
around economic indicators and their magnitude, the scope of the social and organizational
structure of the territory indicates a uniqueness explained by the role of certain factors for
promoting the city’s attractiveness, such as the diverse composition of its society, its pol-
itical traditions, and the whole set of politicians, stakeholders and policies promoting and
stimulating creativity and innovation at a regional level (Storper & Scott, 2009; Ponzini &
Rossi, 2010).

The governance mechanisms, rooted by definition in the city’s social and institutional
substrate, might enhance different strategies by public and private bodies seeking to stimu-
late creativity and knowledge. They can differ considerably according to some specific
items, being capable of changing the result of the measures taken: the timeframe of initiat-
ives, more or less involvement by relevant stakeholders, and the consensus reached are
some matters to be considered in analysing the contribution of governance to the
success of adopted measures (Pareja-Eastaway & Pradel i Miquel, 2010). Evidence
shows that cities reinvent themselves successively in order to adapt to the requirements
of the times, particularly in the knowledge economy, making an extensive use of public
policies (Crosa et al., 2010). Nevertheless, success or failure in adopting specific
measures goes beyond the setup or the efficiency of action: the historical legacy and spe-
cificities of the territory where the policy is implemented play a relevant role. In that sense,
the following questions gain remarkable significance in understanding the urban response
to the new economic landscape:

- What has been the role played by the existing path dependency of cities in adapting to
  this changing environment?
- To what extent has the flexibility provided by the articulation of a certain governance
  model in a particular context also influenced this adaptation?
- What could be the combination between benefitting from trajectories and creating a
  completely brand new context in a top-down approach?

Divergence in Economic, Cultural and Institutional Pathways in Spanish Cities

To understand local variations on policies and economic activities among cities in the
creative field, we must pay attention to the diverging historical development paths of
the territories, and their constitution as territories as such. Here, territories are understood
as social constructions emerging from stable social relations in a geographical area,
including economic relations, political organization and reciprocity practices (Keating,
1998, 2001). In fact, looking at the history of the industrialization of cities and the path-
ways they have followed, we can understand not only current needs and priorities, but also
the compound of the constellation of local actors and a set of norms and values on economic relations that frames political decisions (Scott, 2006; Musterd & Murie, 2010; Musterd & Gritsai, 2013). Although it is too far from our aim to present an exhaustive analysis of the four cities’ development paths, in this section we take a look at the configuration of pathways in Barcelona, Bilbao, Madrid and Valencia which may be taken into account as four different models freely adopted by many other cities in Spain. Three different elements are stressed: (1) the configuration of their economic profile since early industrialization, (2) the emergence of different cultural traditions and (3) their wide diversity in urban governance models.

Configuration of the Economic Profile since Early Industrialization

Spanish cities have different paths of industrialization and modernization in their economic structures, linked to the general pattern of reshaping traditional economic specialization in Spain. We have focused the analysis on four cities that represent divergence in economic, cultural and institutional pathways under three different elements that, to our understanding, shape the diversity in the current morphology of Spanish cities: time of industrialization, urban development and public–private involvement.

In contrast to other countries, Spain suffered a weak and uneven process of industrialization during the nineteenth century, because of the capacity of the Ancient Regime structures to resist modernization and to remain in control of political power. A common project for the bourgeoisie was difficult to reach as the interests of actors of the different cities were not always the same (Solé-Tura, 1974). The four cities show different strategies to control political and economic power: the bourgeoisie in Barcelona and Bilbao developed nationalist political projects to defend their interests, whereas the elites in Madrid and Valencia remained attached to the centralist state model. These differences can be explained through the different paths of industrialization.

Barcelona and Bilbao were the two earliest industrial cities in the country, together with small municipalities in their regions. Both cities experienced slightly different processes but, by the end of the century, they were strongly industrialized with a deep transformation in their urban morphology. These two cities were receiving incoming population from the countryside, especially Barcelona, which became the second most populated city of Spain at the end of the nineteenth century with around half a million inhabitants, very similar to Madrid, which was the first. Madrid’s complete industrialization did not take place until the second half of the twentieth century. During the nineteenth century, its position as capital of the country allowed for the development of services and cultural institutions, as well as the development of a relevant financial sector. Finally, Valencia maintained agriculture as its main economic activity, but modernized production through industrial processes, mechanization and innovation, allowing for the emergence of industries outside the city, with several industrial districts serving the needs of agricultural economic activity and later expanding to the rest of the country.

During the post-war period, centralist policies brought increasing relevance to Madrid in terms of industrial GDP during the second half of the century, and decreasing relevance to the smallest provinces of Valencia and Biscay (see Table 2).

Due to their industrial expansion, from 1854 Barcelona spread beyond its city limits and soon absorbed nearby municipalities, whereas Bilbao expanded along the Ria (the estuary of Bilbao), the natural waterway that allowed for iron trading. In fact, by the second half of
the nineteenth century, Spanish cities faced major transformations with the demolition of
walls, urban expansion, urban renewal and the improvement of urban services. This
transformation contributed to the capital accumulation of the bourgeoisie (Capel, 1975).
Madrid, strongly favoured by the modernization of the state, underwent this process in
the context of a non-heavily industrialized city. The modernization project of the national
government was based on a centralized communication infrastructures network with the
aim of transforming Madrid into a large metropolis, similar to London or Paris. Madrid
accumulated administrative, political and cultural institutions, including the Royal
Court, the parliament, national galleries and museums, and other institutions. Its relevance
as a capital brought about the emergence of services-oriented companies, including from
the hotel industry, education services, trade, transport, and financial and real estate sector
companies, among others. There were also certain forms of industrialization linked to the
administration and the state apparatus, including railway repair companies, the
National Coinage and Stamp Factory and the telecommunications company.

Madrid’s urban expansion reflected this dualism between strong services sectors and inci-
pient industries, with the former tending to locate in the north and the latter concentrating
near the railway stations in the southern part of the city (Méndez et al., 2006). Finally,
Valencia was an atypical case of urban and economic development as its main activity
remains agriculture and the city remains linked to farming land. Its economic expansion
was linked to the modernization of agricultural production based mainly on wine and
orange production. This modernization allowed for the emergence of chemical, metallurgy
and wood industries in order to provide materials for food production. Food industries
became themselves a relevant sector. Because of this specific model of industrialization,
industrial location was based on communication networks preserving part of the land for
agricultural purposes and creating industrial districts from different sectors outside the city.

The economic and political development of cities in Spain suffered a dramatic shift with
the Spanish Civil war and the victory of Francoist troops in 1939. Local actors in economic
development were dependant now on the centralized decisions of the dictator, and local
traditional economic elites had to share power with leaders of the victorious gang. In
this framework, the regime promoted a fascist model of industrialization based on the
so-called National Industrial Institute (INI) copying the Italian fascist model. Through
the INI, the state promoted the creation of national companies, the reconstruction of infra-
structures and the creation of large industrial complexes. Thus, the industrialization of
Madrid and the reinforcement and modernization of industries in Bilbao and Barcelona
were clear results of a process with uneven success. Industrial sectors in Valencia, for
their part, took advantage of the protected national market, consolidating industrial dis-
tricts in certain sectors such as furniture or toy making.

Table 2. Contribution of the four provinces to the national industrial GDP (1955–1985)

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<tbody>
<tr>
<td>Barcelona</td>
<td>24.9</td>
<td>24.3</td>
<td>22.9</td>
<td>19.5</td>
</tr>
<tr>
<td>Madrid</td>
<td>8.9</td>
<td>13</td>
<td>13.2</td>
<td>12.2</td>
</tr>
<tr>
<td>Valencia</td>
<td>6.3</td>
<td>5.2</td>
<td>5.8</td>
<td>6</td>
</tr>
<tr>
<td>Biscay</td>
<td>7.3</td>
<td>6.8</td>
<td>7.3</td>
<td>5</td>
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These different patterns of industrialization brought about different economic actors ruling the city, as well as different forms of organization of the working class, and the canalization of social conflict. Moreover, how the local bourgeoisie of each city tried to influence nationally based decisions also differed. All of these strategies consolidated diverse local pathways that have continued through time. With such different processes of industrialization, the strategies to face de-industrialization and the crisis in the 1970s were also different, particularly after the Spanish transition to democracy (1976–1981), when there was a shift towards decentralization with the creation of regions and the capacity of cities to develop their own policies (Brugué et al., 2001; Pradel, 2012).

The Emergence of Different Cultural Traditions

The political configuration of the local bourgeoisie also has an influence on the development of cultural traditions and, therefore, on how the emergence of cultural industries is accommodated, paving the way for the generation of new dynamics with de-industrialization (Keating, 2001). Madrid and Barcelona were the main centres of development of cultural and leisure industries since their modernization: the emergence of new lifestyles, the diversity of companies and activities, and the consolidation of the bourgeoisie brought about the materialization of economic activities that nowadays can be considered as “creative sectors” (for instance, advertising, radio, cinema, theatre, performing arts or publishing). In Madrid, the creation of state cultural institutions, such as the National Library (1836), national museums and theatres, paved the way for the emergence of private cultural initiatives as well as economic activity dependant on these public institutions. Besides, the concentration of political power in Madrid brought about the emergence of media industries, especially newspaper agencies and publishing houses.

Nevertheless, until the end of the Civil War, the development of cultural industries in Madrid was shadowed by the strength of Barcelona, which became the cultural capital of Spain (Rodríguez Morató, 2008). As has been stated, since the end of the nineteenth century the Barcelonese bourgeoisie supported a political project around Catalan nationalism, which meant the promotion of Catalan culture; private actors and cultural associations fostered institutions and cultural resources to spread this. At the same time, cultural sectors such as publishing or leisure industries increased their relative weight due to population growth, the improvement of literacy amongst the bourgeoisie and the apparition of leisure time. Due to its innovative industrial environment, Barcelona was also the scene of the rise of pioneering industries such as the first Radio station in Spain, EAJ1 Radio Barcelona and the first film studios.

Workers also promoted their own cultural institutions and associations, mainly based on the promotion of anarchist and republican ideas through culture that contributed to bringing dynamism to Barcelona and Madrid. By contrast, there was no sensible development of cultural industries in Bilbao and Valencia. Due to the unwillingness of its local bourgeoisie, Bilbao did not develop large cultural institutions, there were no significant clusters of cultural industries, and the Basque culture remained mainly rural without a role in the development of such industries. In Valencia, which shared cultural elements with Barcelona, there was a certain cultural emergence following the Catalan trend with the emergence of Catalan–Valencian culture and the creation of cultural institutions, but there was no clear link between the support for these institutions and a political nationalist
project because of the embeddedness of the Valencian bourgeoisie among the elites of the capital city.

After the Civil War (1936–1939), cultural industries suffered a contraction as cultural sectors were heavily controlled by the regime. Centrist policies also concentrated cultural industries in Madrid. The creation of the National Radio (1938) and Television (1956) companies in Madrid meant the concentration of filming activity in that city, as well as radio and part of the music industries. Besides, the position of Madrid as the capital of Spain reinforced the role of its cultural institutions. Barcelona, the former capital of cultural industries, saw the emergence of a countercultural movement around Catalan culture that had an impact on music and publishing. Moreover, Barcelona had a long concentration of publishing companies that continued during the Francoist period and also participated in the Catalan recovery since the 1970s. The return to democracy would again change the hegemonic actors ruling the cities and the framework for cultural industries.

**Shaping Diverse Governance Frameworks**

The Spanish transition and the return of democracy (1976–1981) brought a new governance framework to the country in which decentralization was a key element. For the first time, the constitution foresaw the existence of a regional level or Autonomous Communities (A.C.) and devolved competencies for the municipalities. In practice, the development of A.C. meant a concentration of power and funds in regional administrations, whereas the local level received new possibilities for policies in different fields, but scarce resources to develop them (García-Milà, 2003). The central government tended to increasingly decentralize policies such as healthcare, employment and education, but without developing a comparable decentralization of funds. Besides, after 40 years of forced centralization, both regional and local administrations were reluctant to integrate their policies vertically with other levels of government, or to collaborate with other administrations at the same level.

This new democratic framework was developed under a severe industrial crisis, an effect of the excessive protection of the national market during Francoism and the delayed effects of the oil crisis. By the end of the 1970s, Spanish cities had to face a double challenge: modernising the economy in a context of industrial crisis and providing citizens with services and resources lacking since the fifties. Like many others, the four cities faced these challenges from different departing points: Madrid, as the capital of the country, had a relevant financial sector and a strong presence of the services sector in its economy. Besides, it had developed an industrial sector with innovation capacity (García Delgado, 1990). Barcelona had a diversified industry with the incipient emergence of tourism, even though there had been a movement from traditional industrial activities such as textile, towards more lucrative sectors such as the real estate sector. Tourism was also growing in Valencia, which became the holiday destination of the Madrid population. The availability of land due to the agricultural basis of the city allowed a rapid reconversion of the economy towards tourism, with the construction of hotels and apartments and the growth of the real estate sector. Finally, Bilbao, like many other cities already specialized in heavy industries, suffered from its excessive specialization in the metallurgic sector. After two decades of intense growth, Bilbao’s Fordist industries declined significantly (Eizaguirre, 2012, p. 105) despite a relevant financial sector and a favourable tax regime.
As we will see later, the 1980s were the period of large revitalization projects and new urban policies within the framework of democracy in which local governments adapted the existing legal framework and created new governance tools for decision-making, like partnerships and other forms of public–private collaboration. These efforts to overcome the crisis were taken at the same time that regional governments were established and started to assume competencies and develop legislation. Thus, the governance framework of each city was increasingly diverse, depending to a great extent on the political action and the legislation of the regional government. In the four cases we find patterns of low levels of integration between local and regional governments regardless of the political parties ruling them, and new governance arrangements based on public–private partnerships to promote urban regeneration and the transformation of the economy.

In Barcelona and its metropolitan region, leftist parties became hegemonic and promoted social-democratic forms of economic development based on social dialogue and the involvement of the citizenship in decision-making processes (Blackeley, 2005). The Catalan government, ruled by conservative nationalists, by contrast, promoted less interventionist policies with the centralization of decision-making in the regional government, and liberal approaches that framed the possibilities at a local level. Moreover, the regional government limited the possibility of a metropolitan authority. Facing this situation, Barcelona tended to promote voluntary partnerships with other city councils, as well as societal and private actors.

In Madrid, the regional government could play a role as the de facto metropolitan authority, but conflict soon emerged with the central city regarding the development of policies. Until 1995, the Autonomous Community was ruled by the Socialist party, but that year there was a shift towards the conservative Partido Popular, which also brought a shift in the orientation of policies and the legislative framework towards a neoliberal, non-interventionist approach. Valencia followed a similar pattern, as in the 1990s the same conservative party took power both in the city council and the regional government. Economic actors in Valencia followed the previous path of linking their economic activities to the capital and orientated their efforts towards the real estate sector and leisure tourism, with part of the customers coming from the capital.

In Bilbao, an integrated approach between administrations took place from the 1980s with the collaboration of local, provincial, regional and national levels to develop the physical transformation of the city, which was considered key to economic renewal, even though this approach lacked a metropolitan vision and a strong economic basis (Eizaguirre, 2012, p. 108). These large transformations took place in parallel with the efforts of private actors, promoting industrial innovation, and the important role of civil society actors.

Summarising, strategies developed in the 1980s and the 1990s must be framed in a context of increasing decentralization of decision-making that brought about different scenarios. In this context, the promotion of creativity and innovation takes different orientations. In Madrid and Valencia, liberal approaches promote the central role of private actors in urban renewal and economic development, whereas in Barcelona, the city council plays a more central role developing cultural and economic promotion policies through public–private partnerships in which the city council takes the lead. In Bilbao, the significant activity of public administrations in urban renewal is completed by strong private actors playing a role in industrial innovation and civil society, being able to obtain resources for different purposes, including actions against social exclusion, and for culture, creativity and innovation initiatives.
Approaching Creative and Knowledge Sectors from Urban Diversity in Spain

Now that we have depicted the historical trajectories and multi-level governance frameworks of the four cities, we are in a position to better understand how creative and knowledge industries have been accommodated in each case study since the 1990s. Due to methodological problems (lack of available data for city regions), data used in this section refer to the Autonomous Communities (A.C.), our four case studies being their capitals. Each city has developed different approaches to the fostering of creativity and knowledge: we explore, on the one hand, the economic capacity to accommodate the new sectors and, on the other, the use of culture throughout the celebration of events or the building of flagship museums or monuments.

The Economic Capacity to Accommodate Creative and Knowledge Sectors

According to the data provided by the Spanish National Institute of Statistics (INE), the contribution of creative and knowledge sectors to employment differs between city regions: while in the A.C. of Madrid they represent nearly 30%, Valencia and the Basque Country exhibit the lowest percentage (around 20%), and we find the A.C. of Catalonia with around 25%. However, the composition of employment between creative and knowledge sectors varies between all territories during the period 2009–2011. Creative and knowledge sectors participate in total employment in considerably different ways: creative sectors contribute around 4–6% of the total employment and knowledge sectors’ contribution oscillates between 12% and 22%. A common characteristic of the four regions is that knowledge activities perform better than creative sectors, exhibiting unemployment rates below the average and almost no employment destruction (Pareja-Eastaway & Turmo, 2013).

The presence and recognition of each territory’s economic trajectory award the area with uniqueness and places its growth on a basis determined by the dynamics of each region without diminishing the importance of “top-down” urban policy strategies for supporting the sectors considered necessary and fully emerging in the local context. In Madrid, for example, a combination of non-interventionism and a strong top-down approach has been the case. On the one hand, the market and the city’s previous specialization have shaped a certain development of creative and knowledge activities:

We can consider different approaches. One of them is to be more interventionist, in other cases less. The case of Madrid, I would say that’s pretty extreme in the field of non-interventionism. In fact, an element that I think may serve to illustrate this issue is the following: the Community of Madrid, which in the 90s developed a series of regional research and development plans, for the past three years there is no regional plan for research and development. (Head of Research, Foundation Madrid+i, 2012)

On the other hand, Madrid has certainly opted for a top-down approach to stimulate knowledge sectors but on a larger scale:

There is a de facto priority (in Madrid): Right now there are about a dozen clusters formed in the Community of Madrid. The fact that these clusters are created under the auspices of the Community of Madrid itself through the Department of Economy and an institution that helps
coordinate them called Madrid Network. This is an element of prioritisation and policy development. (Head of Research, Foundation Madrid+i, 2012)

This is also the case, for instance, of the 22@Barcelona, this city’s innovation district. The positive economic performance of the area has probably determined the spread of this type of strategy to the rest of the city. As one informant states:

In fact, when the current mayor Trias assumes his mandate, the first thing he says is: we are going to work on the “@isation” of the city. In this sense I would say that there is consistency, because in these 10 years of history, the 22@ project not only agglutinated all political parties but also has been recognised. There has been consistency with a different change on the focus over time. (Head of Barcelona Growth Office, 2012)

Catalonia and the Basque Country reflect a clear specialization in most manufacturing activities, some of which are knowledge intensive. The manufacturing specialization is lower in Valencia, with an impact on labour-intensive activities, and null in the A.C. of Madrid. However, Madrid has strong expertise in an important part of service activities, particularly quaternary and quinary sectors and, among them, those closely related to productive entrepreneurial activity. Clearly, the weight of these sectors in the Madrid region exceeds the needs of the region itself, which means that it is clearly oriented towards export, both to domestic and international markets (González-Lopez, 2009).

The Basque country shows clear specialization in knowledge sectors and a reduced participation in employment in creative industries. However, as we will see in depth later, this has an effect on the dynamism and the role of civil society, and, consequently, on the possibilities for creativity and innovation:

I think that you have here (Bilbao) ... a very specific creativity, very specific, very different. Bilbao does not have the cosmopolitanism that Barcelona may have, or the proximity to economic sources that Madrid may have, Bilbao has dynamism, a much richer civil society. (President, Creativity Zentrum, 2012)

The A.C. of Valencia’s participation in employment creation in these sectors is more focused on creative sectors (around 5%) than on knowledge (between 10% and 14%, for the whole period). Catalonia and the A.C. of Madrid are leaders in knowledge and also in creative sectors. In this regard, when analysing creative sectors and their evolution we see that in the Basque Country employment in creative sectors is significantly less relevant than in the rest of the city, due to the long tradition in heavy industries and the historical role of the lack of cultural industries in the area. At different points in time, Madrid, Barcelona and Valencia have developed these cultural sectors, linking them to: being a State Capital (Madrid); the push of an autonomous bourgeoisie using culture as a means of self-representation (Barcelona) or the more recent commitment to promoting national and international tourism (Valencia).

Patterns of industrialization and historically dominant sectors explain some differences in the development of creative and knowledge industries. Although Barcelona took the lead in the process of industrialization from the very beginning, the growth of Madrid after the Spanish Civil War turned the two cities into industrial cities with a great diversity of economic activities. Within this diversity, cultural industries and other activities could
emerge and consolidate. By contrast, Bilbao, even though it was a pioneering city in industrialization, rapidly specialized in heavy industries, which required at that time vertical integration and strong financial capital. In this environment of strong concentration of economic activity in certain sectors such as metallurgy, the absence of consistent development of cultural industries became a clear consequence. According to an informant, this has clearly marked out the future areas of specialization of the city of Bilbao:

Industry has to be a key sector forever in Bilbao, because if we are surviving in the Basque Country it is because industry represents 33% of our economy, which does not occur in other territories. (Contact at Lan Ekinza, Employment Promotion Office, 2012)

This process of development clearly influences the fact that attempts to promote new sectors and the tertiarization of the economy in the case of Bilbao simultaneously encounter constraints and opportunities: for instance, when we compare employment in knowledge sectors in the A.C. of Valencia and the Basque Country, the Basque Country shows a stronger position. In fact, the push for the knowledge economy is understood in the Basque Country as the modernization of existing industrial activities and the attraction of new sectors that can be easily attached to the existing environment.

In spite of that, the redevelopment of the Ria in Bilbao and the creation of the Guggenheim can be understood as attempts to foster the tertiarization of the city through the attraction of new sectors and the internationalization of the image of the city. In this regard, this large urban renewal process has elements in common with Barcelona’s redevelopment of the Poblenou Area, in which new infrastructure for knowledge is being developed. These initiatives depart from considering former industrial areas as empty spaces and key areas for the urban development of the city: in both cases, public authorities have assumed a leading role promoting policies to foster the agglomeration and clustering of relevant targeted sectors in these areas. Clustering policies in Barcelona were based on concentrating public or semi-public knowledge-based companies in the area to create the critical mass for attracting other private companies promoting collaboration and exchange between them. These approaches have been strongly controversial, as shown by different authors, in their capacity to attract new creative and knowledge economic activity (Rodríguez et al., 2001; González, 2006; Casellas & Pallares-Barbera, 2009; Martí-Costa & Pradel, 2012).

In Valencia, the organization of industry in small clusters outside the city and the modernization of food industries paved the way for transformation into a tourist centre since the 1970s, transforming the city towards the service economy with a noticeable role for the real estate sector as the leader of economic activity. This development is closely linked with the creation of economic networks with Madrid, as the city became one of the most important tourist destinations for the population of the capital: the growth of tourism was linked with a shift in the strategy of economic and political actors in Valencia who were traditionally tied to Catalonia.

The Use of Culture (International Events, Flagship Projects, etc.) to Reinvent the City

From the return of democracy, city councils started ambitious processes of urban redevelopment where culture was central. In these processes, real estate actors had a prominent role as developers and were also involved in decision-making. In fact, urban regeneration

The Use of Culture (International Events, Flagship Projects, etc.) to Reinvent the City

From the return of democracy, city councils started ambitious processes of urban redevelopment where culture was central. In these processes, real estate actors had a prominent role as developers and were also involved in decision-making. In fact, urban regeneration
projects were largely funded on increasing land value, expecting future returns after the
development. Besides, these projects were accompanied by policies aimed at fostering
human capital, incentivising the creation of new companies and attracting talent, even
though we find different patterns in the four cities.

In Barcelona, the nomination for the Olympic Games of 1992 was the starting point of a
physical and economic transformation of the city towards a service economy, with a strong
role for tourism and culture. As the head of research at the Barcelona Municipality
confirms:

BCN was not a typical tourist city, seen from outside the city was rather industrial and
business oriented (...) BCN is now one of the leading cities in terms of urban tourism attraction
in Europe. This is mainly a result of the transformation of the city that took place because of
the Olympic Games in 1992 (Head of Research, Economic Promotion Area, Municipality of
Barcelona, 2012)

The nomination for the Games allowed for strong collaboration between local, Catalan and
Spanish governments, creating possibilities for a massive transformation of the city,
including the creation of new transport infrastructures, the creation of cultural institutions
in the city centre (MACBA, CCCB) and the reurbanization of part of the industrial district
of the city. As stated previously, at the beginning of the 1990s, the city council proposed to
finish the urban transformation of the city through rebuilding its former industrial neigh-
bourhood: Poblenou. Between 1996 and 2000 the city council defined the project 22@ as
an urban regeneration project to foster the new economy and started urban regeneration in
the neighbourhood, such as the extension of the Diagonal Avenue to the sea. In the first
proposals, the project was promoted as fostering the communication economy or the infor-
mation economy. Later, explicit claims for the knowledge economy were launched and
finally, in 2006, some references to creativity were included. It should be stressed that
in Barcelona, despite culture having definitely contributed to creating the city brand
(Pareja-Eastaway et al., 2013), support for creative, and particularly knowledge, sectors
has been reinforced since 2011. As an informant assesses:

We cannot live under the illusion that we have the brand and that we have the product. Bar-
celona is a very attractive brand, a brand that appeals to people, but this fact cannot hide ( . . . )
that, or we increase the amount of creative companies in this discussion or Barcelona will end
up as a space for tourism. (Head of Creative Industries Institute, Municipality of Barcelona,
2012)

In Madrid, the strategy was based on promoting the services sector and the cultural indus-
tries through urban regeneration directed at improving and taking advantage of the existing
cultural institutions in the city. In 1992 Madrid was declared European Capital of Culture,
which brought about a growing strategy on culture as a motor for economic growth. The
physical regeneration of the city centre and the promotion of new creative neighbourhoods
were part of this strategy. The creation of new cultural facilities such as Medialab or
“Caixaforum Madrid” in the city centre reinforced the role of the Barrio de las Letras, a
central neighbourhood that includes the main cultural institutions of the city (Museo del
Prado, Museo Reina Sofía, Museo Thyssen, etc.). Moreover, the attraction of foreign
investment and the promotion of knowledge industries in the south of the metropolitan
region were also salient. The development of large transport infrastructures by the central
government, such as the High Speed Train and the expansion of the airport, reinforced the
role of Madrid as the capital of the state, and the concentration of financial capital. In this
regard, Madrid continued its historical development path as the capital of the state with
strong reliance on service sectors. According to one informant:

There is one aspect that clearly makes Madrid different, which is its capital status. This fact
meant that, especially after the post-war, Madrid concentrated a lot of research resources.
Madrid represented approximately 50% of the country’s resources in research. (Head of
Research, Madrid+i, 2012)

Thus, according to this framework, Madrid’s strategy for promoting the creative economy
relies on the strong role of cultural resources, and the concentration of film, TV and music
industries in the area.

Bilbao and Valencia underwent processes of regeneration during the 1990s with different
objectives. In the case of Bilbao, there was a double strategy based on continuing with the
modernization of the remaining industry in the metropolitan area and the redevelopment of
Bilbao Ria into a new service-oriented area promoted by the Guggenheim museum. The
approach to the promotion of creativity and knowledge in Valencia was strongly linked
to the growth of the tourism and real estate sectors that had been taking place since the
1990s. Several developments in the 1990s were directed at fostering tourism and leisure
industries. The most ambitious development, nonetheless, was the creation of the
complex “Ciutat de les arts i les Ciències” (City of Arts and Sciences). The complex is nowa-
days the main tourist attraction of the city, and has also served for the general promotion of
the real estate sector. In the same vein, the city council has pushed for the organization of
large sport events such as the F1 and the Sailing America’s Cup. As one informant states:

I think that in the city of Valencia there is very traditional thinking about which are the
engines of innovation and urban growth. I think that tourism is in the mind of public auth-
orities (conferences, but also cruises, or seasonal, or related to low-cost companies).
Another bet is logistics. I think that the port of Valencia is the clearest flagship of what the
authorities think is the future of the city. (Professor, University of Valencia, 2012)

Thus, even using the rhetoric of culture and creativity, we find different strategies and
different policy approaches to the development of these sectors. These strategies
depend to a great extent on previous development and specific political cultures in eco-

Concluding Remarks: Identifying Elements of Economic Success in the
Transformation of Urban Regions in Spain

As we have seen, path dependency frames policy decision-making and strategic con-
ceptions on how to develop creative and knowledge sectors. Urban trajectories paved
the way for different strategies and views on the development of the creative and knowl-
edge economy, and for different degrees of development of these sectors.

This paper aimed at identifying the elements that contribute to a better economic position
for four Spanish cities regarding (a) the role played by historical trajectories in the
adaptation to a changing global environment and, particularly, the ability of cities to accommodate creative and knowledge industries, (b) the role of governance in the provision of flexibility to make adaptation easier and (c) the successful combination of top-down approaches with local trajectories.

Table 3 summarizes most of these elements. The industrialization path, governance arrangements, the use of culture for the promotion of the city and the role of tourism might be key variables for understanding their current position in the Spanish urban hierarchy. Moreover, the role of each city in the Spanish multi-level governance framework also explains political decisions and the forms of engagement between the public administration, private actors and civil society.

As we have seen, the different positions of the creative and knowledge sectors in each city depends to a great extent on the historical development path, but also on the policies that local actors have promoted. In this regard, the economic trajectories of the four city regions differ and the relevance of creative and knowledge sectors is uneven. Territorial traditions referring to the “way of doing”, as well as political coalitions, are relevant to understand the situation of each city region. Economic trajectories are relevant in the four city regions but top-down approaches, mainly at the local level and promoting the clustering of companies, have also played a key role, particularly in knowledge sectors.

The use of culture has been common in the four cities as a means for promoting the city through an image based on cultural matters. However, their cultural path dependency differs in terms of both the typology of cultural agents established and their top-down approach to culture through the construction of cultural resources and facilities. In terms of the built environment, Bilbao, Barcelona, and to a lesser extent Madrid, have faced large urban renewal processes to transform their industrial areas into services economy neighbourhoods, with urban infrastructures oriented towards tourism, knowledge-intensive activities and creative industries. Nevertheless, in these processes of urban transformation, real estate interests have also played an important role, contributing to the definition of the renewal projects. In Valencia, on the other hand, the reconversion of agricultural land into urban land has been a response to increasing tourism and real estate sectors, without a clear need for the redevelopment of industrial spaces, which were mainly outside of the city. Both Barcelona and Bilbao are looking to rebuild their industrial economic centres as new industrial districts of the creative and knowledge economy. Madrid promotes the deployment of creative industries in the shadow of a powerful cultural policy based on building up cultural facilities. In Valencia, the creative industries are heavily rooted in the territory, with an eminently local vocation.

Barcelona exhibits a long-lasting tradition of promoting its internationalization through culture while Valencia, for instance, indicates a two-sided approach: on one side, it is highly attached to the citizenship (musical societies or “Fallas” associations) and, on the other, the organization of large events and the construction of cultural facilities (Ciudad de las Ciencias y de las Artes) as a means for internationalization, following, to a certain extent, the successful model of Barcelona.

Madrid certainly follows a top-down approach to culture, enhancing the value of the historical heritage of cultural resources and territories where culture and artists or intellectuals played a key role. In addition, the capital status is remarkable in attracting the headquarters of media companies.

Tourism is relevant as a powerful economic sector in Spain; these four areas have specialized throughout time in different types of tourism despite the traditional Spanish
## Table 3. Synthesis of path dependency variables per city region

<table>
<thead>
<tr>
<th></th>
<th>Industrial development</th>
<th>Economic specialization</th>
<th>Governance structures</th>
<th>Historical competitive advantage</th>
<th>Uses of culture</th>
<th>Tourism</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Barcelona</strong></td>
<td>Pioneer</td>
<td>Specialized in diversity</td>
<td>Dismantling power during CW, regional and local battle for income resources</td>
<td>Powerful trade centre/harbor</td>
<td>Event-related • International Exhibition (s)</td>
<td>Strongly related to culture, business and events</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Current design advantage based on textile and architecture path dependency</td>
<td>• Olympic Games  • Forum of Cultures</td>
<td></td>
</tr>
<tr>
<td><strong>Bilbao</strong></td>
<td>Pioneer</td>
<td>Heavy manufacturing</td>
<td>Fiscal autonomy at the AC level which benefits the city</td>
<td>Transforming heavy manufacturing sectors into knowledge</td>
<td>Flagship project-related • Guggenheim</td>
<td>Not dominant, but increasing since the installation of Guggenheim</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Institutional and associative life strongly attached to the productive activity</td>
<td>High labour quality</td>
<td>• Euskalduna congress-Hall</td>
<td></td>
</tr>
<tr>
<td><strong>Madrid</strong></td>
<td>Late</td>
<td>Bureaucratic services structures (public services and companies)</td>
<td>Capital effect, but strong competitiveness between regional and city council of Madrid</td>
<td>Benefits for central geo-political situation (i.e. infrastructures)</td>
<td>Facilities-related • Paseo del arte</td>
<td>Business and leisure</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Barrio de las Letras</td>
<td>Event-related</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• ARCO (Contemporary Art Festival)</td>
</tr>
<tr>
<td><strong>Valencia</strong></td>
<td>Late</td>
<td>Economic specialization based in agricultural modernisation</td>
<td>Weak articulation of governance, leadership of the Valencia municipality</td>
<td>Land availability and agricultural tradition</td>
<td>Facilities-related • Ciutat de les Arts i les Ciencies</td>
<td>Strongly related to leisure</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Attached to citizenship</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Own elaboration.*
approach based on leisure and good weather. It is of outstanding importance in cities such as Barcelona and Valencia, with less relative weight in Madrid when compared to other economic sectors, and shows late development in Bilbao.

Although there are common characteristics in the four cities, governance articulation differs from one city to the next, with better or weaker integration depending on the ability of actors to promote themselves and the interests they seek. In this regard, we find weak coordination between regional and local levels which brings, on the one hand, increasing competitiveness of projects promoted at a local level and, on the other, new forms of governance for coordination between levels and scales of government. We find, for instance, increasing competitiveness between cities within the same metropolitan region to attract creative and knowledge industries, and new mechanisms of governance between them to avoid these trends, promoted often by the regional government.

Policies and approaches in the creative and knowledge economies are developed clearly from the second half of the 1990s and are distinctly influenced by the historical development of each city, helping to shape the already existing trends and policies being developed since the 1980s. Aligning our arguments with those provided by Musterd and Kövacs (2013), path dependency and the historical context should be taken into account in the articulation of policies aiming for better urban competitiveness on the basis of creativity and knowledge, even when the city faces disruptive transformations. The unique characteristics of the four cities we have analysed exhibit their own strength upon which their future challenges should be achieved. Even though the financial crisis constrains possibilities for public policies, still surviving economic actors show prevalence in decision-making; attempts can be found in the four cities to maintain and adapt their strategies to the new context shaped by a new global order, but also a diminishing role for public authorities.

The creation of new contexts for the creative and knowledge industries does not necessarily mean forgetting the previous trajectories of the city: top-down approaches for economic development can be based on a new reading of the past, focusing on the elements that brought about economic agglomeration. For instance, creating a narrative of the historical development of craftsmanship or creating new platforms for firms that are at the same time based on historical institutions. Thus, rather than merely translating experiences or recipes from one local context to another, cities can profit from knowledge and policy transferability, but simultaneously learn from their past and promote new forms of innovation, formulating their own version of policies to foster the creative and knowledge economies.

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