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The Distinctive City: Pitfalls in the Pursuit of Differential Advantage

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Abstract

In the face of growing competitive pressures, cities in Britain and elsewhere have been exploring new ways of promoting their distinctiveness in order to increase local prosperity. This paper analyses the main approaches used for this purpose and considers their underlying rationale. It argues that there is some justification for developing more specialised activities and sources of differential advantage that other cities cannot reproduce. However, many cities appear to be pursuing the same policy formula comprising one or more of the following elements: nascent industries, high-level occupations, signature buildings and consumer identities. The limitations of each of these are discussed. The paper concludes with some constructive suggestions for what cities might do to develop more original and distinctive advantages.

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Introduction

In the face of growing competitive pressures, cities in Britain, the United States and other advanced economies have been exploring new ways of promoting their distinctiveness to increase local prosperity. All sorts of devices have been deployed in attempts to generate greater interest, investment, jobs and population. They include cutting-edge wireless communications and transport networks, unusual architecture and industrial heritage, achievements in science and technology, contemporary museums and arts festivals, sporting spectacles and pedestrianised cultural quarters, stylish boutiques and restaurants. At first sight it seems that almost any aspect of a city that differs from other places can get special attention, whether it is older, newer, bigger, bolder, faster, more tasteful or simply 'world class'. The welter of initiatives suggests considerable diversity of views about the underlying purpose of pursuing distinctiveness and little agreement on the most effective approach. As a form of civic boosterism, distinctiveness seems to mean that 'anything goes'.

One of the reactions from independent observers has been to applaud efforts to nurture local differences, especially in the context of converging national cultures, more homogeneous consumption patterns and weaker civic institutions that seem to result from increasing global integration (Hunt, 2004; Demos, 2007). Diversity has also been encouraged as a reaction to the tendency for modern city centres, shopping malls and housing developments across the country to look more similar and predictable, encapsulated in the notion of 'clone city' (Glendinning and Page, 1999; New Economics Foundation, 2004). Although these initiatives may not seem at face value to be very significant economically, they have nonetheless been endorsed for contributing to cultural variety and local identity, thereby improving the experiences and choices available to residents and visitors.

A more considered economic rationale for 'differentiation' can be pieced together from other sources (Storper, 1997; Leadbeater, 1999; OECD, 2001, 2006; Florida, 2004; Buck et al, 2005; Markusen and Schrock, 2006). The basic proposition is that by developing specialised activities and strong creative capabilities, cities can build sources of competitive advantage that other places cannot readily reproduce. Some are durable and dynamic resources, such as advanced knowledge and expertise, that enable continuous upgrading to higher value activities over time. Others have an intangible character associated with 'quality', broadly defined. These assets help to limit the amount of direct competition with other places on the basis of labour costs, property rents or government subsidies. Instead, the emphasis is on being 'smarter' and creating products, services and environments that can't be copied. These distinctive economic niches can complement those of other places and promote higher levels of mutual trade and investment. Increased economic variety also means that markets are expanded, with the potential for everyone to gain from the stimulus to output and income. Hence differentiation may be seen as a more constructive process than 'head-to-head' competition, especially if it reduces the pressure to cut business taxes and sacrifice environmental standards and welfare services.

Cities are complex adaptive systems comprising multitudes of actors, firms and other organisations forming diverse relationships and evolving together (Marshall, 1920; Jacobs, 1961; Parkinson et al, 2006). Frequent face-to-face contact and other

cooperative and competitive interactions enabled by proximity help to increase people's knowledge and skills, improve their capacity to respond creatively to economic challenges and develop new and improved products, processes and services. Other places cannot easily replicate these conditions, hence differentiation comes naturally to some extent. In general, the most effective strategies are likely to be those that build upon indigenous capabilities and relationships rather than imported ideas. Differentiation may be based on specialised industry sectors or occupations creating unique products and services that emerge through cumulative local learning. It may also relate to man-made assets such as cultural facilities and residential districts offering distinctive lifestyles. There may be symbolic and psychological aspects, such as a reputation that promises investors and tourists a worthwhile experience. Or it could simply be a matter of timing, with effective coordination, willingness to take risks or good judgement on the part of key actors enabling quicker decision-making in response to emerging opportunities.

There are some parallels with ideas from business strategy, including the work of Porter (1985, 1990) and Kay (1993) on the sources of sustainable competitive advantage. Differentiation for firms means providing something special and not easily reproduced that is valued by customers. Companies' distinctive capabilities enable them to sell their products at premium prices above standard commodities, thereby earning excess profits or 'economic rent'. Differentiation may involve enhanced features, greater customer responsiveness or strong brand identities that convey superior performance (Grant, 2002). Intangible aspects are important where social or emotional considerations influence consumer choices, as in people's desire for elevated status or enhanced security.

The idea of differentiation through higher value products and services also resonates with current economic policy in high cost countries such as the UK. Several themes recur in recent government reports and policy statements to protect society and citizens from emerging economic powers in Asia and the effects of intensified global competition on job security and living standards. They include higher levels of innovation and R&D, more investment in science and technology, greater emphasis on design and creativity, more university graduates in science, technology, engineering and maths (STEM) and flexible, well-connected business environments (HM Treasury, 2001, 2003, 2006b; Porter and Ketels, 2003; Cox, 2005; Jones et al, 2006). There has also been official recognition that cities are favourable locations for high end, knowledge-intensive activities producing new and improved goods and services (rather than routine and durable ones) because they facilitate information sharing, learning and innovation (HM Treasury, 2006a).

The basic supposition of upgrading the economy to more valuable and productive activities is persuasive, especially for externally exposed ('traded') sectors. However, it is also very generalised and loosely specified. Despite this, it has become the conventional wisdom in policy circles, influencing government spending priorities and those of local authorities and regional development agencies. The purpose of this paper is to draw out the practical application of these ideas by assessing the main approaches used by cities to gain differential advantage. The underlying argument is that there is a case for developing attributes that other cities cannot easily reproduce in order to increase living standards and employment. Thinking about specialised activities and distinctive niches encourages city authorities to reflect on their

indigenous strengths and relationships with other places. However, there is also a danger that the pursuit of distinctiveness becomes a recipe with similar ingredients everywhere: new industries, high-level occupations, signature buildings and consumer identities. Differentiation can become a narrow, exclusive approach neglecting other requirements for sustained economic success, such as efficient infrastructure and better utilisation of land and labour resources.

After introducing the different sources of distinctiveness, the paper proceeds to review the strengths and limitations of each in turn, before drawing the key themes together and offering some constructive conclusions. The general tenor is exploratory and argumentative rather than aimed at definitive findings from original evidence.

Different sources of differentiation

The scope for differentiation among cities is considerable because of their complexity. There is an important distinction, for example, between the requirements of businesses and consumers. Different forms of infrastructure and place marketing may be relevant depending on whether cities differentiate themselves more as places of production (for firms producing goods and services for wider markets) or loci of consumption (shopping and amenities for residents and visitors) (Markusen and Schrock, 2006). Beyond this there are of course many different features of cities that may be built upon in the pursuit of distinctiveness. Figure 1 presents a simplified framework to identify four broad categories of urban attribute that are important sources of differentiation in practice.

{Figure 1 around here}

The industrial structure has traditionally been cities' dominant distinguishing feature. Strengths in particular sectors reflected advantages in access to sources of raw materials, energy and labour, combined with capabilities in particular technologies and supporting industries that grew up over time. Many British cities were renowned for their distinctive industrial complexes and palpable physical plant and equipment: shipbuilding in Glasgow and Newcastle, steel in Sheffield, textiles in Manchester, pottery in Stoke, chemicals in Middlesbrough and so on (Hunt, 2004). A whole new set of technology-intensive industries is currently the focus of policy attention.

The second set of attributes covers skill-sets and occupations, related to the concepts of human capital and social capital. They are less organised in the sense of formal structures than firms. Their intangible character is associated with the tacit knowledge embodied in personal know-how and experience, and 'soft skills' such as initiative, communication and problem solving. It is also apparent in the trust and informal networks between key workers that underpin certain occupations, such as designers and creative artists. Growing policy interest in these assets follows the argument that intellectual resources ('brain-power') are replacing physical resources as the basis of economic success.

Built environment and amenities is the third group of attributes. This includes the public realm, infrastructure and buildings used for production, distribution or consumption. Distinctiveness may stem from their aesthetic appearance, functional utility or experience for users. Aspects of the design, scale or character of the structures may be relevant. Issues of ecological impact, environmental sustainability

and population well-being are also beginning to feature more strongly in frameworks for planning and evaluating the urban form. Consequently, these are becoming more important discriminators between places.

The fourth category is image and identity, including city reputations as places to live, work, study and socialise. 'Place branding' is growing because of its perceived importance in shaping behaviour in a crowded marketplace with strong competition to lure firms, visitors, investors and students (Anholt, 2007). Location decisions are influenced by subjective considerations that cannot be defined or measured easily. Image may communicate insights into a city's ambience/buzz, quality of services, risk of crime and so on. It may reflect specific features of a city - such as a dominant institution or physical artefact - or a set of attributes that sum up the lifestyle or business climate.

The categories in figure 1 are not comprehensive and do not include aspects of the natural environment, socio-cultural structures, governance arrangements or historical events. Although these features obviously differ between cities, they are either not amenable to policy intervention or they are not prominent in economic strategies.

The vertical dimension of figure 1 contrasts urban attributes that are more or less tangible. This is a distinction of degree, rather than an absolute one. It may be important in understanding quality-based differentiation and the influence of social and psychological considerations on household and business investment decisions. Of course, firms and buildings also have intangible characteristics, but the suggestion here is that this is a bigger feature of skills and image.

The horizontal dimension reflects the embedded nature of distinctiveness and the extent to which it can be influenced through deliberate action. Again the distinction is one of degree. Some aspects are deeply rooted in established economic and social structures, and not easily altered except at the margin or through incremental change. Other features may be more susceptible to influence, although they are by no means independent of other conditions. Efforts to alter any of these attributes need to be sensitive to existing conditions.

The extent to which public agencies believe they can 'pull these levers' is one of the factors affecting their responses. New buildings are relatively straightforward to construct, but it is more difficult to upgrade industry capabilities. An impression is sometimes given that distinctiveness is pursued for the sake of appearances - more of an end in itself, perhaps for electoral reasons or commercial pressures - rather than part of an economic strategy to make better use of local resources. Despite setting out to be different cities can also end up emulating other places through risk aversion or lack of imagination. They may commission the same popular architects to design landmark buildings or target identical industry sectors in vogue at the time.

Presenting the assets as a framework highlights the need to consider their congruence. An up-market brand image for a city that is not affluent is not credible. A perennial risk with distinctive initiatives is that they do not complement existing resources and disrupt policy alignment. Co-ordinating mechanisms can help to ensure consistency between selected industries and the supply of appropriate skills, premises and marketing.

Specialised industries

The largest part of the economy of most cities is made up of common industries and activities serving predominantly local markets, including a wide array of personal and professional services. This 'locally traded' component of the city's economy ranges from retailing, recreation, personal services, local banking, real estate and security to school education, health care and essential public utilities. They typically require personal contact or proximity to their users, which is why they are inherently local and driven by the scale and composition of local demand. Rising mobility, growth of the Internet and foreign ownership complicate the picture (for example, online consumer services for some forms of retailing, entertainment and banking), although local provision is likely to dominate most services for the time being.

The externally traded or export component tends to differ more between cities, reflecting their function(s) in the wider national and/or international economy. These sectors are conventionally regarded as the main drivers of overall employment and prosperity. This is how the city 'earns its living' in the wider world, hence their competitiveness is important. Deindustrialisation has eroded the traditional economic base of most British cities, with selected business and financial services emerging in their place, such as insurance, fund management, computer services, media, advertising, legal services, employment agencies, data processing and various forms of consultancy, as well as tourism and higher education (Turok and Edge, 1999; Hall and Pain, 2006; Parkinson et al, 2006). They vary in the extent to which they serve wider markets, although the potential exists to do so.

There is a strong economic argument for giving policy priority to tradable sectors, especially 'propulsive' sectors that generate large employment and income multipliers and help to stimulate improvements in other branches of the city's economy because of their dynamic character. There may be scope to enhance the capabilities and extend the markets of relevant firms through advice and practical support. A range of policies is possible, from encouraging high level R&D and innovation in the form of wholly new products, processes and services, to more modest improvements in management competences, marketing, product design, workforce skills and better use of computers and other established technologies.

The main approach is to target specialised sectors or broader 'industrial clusters'. Firms are expected to develop unique strengths through concentrated effort and mutual learning (DTI, 2001; HM Treasury, 2006a). Sufficient scale and density of activity is required with a range of business collaborators, suppliers and specialised support services (such as venture capital, patent offices and suppliers of market intelligence) to generate sector-specific 'localisation economies' (Malmberg and Maskell, 2002; Parr, 2002). In theory a complex web of inter-firm networks enables firms to learn, compare, compete and collaborate, ensuring a self-reinforcing dynamism that spurs innovation, attracts mobile capital and talent, and generates growth from within (Porter, 1990). By developing special knowledge and technology, local firms can sell into much larger markets elsewhere.

The public sector's role is to encourage firms to work together and share information and expertise in order to sustain their vitality. Another important function is to expand the science and technology research infrastructure and to improve business

engagement with innovative ideas being developed in local universities (Lambert, 2003; HM Treasury, 2006b). The advantages of strong R&D activity, business collaboration and interaction across traditional disciplinary boundaries are considered particularly important for technology-intensive industries such as biotechnology, optoelectronics, nanotechnology, telecommunications, bioinformatics, pharmaceuticals, digital media, new materials and alternative energy technologies (HM Treasury, 2006b; Brinkley and Lee, 2006).

Strategies to develop distinctiveness through specialised industries are vulnerable to several limiting tendencies. First, there is an emphasis on the highest level of innovation - generating and exploiting wholly new knowledge. 'High tech' sectors have always been seductive targets of attention because of their novelty (Massey et al, 1992). 'Science cities' and 'regional innovation hubs' (HM Treasury, 2006a) are the latest policy ideas aimed at nascent industries. They follow a sequence of 'biotech campuses', 'digital media quarters', 'cultural districts', 'technopoles' and 'science parks', which inevitably pose issues of duplication and viability. A priority at present is to accelerate the commercial exploitation of university research by spinning out new technology-based companies. Universities are considered good at creating pioneering knowledge, but poor at transferring this into new products sold in the wider economy (HM Treasury, 2006b). Policy plays down the very high development costs and risks associated with translating cutting-edge science and technology into commercial success, and the evidence suggesting that university spin-outs that survive and grow into sizeable employers are rare (Lambert, 2003; Leitch and Harrison, 2006).

In addition, it cannot be assumed that the employment benefits of R&D will be localised because the largest impacts tend to occur where products are produced and services delivered. Invention/conception, commercialisation and diffusion are treated as a linear process, justifying the privileged status for the 'upstream' end where knowledge is created. But these functions do not necessarily locate together and evidence suggests that having a strong presence in R&D does not automatically translate into major local employment growth (Parkinson et al, 2006). Gray's (2002) analysis of the commercialisation of biotechnology products showed that the resulting jobs were created in a large pharmaceutical complex in New Jersey rather than in the cities where their inventors and developers were based. This echoed an earlier study by Markusen et al (1986) who found no relationship between university R&D spending and job growth in high tech industries across US cities. It may be that high levels of R&D are associated with high cost environments that deter other activity, or that local businesses lack the absorptive capacity to evaluate, assimilate and utilise the knowledge available (Lambert, 2003; Roper and Love, 2006). If so, more emphasis needs to be given to increasing the competences of firms, rather than expanding the research base (Freel and Harrison, 2007). In short, focussing on novelty through R&D and high tech industries is a narrow approach to economic development.

Second, there is considerable potential to support a wider range of 'traditional' industries as well as business services that are not sophisticated technologically and therefore not conventionally defined as innovative. Nevertheless, they have scope for all kinds of improvements in product and service design, management techniques, organisation and procedures, marketing practices and workforce skills. It is probably much more cost-effective for cities to assist such businesses to improve their internal capabilities and to learn from and adapt ideas, techniques and best practice developed

elsewhere, than to try and push back scientific and technological frontiers themselves (HM Treasury, 2006a; Freel and Harrison, 2007). Policies of catch-up, application and adaptation of innovations created in other places may be especially useful for cities with limited capacity in advanced technology industries or research universities (Baumol, 2005). Investment in ‘innovation’ is still important, but broader in nature, including the application of ideas new to the firm or local economy but not to the wider industry or market, as well as encouragement of more general creative thinking, experimentation and improvisation among firms. There are proven examples of policies that have made a real difference to the performance of established sectors such as printing, engineering, furniture, clothing and natural resource processing (Maskell et al, 1998; Cox, 2005). In the US, industrial cities such as Milwaukee and Akron have successfully bolstered or remade their distinctiveness by targeting indigenous expertise and industries (machining and polymers).

The third issue concerns the merits of industry specialisation versus diversification. This is a long-running debate in the literature. There are two important risks of specialisation (Jacobs, 1961; Steiner, 1998). First, local economies become locked into particular technologies, products and markets that impede innovation and adjustment to changing economic circumstances, causing long-term decline. There are many examples of specialised former industrial cities that struggled for many years to diversify and adapt to altered global conditions, including Stoke, Middlesbrough, Sheffield and Glasgow. Second, specialised economies are more vulnerable to short-term instability associated with business cycles, external shocks and other fluctuations that periodically afflict particular industries. Specialisation is of most value to industries that benefit from dense networks and co-operation among similar businesses – the spillovers or localisation economies discussed above. There is some evidence for these clusters in the UK and elsewhere, but they appear to be less widespread than the advocates often suggest (DTI, 2001; Gordon and McCann, 2000; Buck et al, 2005).

An important argument for diversification is that it facilitates dynamic adaptation to new situations without painful structural decline. This is becoming more important in a context of accelerating economic change and globalisation. Difficulties in predicting future technologies, markets and sources of competition mean that flexibility to allow local economies to evolve and creativity to exploit new opportunities appear to be important. Larger and more diverse cities may be better equipped to cope with shifts in trade, technology and competition (HM Treasury, 2006a). A bigger pool of professionals, managers and technical staff enables more permutations of skills to be assembled and greater interaction of different economic functions.

A useful review of US evidence stated that: “the literature on diversification and economic performance suggests that industrial diversification is good for the economy” (Bagchi-Sen and Pigozzi, 1993, p.46). The authors’ own original analysis confirmed this conclusion in finding that more diversified local economies were associated with stronger and more stable employment growth, lower unemployment, higher incomes and higher levels of business formation. The latest UK evidence suggests that both diversity and specialisation may be important. In particular, cities should avoid reliance on a few specialised sectors: “the more specialised sectors there are in any given local economy the better” (Parkinson et al, 2006, p.106).

Also in support of diversity there is growing evidence to suggest that the sheer size and range of activity in urban agglomerations may be more significant for economic success than the softer aspects of business networking and mutual learning (Gordon and McCann, 2000; Amin and Thrift, 2002; Simmie et al, 2002; Buck et al, 2005). Scale allows firms to 'pick and mix' the most appropriate suppliers and partners from a wide choice, rather than be tied to a limited number of close collaborators. Although many of these businesses may be from within the same city-region, those supplying the most advanced services and equipment may be drawn from anywhere in the world. This supports the case for good external connectivity (including international transport links and broadband) as a key but relatively unexceptional urban asset (Parkinson et al, 2006), as well as an open and externally oriented business culture rather than a preoccupation with local relationships.

These arguments do not mean that small and medium sized cities cannot successfully distinguish themselves by pursuing unique sources of advantage. Rather they caution against focussing on a small number of nascent industries and other highly innovative activities, especially where there is little existing business capacity. Policies are likely to have a much bigger impact in sustaining and creating employment if they help to improve the capabilities of firms in established industries, including enhancing their products and services, improving their internal systems and procedures, and diversifying their markets and external relationships.

Key occupations

There has been a recent shift in policy thinking in many cities (particularly in the US) from treating industries as the basic units of analysis and policy towards occupations (Feser, 2003; Florida, 2004; Markusen, 2004). This partly reflects the evolution of a more variegated economic geography with larger occupational differences between places. Different functions within each sector (headquarters, R&D, routine production, back-office services, call centres, etc) tend to get separated out as large companies reorganise their activities and specialised contractors emerge to take on particular functions, creating complex 'spatial divisions of labour' (Massey, 1995). "Places will not be known ... by *what* they produce so much as by *who* is employed there at certain stages of specific production processes" (Clark et al, 1986, quoted in Bagchi-Sen and Pigozzi, 1993, p.45). If this happens, then cities will be distinguished mainly by their dominant occupations, reflecting their position in the functional and locational hierarchies of corporations.

The policy shift also reflects greater stress placed on groups of key workers and high level skills as the drivers of local economic development. It follows partly from the belief that ideas and intellectual resources (human intelligence, knowledge, skills and ingenuity) have become more important determinants of prosperity through raising productivity, innovation and value added (Brinkley, 2006). The growing emphasis on high calibre human capital also reflects greater social and geographical mobility in the context of rising incomes, improved transport and communications, and more outsourcing and subcontracting of various business functions. Cities aspire to more high-level occupations and fewer routine functions to safeguard their economic position. The supply of university graduates is increasingly treated as a key indicator of this capability (Parkinson et al, 2006; Champion and Coombes, 2007).

One argument for targeting key occupations or advanced skill-sets is that they cut across industries and are therefore more generic and versatile resources for enabling economic development. Examples include software engineers, designers, scientists, general managers, accountants, marketing experts, surveyors and management consultants. In principle they can be employed in different fields, thereby increasing the resilience and adaptive capacity of the local economy. The opportunities for career choice and progression for highly qualified people are also improved in large and diverse urban labour markets. There may be cross-fertilisation of ideas and expertise across the local economy through these ‘knowledge workers’ moving between sectors, thereby assisting the diffusion of good practice, stimulating new thinking and enhancing productivity.

A second argument is that competition to attract firms has increased the cost of incentives, encouraging a policy shift to other assets, including the bundles of advanced skills in the local labour pool. ‘Thick’ urban labour markets should appeal to business in an era of flexibility and outsourcing since firms are leaner and less self-reliant, and need to procure capabilities externally (Storper, 1997; Gordon and Turok, 2005). Their greater dependence on the local labour market favours cities with a larger pool of high-level skills, especially where there is a constant influx of migrants and graduates, who are generally better qualified than the local workforce. There is an equity dimension too in that skills programmes carefully matched with relevant occupations may help unemployed people compete more effectively for emerging job opportunities.

Third, a case has been made that selected arts and culture occupations make places more attractive to other knowledge professionals and managers, which stimulates further creativity and strengthens local growth. Writers, musicians, actors and artists are said to engender the cultural diversity, forms of entertainment and tolerant social environments that create desirable lifestyles, enriching experiences and abundant opportunities for social interaction. In turn, these entice and anchor creative talent, young graduates, dynamic entrepreneurs and other energetic and innovative people and their employers.

In advocating this argument, Florida (2004) encourages a policy shift from creating favourable business climates for firms to appealing ‘people climates’. He asserts that businesses increasingly follow the residential preferences of creative people rather than the reverse. His emphasis on liveability and residential choices means vibrant cultural facilities, original experiences and exciting outdoor pursuits. It also means an open and inclusive social milieu for talented people from diverse backgrounds to express their individual identities and develop their creative potential. Florida argues that the most prosperous US cities are also the most cosmopolitan, tolerant of new ideas and immigrants, and effective at nurturing talent.

A fourth argument is that dealing with occupations helps public agencies to support entrepreneurship because of the closer understanding gained of the needs of particular groups of people (Markusen, 2004). Arts and culture is a good example, with low barriers to entry and good opportunities for people with natural talent but few qualifications to become self-employed. With support, they may progress from serving local markets to exporting their music, artwork, writing, etc, and providing work for local agents, publishers and distributors. In addition, artists and writers may be

attracted to neglected areas of the city by the lower costs of studio space and housing. Markusen (2007) extends the case for supporting cultural activities and local entertainment on the grounds of import substitution. By improving local amenities, the spending patterns of consumers and visitors may be diverted from purchasing imported goods to indigenous services that have high local multipliers and are labour intensive, thereby generating many more jobs.

Drawing these points together, strategies based on occupations can help to redress the balance between economic policies aimed solely at firms (through developing businesses and supporting institutions) and at people (through workforce development and quality of life). They recognise the importance of the physical and social quality of cities as places to live and work, and the role of education and training in economic development.

Policies focused on developing distinctiveness through selected occupations face several questions. First, there are doubts about the extent to which groups of knowledge workers can be said to drive growth, independently of organised businesses. Even in the fragmented creative industries it seems that major companies dominate, their position reinforced by rising costs of technology and marketing. Their internal economies of scale fund the development of new products, strong brands and global advertising (Scott, 2000; Turok, 2003). A related point concerns the economic gains to be derived from investing in cultural facilities and one-off events. Florida stresses the indirect economic impact derived from the arts and culture as consumption activities, while others encourage more policy focus on their role in production (Caves, 2000; Scott, 2000; DCMS, 2001). This is partly in the light of experience that ephemeral events (such as cultural festivals) and short-lived popular successes (such as music hits or acclaimed films) can get confused with sustained economic achievement.

A second and related question surrounds the relative importance of skills in economic development, and the relationship between the supply of skills and the level of demand. There is an assumption in the argument for occupations that expanding the supply of skills and qualifications stimulates economic growth by, for example, raising productivity. This is another area of long-standing policy debate (Rodriguez-Pose and Villata-Bufi, 2005). A recent wide-ranging review of the evidence concluded that skills do matter (for personal, social and economic reasons), but that the demand for skills from employers is far more significant (Centre for Enterprise, 2007). This is particularly true in the UK, where many firms continue to prosper on the basis of business models, company strategies and product markets that do not require high-level skills for most of the workforce. Improving the supply of skills (or exhorting firms to invest more in training) in isolation does little or nothing to increase business performance. Detailed econometric evidence suggests that there are two more important determinants of productivity than skills – effective company management practices and investment in physical capital, including information technology and public infrastructure (O'Mahony and de Boer, 2002; Van Reenen, 2004; see also Porter and Ketels, 2003).

The argument runs rather differently in relation to the economic impact of university graduates since they are more mobile and their skills more highly prized than most other workers. According to Florida and others, expanding the supply of graduates

helps cities requiring regeneration to attract high quality businesses. However, this ignores the possibility that increasing the supply of highly qualified labour in a relatively slack local labour market without a commensurate increase in demand (in the form of rewarding job opportunities) may cause under-employment, frustrated aspirations and out-migration of the excess skilled population (Turok and Bailey, 2004). There is evidence from the US and UK that cities that have increased their graduate populations by expanding their universities have experienced a 'brain drain' if the demand for graduates from local employers is weaker than elsewhere.

Gottlieb (2001) studied graduate migration patterns across 31 metropolitan areas of the US. He found that the main reason why cities such as Cleveland (and its region Ohio) were poor at retaining (and attracting) science, technical and engineering graduates was inadequate job opportunities locally. Graduates were motivated much more strongly by employment and wages than by amenities and lifestyles. Gottlieb concluded that the policy priority in under-performing cities and regions was to strengthen demand for well-educated workers by expanding high quality jobs, rather than generating more graduates or attracting talent. He also pointed to the importance of ensuring a better match between supply and demand, with local universities providing training in relevant fields to avoid local employers having to import their new staff from elsewhere.

UK evidence tends to support the finding that economic opportunities are a stronger influence on migration between cities and regions than the quality of life, and that without strong local demand for skills, young and highly qualified workers will tend to move elsewhere (Clark and Huang, 2004; Green, 2004; Nathan and Urwin, 2005). The cities with the strongest net inward migration of young adults in recent years have tended to be those with the most buoyant labour markets, such as London, Southampton, Leeds, Edinburgh, Bristol and Brighton (Parkinson et al, 2006; Champion and Coombes, 2007). The places that have been losing this cohort include Middlesbrough, Hull, Bradford and Liverpool. In addition, the city with the strongest net gain in professional workers has been London, followed some way behind by Bristol, Edinburgh, Brighton and Reading.

Third, there are concerns about whether the occupational and creative class agendas can deliver opportunities of sufficient scale and relevance to benefit all sections of society and all cities. They do little directly to improve the life chances of people outside the creative class, that is, poor, low-skilled and workless groups. They also risk favouring affluent capital cities, established university cities and historic towns over former industrial cities because of their differential endowments of physical, economic and human assets. The potential of these cities to expand high-level occupations by attracting talent will vary enormously. The challenges faced are also quite different, cautioning against any simple formula for growth, such as culture and amenities. There are tensions between some of the attributes considered important for success, such as cultural diversity and social tolerance, and labour market flexibility/mobility and job security. Immigration to economically distressed cities where existing residents feel insecure can provoke social conflict through perceived threats to jobs, housing and other scarce resources (Parkinson et al, 2006).

Built environment

The built environment is an important concern of economic policy in cities. Buildings are significant for business productivity and infrastructure is crucial for the efficient circulation of people, goods and information. Available property and transport connections feature prominently in business growth and location decisions. Neighbourhood physical conditions and accessibility to economic and other opportunities also shape household choices, and there is some evidence that people are generally less satisfied with the quality of life in cities than elsewhere (Parkinson et al, 2006). Meanwhile, the challenges facing established cities are greater than newer and smaller settlements because their infrastructure is typically older and more congested, and redevelopment is more contested because of the diverse owner, occupier and community interests involved. Finally, the urban fabric requires continuing investment and upgrading to avoid progressive deterioration and to meet contemporary expectations and environmental standards.

Physical structures are potent sources of differentiation given their obvious contribution to the character and sense of place, as well as its functionality. One of the economic aspects to this in the externalities (positive or negative) derived from particular buildings or public spaces for the value of surrounding properties and the quality of peoples' experiences. The opportunity to exploit unique historic structures, public squares and parks has been an advantage for cities fortunate to possess a notable architectural and environmental legacy. Others have had to work harder to tackle the legacy of industrial decline in derelict and contaminated land, to realise the development potential of disused waterfronts, decayed warehouses and abandoned housing, and to create major new projects from scratch to stimulate regeneration of run-down districts through demonstration effects. Different kinds of initiative have had different purposes and users, including visitors, external investors, local firms and existing and potential residents.

Flagship buildings are classic tools for promoting distinctiveness (Imrie and Thomas, 1999). Iconic structures are seen as powerful statements of something new or prominent symbols of commercial or political significance. They can also accommodate unique cultural facilities such as museums and art galleries, or serve as attractive venues for music or theatrical performances for visitors. Convivial public spaces may be even more important to the social vitality and popularity of cities. Dense and diverse locale with a rich mixture of activities can be stimulating and dynamic; fertile environments for people from different backgrounds to mix and mingle, and places where information and ideas are shared, with economic as well as social payoffs (Jacobs, 1961; Parkinson et al, 2006).

After a period when neighbourhood social concerns tended to occupy urban policy, there have been attempts by central government to do more about the physical fabric of cities by renovating old buildings, raising the quality of urban design and promoting higher density living in neighbourhoods with mixed uses (including housing, leisure, retail and offices) (Urban Task Force, 1999, 2005; DETR, 2000). Other aims of this 'urban renaissance' policy agenda include raising the general standards of street cleanliness, personal safety and open space, with less noise, crime, pollution and traffic congestion – liveability for short. The ultimate goals are to accommodate stronger household growth, limit suburban sprawl, protect the countryside from

development pressures and attract people back to live and socialise in and around city centres.

Many city authorities and property developers have embraced these themes with enthusiasm (Nathan and Urwin, 2005; Parkinson et al, 2006). UK city cores have had increased development of modern flats and conversions of former office and industrial buildings into fashionable loft apartments. Target market segments include single adult households and couples with no children who prefer to live close to workplaces and amenities, and accept higher densities without gardens. The enticing brochure images on offer include glamorous lifestyles, stylish contemporary designs, open waterfront vistas and proximity to vibrant metropolitan centres with abundant coffee shops, fitness centres and designer clothes stores.

There are two main concerns associated with using the built environment to promote distinctiveness in this way. First, the pursuit of visibility and uniqueness creates pressures to build speculative objects that attract attention by virtue of their aesthetic qualities more than their functional utility. Signature buildings become the focus, rather than street-level activity to create interesting and enjoyable experiences for people (Demos, 2007). Major physical artefacts can divert efforts from meeting people's expectations of a safer, cleaner and more pleasant public realm with opportunities for relaxation and social interaction (Parkinson et al, 2006). Large development schemes are often poorly integrated into the existing urban fabric and transport infrastructure, bearing little relationship to surrounding activities and residential communities (Imrie and Thomas, 1999). Highly specified new cultural and sports facilities can also become 'white elephants' if visitors and users begin to lose interest and rising maintenance costs hit the public purse. Many cities have struggled to find the right balance between striking new projects that remove what existed before, including small businesses providing valuable local jobs, and schemes to upgrade and adapt existing structures in a more sensitive and organic manner (Sennett, 2006; Smith and Fox, 2007).

Second, the search for distinctiveness encourages up-market residential developments and neglects other social groups and lower value activities. Top-end luxury properties signal prestige and confidence, and are often financed by international investors with the new 'super-rich' elite in mind. Additional developments are aimed at young professionals, managers and other relatively affluent households. Soaring property costs and speculative pressures have knock-on effects, displacing lower income groups and traditional industries employing less-educated and minority workers (Zukin, 1989; Smith, 1995; Curran, 2007). Gentrification of inner city areas has often been localised and market-led historically, but new urban policies have extended and accelerated the process with generally negative social impacts and consequences for economic diversity (Atkinson, 2004; Hoskins and Tallon, 2004; Curran, 2007). Existing residents and firms get squeezed out by higher property prices, the actions of landlords and developers, and physical mechanisms such as gated communities. Urban renaissance advocates have a strong physical orientation, emphasising the urban environments required to attract and retain middle class households (Urban Task Force, 1999; DETR, 2000). The social implications of raising residential densities, transforming neighbourhood character and reducing affordable housing are neglected by comparison (Urban Task Force, 2005; Nathan and Urwin, 2005).

City branding

Cities have become more actively involved in trying to manage their identity, both to influence external perceptions and to reposition their firms and institutions in new markets. Developing their brand image can complement their other distinctive features and help to integrate their economic strategy around a sharper market focus. There are parallels with the use of branding in business strategy to influence product reputation and market positioning. Firms use brands to design and communicate essential product in response to consumer attitudes and to influence long-term purchasing behaviour. For example, an image of sophistication is created to appeal to people's desire for social status. Some argue that city branding should follow the same principles. For example, an organisation representing US civic leaders states baldly that: "How a city stakes out and communicates its distinctive place ... largely decides which cities succeed and which falter in the race for economic prosperity. To this end, places are just like companies" (CEOs for Cities, 2006, p.2).

Proponents of city branding argue that a positive identity transforms how people think about a place and behave towards it (Anholt, 2007). It simplifies decision-making by lending coherence to unrelated attributes, summing them up conveniently and adding a subjective quality that can't be captured by others. A city's position is improved in the eyes of tourists, investors or mobile workers by appealing to their aesthetic imagination or social values. A positive image signals an appealing lifestyle or business milieu and removes some of the risk from location decisions. Many of a city's subtle qualities are difficult to ascertain prior to decisions being made, such as students or tourists seeking a rounded experience but unable to get full information in advance. A reputable brand promises a consistent positive experience, short-circuiting the search process. A negative image may prevent cities making the short list of places to visit or invest in, especially with a powerful mass media prone to using stereotypes that simplify, exaggerate and distort unfairly.

Initiatives to rebrand cities are common and often use the trigger of major sporting or cultural events to stimulate interest. A common objective is to improve the perception of places that have suffered industrial decline and social dislocation. Rebranding exercises aim to raise awareness of the substantive improvements made and to dispel outstanding myths and prejudices. They also aim to strengthen civic pride and instil a common sense of local purpose through holding up an attractive vision. Altering the brand may also involve trying to shift the city's economy into new markets. Former industrial cities aiming to become tourism destinations and centres of consumption have often sponsored major arts festivals or international sporting events in order to replace enduring associations with heavy industry and physical decay with fashionable links to sport, design and popular culture (Smith and Fox, 2007). Art galleries, museums, concert halls and theatres have become important symbolic assets for image-conscious marketing efforts because of their associations with beauty, good taste and higher purpose (Strom, 2002). Rebranding is typically accompanied by new logos, symbols and catchphrases targeted at affluent consumers and tourists.

The efforts of cities to use branding in these ways raise two chief concerns. First, there are doubts about the ability of place marketing activities to change perceptions and location decisions. Considering the large budgets often involved, there is a surprising lack of evidence that they have any effect (Parkerson and Saunders, 2005). Evaluations of major sporting or cultural events suggest that they have at best only a

short-lived effect on image (Richards and Wilson, 2004; Smith and Fox, 2007). It seems likely that image management is far less important than observable reality, especially where difficulties exist that cannot be disguised. Clever marketing cannot compensate for aspects of a city that discourage people from visiting, investing or moving there. Success depends on improving material conditions, otherwise marketing amounts to a public relations exercise treating the symptoms of the problem rather than causes. Glasgow and Liverpool are two among many UK cities that have encountered periodic local resistance to rebranding initiatives on the grounds that they were opportunistic and diverted resources from practical problem solving (Maver, 2000; Demos, 2007).

Second, the branding of cities is infinitely more difficult than for commercial products because of their complex and contradictory qualities. For every new and favourable feature of a city there are contrary elements of continuity and disrepute. There are similar tensions between attempting to define a new identity that changes expectations and the need to acknowledge and respect the existing position. Does the city promote its rich industrial heritage and popular cultural traditions or its emerging knowledge-intensive services, nascent industries and modern European connections?

Unlike companies, cities also comprise many different and often competing interests for whom it may not be possible to identify a shared vision, let alone to control the way the message is communicated through its diverse stakeholders. Poorer communities are bound to resent strategies that focus on attracting affluent tourists or professionals by investing in 'high' culture rather than popular events and local facilities. There have been instances where existing community facilities have been closed or access curtailed in order to fund elite sporting or cultural venues. The success of corporate brands depends on universal support across the company, but the integrity and effectiveness of city brands can be jeopardised by public displays of dissent, or simply inconsistent messages from different local organisations.

Different messages often emerge because cities have various markets and audiences that a single brand cannot readily embrace (Turok and Bailey, 2004). The features that appeal to incoming students differ from those relevant to delegates attending business conventions, inward investors opening new offices, or suburban residents seeking good public services and sophisticated shopping. If these different and sometimes conflicting needs are papered over, the city brand gets diluted and loses its impact. Cities face a choice between building a unified brand and accepting a more fragmented approach based on multiple identities and messages. The former has the potential to integrate, but requires detailed consultation and participation of different actors and interests with no guarantee of success. A simpler compromise is to follow the conventions of other cities, as recommended by consultants, namely to promote a brand based essentially on consumer amenities and targeted at high-level occupations and tourism. This is socially selective and inevitably more authentic in some cities than in others, depending on their history and inherited resources. The paradox is that in seeking at the outset to be distinctive and to escape from familiar identities they often end up striving for similar outcomes (Strom, 2002; Richards and Wilson, 2004).

Conclusion

At first sight cities are pursuing a plethora of initiatives in order to promote their distinctiveness. Looked at more closely some common patterns are apparent and many

cities seem to be following broadly similar themes. Indeed one can argue that a formula has emerged around the idea of differentiation that comprises one or more of the following elements: nascent industries, high-level occupations, signature buildings and consumer identities. Some of this chimes with the aim of government policy to move the economy up the value chain to newer, higher quality products and services by devoting more emphasis to knowledge-intensive industries, science and technology, creativity, design and university graduates.

It would be wrong for these ideas to become a template for city-level strategies without critical examination of their relevance to the local situation. They are little more than broad suppositions that need adapting to the specific circumstances of individual cities. There are good arguments for cities developing more specialised activities and assets that mark them out from other places, but this will not be achieved by emulating ideas from elsewhere. Cities need to develop capabilities for dynamic change that enable steady improvements over time through original analysis, creative thinking, enterprise, initiative, learning and innovation. They also have to start from their existing position and inherited resources rather than some abstract high-end ideal.

What then should cities do to develop sources of differential and dynamic advantage? The first guiding principle is to establish a sound evidence base for better-informed local decisions. Grounded knowledge is much more important than reliance on imported ideas and speculative projects. Deep understanding of existing capabilities and relationships is required based on original analysis of the specific strengths and weaknesses of the local economy, including fields of particular technological and business expertise, strong internal and external business linkages, unusual skill-sets and occupational strengths, indigenous resource endowments, unique institutions and special physical assets. Benchmarking with other cities may also help to identify areas of unusual capability that are worth developing further or weaknesses that need to be addressed. This understanding of the indigenous economy needs to be combined with knowledge of external opportunities and evidence about areas of latent strength and unrealised potential to inform judgements about policy priorities. An open-minded approach is important, with no assumption that high-end activities are necessarily best.

Second, it is important to strengthen the capacity to anticipate and respond quickly to emerging opportunities by incorporating ideas and best practice from elsewhere or formulating new and improved local techniques. Being smarter and more imaginative means developing a more widespread culture of experimentation, creativity and learning in order to accumulate original knowledge with economic potential – finding new and better ways of doing things. This may require higher levels of trust, greater willingness to take calculated risks and improved channels of communication within and between organisations. This applies just as much to public sector and voluntary organisations as to private businesses. It also applies across organisation hierarchies from top management to front-line staff. Ambitious firms in sectors considered to have particular growth potential should have no difficulties in gaining access to the best advice and practical support available to facilitate their development.

The third broad principle is to reinforce the ability to act in a coordinated way so that particular features are developed in sync with other attributes, rather than as stand-alone initiatives. The framework presented in the paper encourages a holistic approach in which distinctive attributes build upon and are complemented by other components

of the local economy. Congruence and integration can help to maximise the economic impact and synergies of investing in particular assets. For example, policies towards occupations should be seen as complementary to, rather than substitutes for, policies aimed at industries and firms. Expanding the supply of graduates or specialised technology needs to match a corresponding increase in demand from employers or the benefits will leak out. Rebranded images also need to be anchored to changes in observable reality. City authorities have a vital role to play as intermediaries to facilitate these interactions and to help align policies and resources consistently across different elements of the strategy. This is a major challenge in a context of fragmented institutions with inconsistent objectives, boundaries and decision-making procedures.

Finally, in pursuing distinctiveness it is vital not to neglect other everyday requirements for economic success, including the efficiency and cost of unexceptional resources that every city possesses, but that can still help or hinder progress. For example, physical infrastructure emerged from a recent Global Competitiveness Report as the UK's most important economic weakness in relation to other advanced economies, reflecting the low rate of public investment over the last two decades (Porter and Ketels, 2003). And of course cities can be prosperous even without having strongly distinctive assets. It may be particularly worthwhile for cities that lack the most innovative sectors and high-end business functions to emphasise their responsive public services, reliable transport systems, spare capacity in infrastructure and effective labour supply. This reinforces an important point about avoiding a narrow and exclusive approach to city revitalisation that creates a more polarised economy and society. The possibility of long-term prosperity cannot be divorced from social stability and the existence of reasonable economic prospects for all individuals, which in turn depend on a universal policy towards skills and capabilities, and the creation of a broad spectrum of economic and housing opportunities to reflect the diverse needs of the population.

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Figure 1: Sources of distinctiveness

