

The Role of Cultural Assets in European and United States Urban Regeneration

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Abstract This paper compares the role that cultural economic development has played in countries on both sides of the Atlantic. It evaluates reasons why the United States and Western European countries have pursued contrasting policies, and whether both have benefited from the paths they have taken. Although the dichotomy is not perfect, Western European countries have relied more on heritage goods, while the United States is more renowned for its intellectual property industries. The paper concludes with an argument that each region's strategy may be optimal, given its endowments and constraints.

What is cultural economic development?

First, let us note that there is no generally accepted definition of the term “cultural economic development”. The ambiguity lies in the definition of “culture”.

The cultural economy is often associated or confused with the term “creative economy.” In reality, there are differences between the two. The term “creative economy” is generally used to describe a number of tangentially related industries, including the performing and visual arts, but also encompassing intellectual property industries, such as book, magazine and newspaper publishing, film, radio and television, patent-dependent industries such as high-technology, biotechnology, and computer software, as well as higher education, science and engineering, architecture, high fashion and design. A detailed example of a definition like this can be found in [1].

The term “culture” can be interpreted more broadly or narrowly. One author describes culture in terms of activities that “involve some form of creativity in their production [and] are concerned with the generation and communication of symbolic meaning, and that their output embodies, at least potentially, some form of intellectual property” [2]. Cultural assets include architectural works, historic buildings and places, historic regions and districts, art, scientific and natural history museums. They also embrace the content of the art, scientific and natural history museums. They further include language, literature, folklore, sport, music, drama and dance. Most of these forms of culture can be further broken into popular vs. traditional (or high) versions.

A narrower approach to defining cultural products is to contrast them with creative products. A definition which relates the creative economy to its cultural component describes a “cultural core” which “includes occupations and industries that focus on the production and distribution of cultural goods, services and intellectual property. Excluded are products or services that are the result of non-culturally-based innovation or technology” [3].

Regardless of how the term culture is defined, cultural economic development addresses how a country leverages its cultural assets to create jobs and wealth.

Types of cultural economic development

Western Europe is viewed by most Americans as the source of the cultural and intellectual revolution that transformed the world's population from a subsistence level of living to one that enjoys the benefits of a high standard of living and a rich cultural heritage. Western Europe can trace its cultural history back several millennia, and its countries have preserved much of their

architecture and the artistic heritage. Countries in Western Europe, compared to the rest of the world, have large government infrastructures devoted to preserving and publicizing their cultural assets. Besides serving as a source of national pride for these countries, cultural assets play an important role in supporting their tourism industry. Indeed, it is common in Western European countries to describe the display of their cultural assets as “cultural tourism”.

Compared to countries in Western Europe, the United States is in its cultural infancy. Although North America has been inhabited for millennia, historians generally trace the beginning of American culture from the first permanent settlements by Europeans. These occurred primarily in the seventeenth century, with the nation declaring itself as independent toward the end of the eighteenth century. However, large land areas in the West and Southwest weren't heavily populated with U.S. citizens of European heritage until well into the twentieth century. The admission of the last two states into the union occurred only recently, in 1959. By that time, immigrants had arrived from Asia as well as Europe, and the inflow of immigrants from Mexico and Central America had begun.

Because its development as a country is relatively recent, there is comparatively little recognition and awareness of a shared national cultural heritage in the U.S. Its language was adopted from that of its original settler/occupier, and its early art forms were subject to heavy European influence. Regional cultures, from the Puritan influence in New England to the Cajun heritage in Louisiana to the Spanish influence in the Southwest, predominate. It has only been within the past fifty years that federal government agencies have been created to foster development of the arts and humanities, and historic preservation.

Although tourism in the U.S. is an important industry, the motivations behind leisure travel are more diverse. Recreation, shopping, the natural environment, and climate are important motivating factors as well as cultural heritage. It is instructive to compare the top twenty tourist attractions (ranked by number of annual visitors) in the U.S. to the top twenty tourist attractions in Europe [4]. In the U.S., no museums or locations of religious and architectural significance appear among the top twenty. About half of the entries on this list combine heritage and commercial themes, like Faneuil Hall in Boston and Times Square in New York City. Six are purely commercial, ranging from the Las Vegas Strip to several Disney sites. Only one is a national park. By contrast, the majority of the top twenty tourist attractions in Europe fall into the heritage category. Five are art museums, with the Louvre attracting the most visitors. Eight are locations of both religious and architectural significance, like the Notre Dame Cathedral and St. Peter's Basilica. The only purely commercial entry is Disneyland Park in France. All but two are located in France, Italy, or the U.K.

This observation should lead us to review the definitions of culture discussed above. Cultural products in the 21st century are generally defined to include a broad swath of goods and services, including popular music, film, video production, and dance, high-end apparel, cuisine, jewelry, and other such things, in addition to the traditional forms of art and cultural heritage. Although far behind Europe in heritage goods and sites, the U.S. has come to dominate world markets in the music, film, and video industries.

Cities and economic growth and development

Since the mercantile era, cities have served as hotbeds of commerce and economic development. From colonial times through the nineteenth century, cities mainly functioned as hubs for trade and some commerce. With the advent of the industrial revolution, cities also became the principal locations for most manufacturing and assembly activity. The nature of initial industrial production processes required that complex products use human and physical capital resources located in the same place.

Over time however, the production of many goods formerly produced in U.S. and other first world urban areas migrated to lower-cost locations outside these countries. Left behind, depending on the city, were blighted urban areas, or places that compensated by introducing a new mix of products and services. As the service sector began to occupy a larger share of domestic product, many cities began to transform themselves into service hubs.

Late in the twentieth century, new and innovative firms in the high technology, internet technology, bio-technology and finance industries began to grow and become a driving force in the U.S. economy. To become successful, these firms required an educated workforce, innovation and productivity, and access to financial resources.

Moretti [5] details the evolution as follows. Industries such as these require highly skilled workers, so the first condition is a source of supply. This supply source may be a complex of first-tier universities. Second, these workers generally command high salaries, and have high mobility. There have to be compelling reasons for them to locate in the same urban area, where they will drive up the cost of living. An important factor is face to face interaction.

One might initially assume that, with air travel becoming cheaper and the Internet having opened many new opportunities for interpersonal communication, proximity and face-to-face contact would have less value in production. However, the proximity of talented persons and the idea interchange it engenders enables firms to produce more of these kinds of products and services, and ferments innovation, both within and among firms. It also sends signals to talented persons as to where their best job opportunities can be found. Moretti refers to this concentration of creative workers as a thick labor market.

Since many of these enterprises are creating new and untested products, financing them by traditional means such as the banking system would be problematic. This void was filled by venture capitalists. Venture capitalists apply their expertise, often gained by starting or working in similar firms, to pick “winners” among new ventures, and to raise sufficient funding from wealthy individuals and hedge funds to bring new products and services to market. Again, proximity is critical. Venture capitalists need face-to-face interaction with entrepreneurs seeking their support, and direct interaction with principal member of startup firms.

Obviously, Silicon Valley in California is the prototype for this type of economic success. The rare confluence of all these conditions explains why they occur only in a few locations such as Silicon Valley, and why they are so hard to recreate in other locations, despite the efforts of regional planners. Though much has been written about these pockets of innovation in the United States, they exist elsewhere in the world, and their development follows a similar pattern.

American cities and cultural economic development

The concept of cultural economic development was initially driven by the notion of tourists visiting cities and sites of historical and artistic significance. We have seen that cultural economic development can also refer to the economic benefits derived from production and distribution of products which are cultural in nature. Is there a relationship between the creative intellectual property industries, such as music, film, video, gaming and literature, and living and working in cities? Do they require industries require similar conditions to high-tech for centers of excellence to form?

Like high-tech, intellectual property industries do not locate uniformly across the country. They are concentrated in specific regions. In some cases they are the most important industry in a region or city. Consider the film industry in Los Angeles, Disney World and other theme parks in Orlando, the gambling and entertainment industry in Las Vegas, the country music industry in Nashville, and television programming, live theater, and world-class museums and classical music in New York City. Each of these industries relies on creative employees to produce products and services. As with high-tech, intellectual property products and services are not produced in a vacuum. Face-to-face interaction of creative individuals is required.

Numerous examples of how this synergy works could be cited, but consider just one. A classically-trained violinist doesn't have to land a job at the New York Philharmonic to earn a good living in New York City. She can find work with one of several other symphony orchestras that perform regularly in the city, or with the orchestras employed by the opera or ballet companies. She can freelance on commercial jobs for the advertising industry, popular music recordings, or commercial television. She can teach at one of several music conservatories. She can form a chamber music group. That chamber music group may attract a following and induce tourists to

attend concerts in New York. The opportunities for such a narrow occupation seem almost endless in New York City. None of them would be available if she lived in rural Montana. Looking at this relationship from the other end of the lens, none of the organizations that she might join would be as successful if they did not have a large pool of talented musicians living in the city to draw from.

Important sites of cultural heritage are geographically immutable, but the locations of many other urban amenities are more flexible. Great restaurants will be found wherever talented cooks and food critics choose to locate, and where there exists a knowledgeable and wealthy clientele. In the U.S. great art museums tend to be created wherever wealthy patrons wish to endow their art collections and financial resources. Silicon Valley was established because of its proximity to Stanford University, which many of its innovators and entrepreneurs attended. In almost every example noted earlier, the location of an American cultural industry was due more to serendipity and market forces than central planning.

Consumer City

Not every city can host a growing intellectual property industry or world-class museums and music organizations. A city does not need to have world-renowned cultural assets in order to be able to leverage them into economic benefits, and those assets do not necessarily have to be of historical significance. As professional workers have more freedom in choosing a place to live, some pundits have argued that their choice of where to work and where to live will increasingly depend on the cultural amenities in their preferred locations. For this class of worker, attractive cultural amenities are more likely to consist of good restaurants, an outstanding entertainment sector, and plenty of opportunities for recreation along with sufficient traditional culture.

Perhaps the foremost backer of this idea in the U.S. is Richard Florida [6]. He observed that the numbers of persons in the labor force who hold “creative” jobs (as he broadly defined this term) is growing. For reasons discussed above this talented labor force prefers city life. Florida argued that it is incumbent on city planners to provide cultural amenities that these workers prefer, since they are footloose, generally well-paid, and will locate where they are most comfortable. Subsequently, many municipal government officials became swayed by Florida’s argument. In the past two decades they have invested considerable sums of public monies into developing a wider array of cultural and entertainment assets in their cities, even creating cultural zones, in the hopes of attracting more creative workers and the companies they work for.

“Consumer city” is a term coined by Edward Glaeser [7], [8], [9], [10], [11]. He uses this term to describe cities which, in addition to the other roles they play, are consumption destinations. Glaeser notes that many cultural amenities, such as theaters, art museums, symphony orchestras, four-star restaurants, major-league sports teams and theme parks can only operate profitably in a densely populated area, where their extensive fixed costs can be spread over large numbers of consumers. Wealthy and educated residents will pay a premium to live in such places. Some obvious examples are London, New York, and Paris.

Despite the differences in their approaches, both Florida and Glaeser are making similar points. Both are stating that cities can generate economic development not only by attracting firms but by being destinations for well-heeled consumers, either as visitors or as part of a coterie of highly-educated residents looking for that “best place to live”.

Cultural economic development and job creation

A useful distinction, touched upon in the examples above, is to categorize cultural goods and services as indigenous vs. exportable. Indigenous cultural goods include heritage sites and organizations which require visitation and attendance to enjoy. Exportable cultural goods are just that – they can be easily transported and enjoyed at other locations. The best examples would be literature, music, film and video. In today’s world, cultural goods of this kind have become increasingly exportable, and are occupying an ever-increasing share of GDP in countries that produce them.

How cultural economic development unfolds in an urban area will depend on this indigenous-exportable dichotomy. A city such as Paris holds a large quantity of cultural goods, ranging from its centrally planned development to its architecture and to its many art museums. As a consequence, it attracts tourists from all over the world, and ranks first in the world among cities in number of visitors per year. A city such as Los Angeles does not appear on the list of the world's ten most visited cities, yet it exports billions of dollars worth of film and video products worldwide each year. Almost half of all actors working in the United States live in the Los Angeles area. In its own way, each city is heavily dependent on cultural economic development.

The jury is still out on the relationship between cultural economic development and job creation. The major uncertainty regarding this relationship is one of causality. Does the development of a cultural sector cause job creation, or does the growth of other export industries create more demand for cultural products and services? In reality, both cases can apply to specific situations. Paris and Rome are examples of cities whose economies depend heavily on cultural tourism. The entertainment sector drives the economies of Los Angeles (exporting films and video) and Las Vegas (hosting gambling and shows). In cities whose major industries are in other sectors, cultural organizations typically develop in response to the needs of their residents, and do not drive the local economy.

Florida's assertion that a vibrant cultural sector will attract footloose young professionals, when put to empirical tests, shows mixed results. There are fast-growing cities in the U.S. which do not have large numbers of Bohemians and artists. There are slow-growing cities which do. Industries and their employees are drawn to urban areas which offer amenities other than internet cafes, jazz bars and museums. High-quality elementary and secondary education is generally a more important factor, according to surveys of firm location.

The role of government

European governments generally have a more top-down, planned approach to cultural economic development, and the support of the arts in general. With respect to promoting heritage, strategies often involve coordination among EU member countries and stressing public-private partnerships. The European Heritage Alliance is an example of this approach.

Compared to most European countries, the US does not have a broad governmental infrastructure which supports arts, culture and historic preservation at the federal level. More activity takes place within regional, state, and occasional municipal cultural agencies. Unlike Europe, a major source of support for cultural activity in the U.S. lies in private individual, foundation, and corporate giving.

Decentralization and privatization of arts support leads to different outcomes than does a centralized approach. A central, top-down model leads to consistency and uniformity in planning, with more emphasis on equity across regions and institutions [12]. A decentralized model leads to greater regional differences and greater innovation. A privatized model takes power from the hands of government planners and gives it to arts supporters and patrons, their influence depending on their wealth and powers of persuasion. Perhaps in a country such as the U.S., which is larger and more diverse than any single European country, the greater decentralization and privatization of arts support makes sense.

This is not to say that the federal government in the U.S. plays only a minor role in promoting cultural economic development. It does so in other ways. To take one example, it plays a crucial role in protection of intellectual property via enforcement of patent, copyright and trademark laws. This function provides benefits to both for-profit and non-profit art forms, and is crucial to the American entertainment industries which play an important role in its economy. Another example is the federal tax deductibility of private contributions to non-profit organizations, which has stimulated the growth of private support for arts and culture.

With respect to culture and urban regeneration, municipal governments have become more active in using public funds to stimulate the development of cultural zones and cultural amenities. At this

juncture it is not clear whether some, or all, of these efforts will achieve the desired economic benefits [13].

Conclusion

Leveraging cultural assets to enhance urban regeneration can be accomplished in different ways. We have discussed the contrast between leveraging the attraction of fixed physical assets of a historical or architectural nature, and attracting intellectual property firms that organizations that utilize the scarce creative talent which is embedded in their organizations.

In this respect, the United States and Western Europe offer an interesting contrast. Countries in Western Europe rely more on locations of historical significance and outstanding examples of architecture and high art, both visual and performing, to generate income from tourism. In the United States, with its shorter cultural history, there is greater reliance on products and services emerging from firms which produce popular art forms; these firms have become important export industries, and in creating centers of entertainment to attract tourism.

In both situations, these countries may be simply building on their strengths. The U.S., with its more flexible labor markets and more readily available private venture capital, is better able to exploit new innovations than are most European countries. On the other hand, European countries appropriately encourage development of their more extensive cultural heritage as an attraction to tourists and residents.

Regardless, in both instances, cities are at the forefront of cultural economic development for a variety of reasons. Many heritage sites of cultural importance are located in or near cities. Due to high fixed costs, many types of cultural organizations, such as museums, symphony orchestras, opera companies, theaters, and theme parks, can only become successful when surrounded by a large audience found only in densely populated areas. For-profit organizations which produce cutting-edge creative products need a talented labor pool and tend to locate near university complexes to gain access to it; these also tend to be found in cities. Last, well-educated consumers prefer to live in cities which possess an abundance of cultural opportunities; consumption of cultural amenities is strongly correlated with both education and income.

The majority of the labor force in most major cities is composed of people who do not work in arts, entertainment or heritage industries. People living in cities, being on average better educated than their rural counterparts, are interested in cultural amenities, ranging from museums and concert halls to bicycle paths, movie theaters and high-quality restaurants. A city which provides a good mix of cultural amenities has an advantage in attracting and retaining these individuals.

This does not imply that all efforts by urban planners to attract and retain well-educated, high-income residents by developing cultural resources will be successful. Obviously not all cities can pursue the same strategy; some have to diversify or play to their natural strengths, which may include an appealing climate, a coastline, or a major, recession-proof industry that no amount of publicly-funded cultural amenities in other locations can compete with.

Regardless, planners need to consider the role of an urban area's cultural assets in the economic development process.

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