

UDC: 338.1(439.151)

DOI: 10.5379/urbani-izziv-en-2010-21-02-006

Tamás EGEDY  
Zoltan KOVÁCS

## Budapest: A great place for creative industry development?

The triggering factors of urban development have changed continuously over the past decades, always adapting themselves to the processes of globalisation and related trends. Nowadays creativity, knowledge and innovation are broadly recognised as the essential ingredients of economic success in the advanced capitalist world. Thus, creative and knowledge-intensive industries are increasingly seen as the most important economic activities for international competitiveness. In terms of metropolitan regions, eastern European cities have a special position because of their belated entrance into and development in the creative economy. The current trends taking place within the creative economies of metropolitan regions in eastern Europe could also influence the future economic perspectives of the European Union. Regarding the new

economic development tendencies outlined above, this paper highlights the capacity and potentials of the Budapest Metropolitan Region based on statistical analyses and results of empirical surveys and in-depth interviews carried out among creative professionals.

**Keywords:** creative economies, creative and knowledge-intensive industries, hard and soft location factors, Budapest, Hungary

## 1 Introduction

As a consequence of the shift from the Fordist production system to post-Fordist economic structures, metropolitan regions have acquired an ever-growing importance and become the centres of economic and social development of countries and regions. Large cities and metropolitan regions play the prominent role, and due to their size and population they represent a considerable material, spiritual and intellectual “mass” (Malecki, 1987). The twenty-first century has brought about an ever-intensifying level of competition between various regions of the world. A region’s competitiveness is basically determined by its cities, and this is why competition among regions now involves a bitter and growing contest among these large cities. Economic progress and urban development are thus in a permanent and advancing interrelationship (Scott, 2006).

International experience shows that in economic competition, along with information and its flow, an increasing role is played by creativity (and particularly by culture), invention and innovation (Hall, 1998; Lambooy, 1998). They have always been important to economic progress, of course, but the importance of creativity, knowledge and innovation has never seemed as crucial as in the early twenty-first century. Concerning further development of the European metropolitan regions, it might be decisive how these city-regions will be able to attract and integrate firms in the creative knowledge sector and their manpower (Glaeser, 2005). What remains unclear is exactly why some cities are more attractive locations for these creative and knowledge-intensive industries and their employees (Florida & Tinagli, 2004; Scott, 2004; Musterd & Gritsai, 2009).

Between 2006 and 2010, the ACRE (Accommodating Creative Knowledge – Competitiveness of European Metropolitan Regions within the Enlarged Union) project, financed by FP6 of the European Union, was carried out in order to improve the empirical evidence base of urban regional conditions for creative knowledge. In this project the international consortium aimed to assess the impact of the emerging “creative class” and the rise of “creative industries” on the competitiveness of EU metropolitan regions. The project’s central research questions were: a) what are the conditions for creating or stimulating “creative knowledge regions” in the context of the expanded European Union? and b) what is the role of “soft” factors in creating and stimulating “creative knowledge regions”? The project compares the recent socioeconomic development trends and the economic development strategies in 13 metropolitan regions across Europe to obtain more insight into the extent to which creativity, innovation and knowledge are the keys to successful long-term economic development (Chapain et al., 2009). Budapest was one of the 13 major cities taking part in the international research project. The Budapest Met-

ropolitan Region (BMR), as the biggest metropolitan region of east-central Europe, can provide relevant information regarding the development trends of the creative knowledge sector currently taking place in transitional economies. This paper summarises the most important results of our research carried out in Budapest and Hungary during the ACRE project and at the same time highlights the capacity and potentials of the creative economy in the BMR.

## 2 A brief theoretical overview

Since the 1990s, the importance of geographic location and context has experienced a revival in terms of economic and economic-geographic theory. The traditional agglomeration concept of the late nineteenth century that used to explain the rise of new urban-economic clusters and centres no longer applies in its original sense. Instead, we should now speak of new types of agglomeration economies in the current post-industrial or post-Fordist era. Nicholas Phelps and Terutomo Ozawa (2003) have highlighted the main shifts in the agglomeration factors from the late industrial to the post-industrial or post-Fordist era (e.g., the shift from towns with suburbs to the global city-region, from hierarchically organised monocentric structures to polycentric structures, from manufacturing to the service industry). The increased combining and co-mingling of technological innovation, cultural creativity and governance are the driving forces of urban development in the twenty-first century. In this new economic context, creativity seems to have gained status and is required to attain success in the economy and in urban and regional development. Only creative metropolitan regions will survive under global competition (Törnqvist, 1983; Andersson, 1985; Hall, 1998). Knowledge, rooted in regional and local cultures, is also fundamental to understanding both the agglomeration and clustering of economic activity and the ability of cities and regions to increase their competitiveness. Cities with strong creative sectors – especially new-economy industries such as high-technology production, business and financial services, media and cultural-products industries and neo-artisanal manufacturing – are within the vanguard of this trend (Scott, 2006).

### 2.1 Creative and knowledge-intensive industries

The rise of “creative industries” is an important element of urban and regional economic growth in the developed world. With integrated global markets and the advent of new technologies, there has been a search for new sources of competitive advantage (Rantisi et al., 2006). Empirical studies have highlighted the character of creative industries, generally small, agile businesses that operate within a networked chain of interrelated activities. In addition to creation and production, marketing and distribution are also key components of this

chain, critical to commodities that rely on capturing (and manipulating) consumer sensibilities (Hirsch, 1972). Researchers have stressed that the symbolic value of products has become at least as important as their practical uses (Lash & Urry, 1994; Zukin, 1995). The core of these creative industries, consisting of the economic branches mentioned above, are most often labelled cultural industries. These cultural industries have strong links with several other creative economic branches as well as with the creative departments of various production activities. The wide arrays of creative activities developed around cultural industries are most often called creative industries. A large share of these creative industries is highly interrelated with knowledge-intensive activities. In this sense, creativity and knowledge are strongly interwoven. When we discuss the relevance of location factors or cluster theories for the attraction of new economic activities in the creative and knowledge-intensive industries, it makes sense to expand the focus of attention to sectors such as ICT (software industries), the financial sector, law, other knowledge-intensive business services, research and development (R&D) and higher education.

## 2.2 The “creative class”

Another concept rapidly gaining popularity among urban researchers is Richard Florida’s “creative class” concept (Florida, 2002). Florida came to the conclusion that talent, technology and tolerance (the 3 Ts) are important conditions when analysing the role of creativity in economic development and urban and regional success. In his 3T model, he argued that growth is powered by creative people (Talent) that prefer places that are culturally diverse and open to new ideas (Tolerant) and where the concentration of “cultural capital” is wedded to new products (Technology). These qualities result in business formation, the generation of new jobs and economic growth. Florida claims that we are entering the “creative age”, in which people with original ideas of all sorts will play the central role. According to Florida (2002: 8), “The creative class is comprised of a ‘super creative core’, which consists of a new class of scientists and engineers, university professors, poets, actors, novelists, entertainers, artists, architects and designers, cultural worthies, think-tank researchers, analysts and opinion formers, whose economic function is to create new ideas, new technology, and/or new creative content.” Beyond this core group, the creative class also includes a wider circle of talent working in knowledge-intensive industries. The latter industries include high-technology sectors, the financial sector and judicial services.

It is important to stress that a creative knowledge economy offers opportunities to people of all socioeconomic and educational strata to profit from their talents. Of course, not all people are equally creative or talented, but in principle everyone has a certain talent that could contribute to urban or

regional innovation and economic development. An economy focusing on creativity does not need to be an elitist economy. It can also offer new opportunities to marginal groups that have been unable to participate in urban and regional economic progress. Economists and economic geographers like Florida claim that “soft” location factors (e.g., the tolerance, diversity and openness of city-regions and their populations) are increasingly important in attracting representatives of the creative class and that the importance of “classic” or “hard” location factors (e.g., factors such as traffic accessibility, real estate, land availability and prices, taxes, and access to markets and labour) is diminishing.

## 3 Methodological background of the research

### 3.1 Statistical databases

At the beginning of the ACRE project, on the basis of international literature, the consortium defined those economic activities and occupations that can be classified as part of the creative industries (Table 1).

For analysis of the current situation of creative industries in Hungary and Budapest, two sets of data were used:

- *Creative industries*: For identification of the creative knowledge sector, the international NACE codes were used, which are identical with the TEAOR’03 codes applied by the Hungarian Central Statistical Office. Data regarding the number of enterprises (divided by companies, sole proprietors and government institutions), their number of employees and their annual revenues (in €1000) were supplied by the Hungarian Central Statistical Office. This set of data was available in a cleaned and structured format for 1999 and 2004;
- *Creative occupations*: For identification of creative occupations, we used the Hungarian FEOR system, which is similar to the international ISCO88 system. The latest data regarding occupations were available from the last census conducted in Hungary in 2001. For the analysis of regional variations in creative industries within Hungary, we used data aggregated for the entire country, for the regions and counties and for the BMR, respectively.

Using these datasets, comparative analyses were carried out at the local and international levels in the analytical phase of research.

### 3.2 Empirical surveys during the project

The ACRE project is predominantly based on empirical research carried out in the partner cities. These empirical studies within the project can be subdivided into three stages. In the

first stage, a quantitative questionnaire survey (200 questionnaires in each metropolitan region) was carried out to investigate the opinion of highly skilled graduates and workers (employees) in creative and knowledge-intensive industries about their living and working conditions and to explore the role that both “hard” and “soft” location factors play in workers’ and graduates’ decisions to live in a particular location in the region. In the second stage, qualitative in-depth interviews (25 interviews in each city) were conducted with leaders and managers of firms (i.e., employers) to understand the drivers behind the decisions of the managers of selected knowledge-intensive and creative sub-sectors to settle in a certain location in the metropolitan region and to estimate the relative importance of the location factors that played a role in their decision-making process. The third stage also comprises in-depth interviewing of transnational migrants working in the creative knowledge sector (25 interviews in each city). The object of this research period was to recognise and investigate the drivers behind expats’ decisions to settle at a certain location and at the same time to estimate the relative importance of the location factors that played a role in their decision-making process.

The results of the empirical surveys were first synthesised at a local level to identify the most important attracting and retaining factors in the metropolitan region and also to recognise the strengths and weaknesses of the city. After the syntheses of results at local levels, international comparison analyses were carried out between different metropolitan regions across Europe.

#### 4 A geographical profile of the BMR

The BMR is located in the official EU-region of Central Hungary, which is one of Hungary’s seven NUTS-II regions. The settlement system of the region of Central Hungary can be subdivided into three segments: a) Budapest, the capital city of Hungary; b) the agglomeration zone of Budapest, officially including 80 settlements and c) the rest of Pest county – excluding Budapest and its metropolitan region – with 106 settlements (i.e., municipalities). Budapest is subdivided into 23 districts, 6 on the hilly Buda side, 16 on the flat Pest side and 1 on Csepel Island between them (Tasan-Kok, 2004). Budapest currently has a population of 1.7 million and the entire BMR has a population of 2.4 million, making it the largest metropolitan region in east-central Europe (Földi, 2006). The BMR is characterised by a marked ageing process. The rate of unemployment there is around 5%, thus the rate of employment and the proportion of active earners within its local population is higher than the national average. The general level of educational attainment in the BMR is also much higher than the national average because of Budapest itself. An important recent demographic trend is the marked increase

in the rate of people commuting to the city. The BMR’s economic output has always been dominant within Hungary. In terms of output and employment, the top five branches are the chemical industry, machinery, food processing, woodworking and publishing. Within services, the financial sector has been developing most intensely; other innovative economic areas in Budapest are information-communication technologies, logistics, life-sciences (pharmaceuticals, biotechnology, and nanotechnology), creative industries and the cultural economy (Kovács et al., 2007).

#### 5 The creative economy of the BMR seen through statistics

With regard to the role of the creative knowledge sector within the local economy, Hungary maintains a moderate position in Europe. This can in part be traced back to the ratio of creative occupations: Hungary, with 21% of the total workforce within these occupations, is statistically in the centre of Europe. Post-communist countries are doing well in terms of both creative occupations and the size of the creative class, and they are not lagging behind the western European countries. In both eastern and western European cities, knowledge-intensive branches represent a higher share of the local labour market compared to creative ones. Considerable disparity can be detected, however, between the two parts of Europe in that the labour market share of creative branches is undoubtedly lower in eastern European cities (except for the BMR). The BMR actually has a much better position among European cities than does Hungary in comparison to other countries of Europe. This can be related to Budapest’s gateway location within the country.

As defined by the ACRE consortium on the creative economy (Table 1), at the end of 2007 there were 258,000 businesses in Hungary active in the creative industries and knowledge-intensive industries (together with the creative knowledge

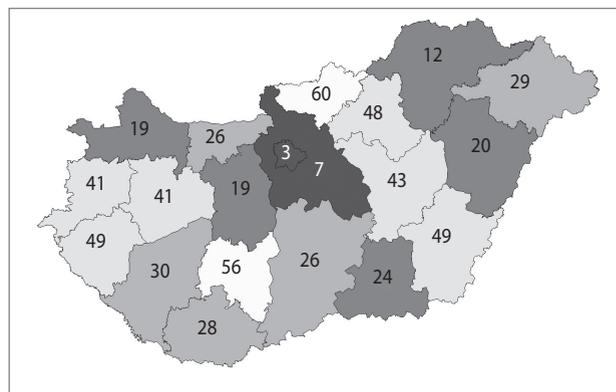


Figure 1: Regional disparities in Hungary based on the “creative index”<sup>(1)</sup> (illustration: Tamás Egedy and Balázs Szabó).

**Table 1:** Review of the creative knowledge sector as defined by the ACRE consortium.

Area	Fields	
Creative industries	Architecture, advertising, publishing, motion picture industries, video, radio and television activities, software consultancy and supply, news agency activities, entertainment and recreational activities, the manufacture of textiles, apparel, luggage, handbags, saddlery, harnesses and footwear, tanning and dressing of leather and the retail sale of new and second-hand goods.	
Knowledge-intensive industries	ICT	Telecommunications, computer-related activities, hardware consultancy, data processing and database activities, the manufacture of office machinery and computers, insulated wires and cables, televisions and radios, telephony and line telegraphy, video recording or reproducing and the maintenance and repair of office, accounting and computing machinery;
	Finances	Financial intermediation, insurance and pension funding, activities auxiliary to financial intermediation
	Law and business	Legal, accounting, book-keeping and auditing activities, market research, technical testing and analysis, labour recruitment and provision of personnel, investigation and security activities
	R&D and higher education	R&D, research and experimental development in the natural and social sciences, engineering and humanities, higher education

Source: Kovács et al. (2007; compilation: Tamás Egedy).

sector), which made up 36.7% of the businesses registered in the country. Of these, 44.5% of them (ca. 112,100 companies and sole proprietors) were located in the BMR. The number of employees working within the creative sector in Hungary was 889,000, of which 52.0% (463,000 persons) worked in the BMR. In 2007, the creative knowledge sector in Hungary produced a total of €61.8 billion in revenues, €37.6 billion in the BMR alone. Compared with the data from 1999, several remarkable changes took place during an 8-year period not only in Hungary but also in the BMR (Egedy & Kovács, 2008). The BMR, as the only genuine metropolitan region of Hungary, has always made a considerable contribution to the creative economy on the national scale (Figure 1).

The number of companies involved in the creative knowledge sector increased by 30.7%, especially finance (85.1%) and R&D and higher education (both 81.7%). At the same

time, the number of enterprises in creative industries grew at a somewhat below-average rate (19.7%) even though it had the largest number of new enterprises (with 12,000 new enterprises established after 1999, the number active exceeded 65,000 in 2004 but then, by 2007, that number decreased by almost 1,500; Table 2).

The increase in the number of employees lagged compared with the growth of businesses during that time period. The former had risen from 389,000 to 463,000, representing a 19.1% increase (Table 3). The number of employees in law and business showed a considerable increase in both absolute and relative terms. Between 1999 and 2007, it increased by 44,400 workers (67.3%). The number of employees within ICT and the finance sectors also increased dynamically. Since 2000 – chiefly due to the reform processes – the employment rate in higher education has shrunk considerably (a 20.0% drop

**Table 2:** Creative economy enterprises, employees and revenues in the BMR (2007).

	Number of enterprises	Change 1999 to 2007 (1999 = 100%)	Number of employees	Change 1999 to 2007 (1999 = 100%)	Revenues (€1000)	Change 1999 to 2007 (1999 = 100%)
Creative industries	63,588	119.7	193,275	107.8	13,427,271	212.2
ICT	8,418	136.3	61,243	125.9	11,914,333	312.8
Finances	7,142	185.1	67,723	120.2	7,249,749	307.3
Law and business	30,554	143.4	109,248	167.3	4,822,682	214.1
R&D, higher education	2,373	181.7	31,407	80.0	211,508	144.4
Creative knowledge sector	112,075	130.7	462,896	119.1	37,625,543	252.6
Total in Hungary	251,605	122.1	1,481,959	109.9	159,976,824	269.1

Source: Hungarian Central Statistical Office (1999, 2004, 2007).

between 1999 and 2007). In relation to revenue, the creative knowledge sector increased very dynamically: those economic ventures earned €14.9 billion in 1999 and €37.6 billion in 2007. ICT and finance sector earnings experienced more than 300% growth over that time period (Table 3). Trends within the BMR can be traced by studying the role it played within the creative knowledge sector at the national level. In terms of both the total number of businesses in Hungary and those operating in the BMR, the BMR's contribution grew somewhat between 1999 and 2007. The same is true for number of employees and revenue. The comparison between creative and knowledge-intensive industries, however, reveals considerable disparities (Table 3).

Creative industries experienced positive increases in terms of the number of enterprises and employees and in the volume of revenues. This is the only branch within the creative knowledge sector for which the BMR's contribution grew with regard to all three parameters. Despite an upward trend in the number of enterprises in ICT, the BMR's contribution was reduced after 2000. Judging based on revenues, the capital-intensive, innovative and dynamically developing businesses are concentrated within the BMR. The BMR's contribution in the finance sector increased between 2004 and 2007. In terms of revenue, the BMR contributed greatly. In law and business, the BMR's revenues dropped considerably between 1999 and 2004 compared with those in the countryside. The conclusion might be drawn that the sophisticated legal and business services had been upgraded in provincial cities after 2000. It should also be mentioned that, although there was an overall growth in organisations involved in R&D and higher education, the BMR's contributions to this branch were reduced compared to the country as a whole. There has been a change in the structure and concept of higher education, with a rising number of institutions in research and training residing in the countryside. The efficiency and profit of that branch have recently decreased because it produced declining revenues with a concurrent increase in the number of staff.

Within the agglomeration, the relative weight of firms operating in the creative knowledge sector is the highest in the

northwestern sector (41.8%), and lowest in the south-eastern sector (30.2%). Equally marked geographical differences can be detected within Budapest. Districts on the Buda side show higher proportions with regard to the relative share of creative firms (12th District 55.3%, 1st District 54.2%), whereas the number and share of creative knowledge sector firms is generally lower in the southeastern districts on the Pest side (Figure 2).

## 6 Budapest in the eyes of creative professionals

After our findings were evaluated, it was clearly established that in the course of the analyses of the hard, soft and personal factors a distinction must be made between the macro (global) and micro (or local) levels. The macro level is meant to represent the general motivations of the interviewee to come to and remain in Budapest and/or the BMR, whereas the micro level encompasses factors that were decisive for the choice of the place of residence and site selection within the metropolitan region. From the results of in-depth interviews, it is clear that personal and family reasons should be handled separately from the hard and soft factors. The analyses showed that personal and family reasons (e.g., born in the city, family lives there) prove to be such strong motivations to move into a metropolitan region (in our case the BMR) that any other hard or soft factors are neglected in comparison.

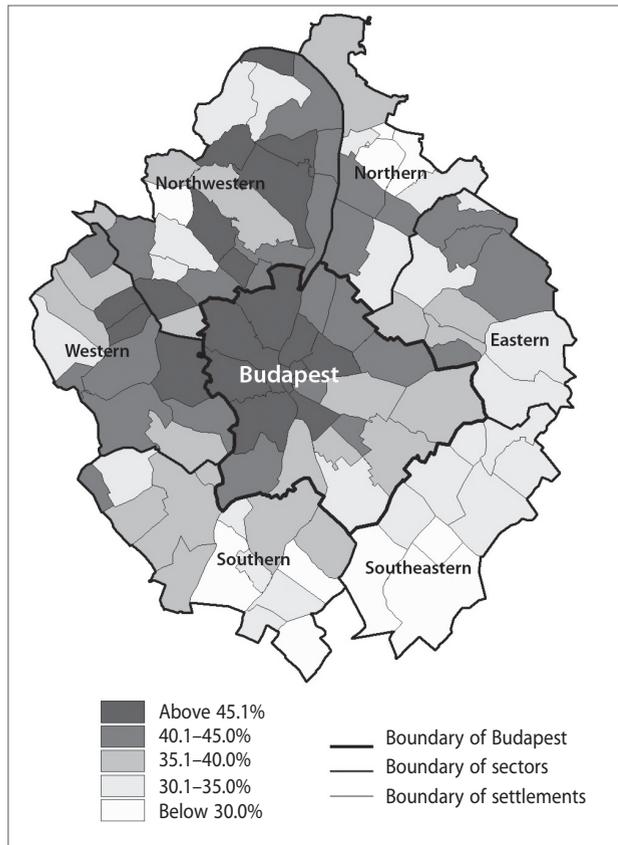
### 6.1 Motivations to come to Budapest

According to our macro-level analyses, workers and graduates employed in the creative economy, managers, entrepreneurs, and transnational migrants to Hungary and Budapest are attracted by the economic advantages offered by the metropolitan region: employees favour the broad range of job opportunities and accept various kinds of labour, as do employers for the same reason: the favourable labour market conditions. For managers and firms, the large market (enterprises and clients) is one of the strongest attractions. Budapest has an enormous

**Table 3:** The BMR's contribution to the creative knowledge sector of Hungary (%).

	Enterprises			Employees			Revenues		
	1999	2004	2007	1999	2004	2007	1999	2004	2007
Creative industries	42.0	43.3	44.0	40.5	44.8	46.8	58.3	62.3	63.9
ICT	55.8	53.6	52.6	49.8	46.7	51.8	42.4	43.1	46.0
Finances	28.2	27.4	28.5	75.5	66.5	69.1	89.7	91.2	90.1
Law and business	42.3	41.9	45.2	52.7	53.0	55.7	80.4	66.6	73.6
R&D: higher education	65.6	52.4	51.4	48.1	48.7	49.5	77.5	77.5	73.0
Creative knowledge sector	42.1	42.3	43.5	47.4	49.0	52.1	58.5	58.4	60.9
Total in Hungary	34.5	35.0	35.8	37.8	39.1	40.7	51.3	53.2	55.0

Source: Hungarian Central Statistical Office (1999, 2004, 2007).



**Figure 2:** Ratio of creative and knowledge-intensive enterprises in the BMR (source: Hungarian Central Statistical Office, 2007; illustration: Tamás Egedy and Balázs Szabó).

economic potential relative to that of the entire country and this exerts great attraction on economic units. Creative firms have located in the BMR primarily due to the size of the market and labour supply. The large number of entrepreneurs and a well-trained labour force are also not negligible factors in site selection either.

The second greatest attraction is education and training. These are important because settling in the BMR is a general trend, and so quality higher education raises the economic potential of Budapest. The BMR serves as a magnet primarily for the young generations and also has a high retaining capacity. Once somebody settles there, he or she would seldom want to move further. Apart from Budapest as Hungary’s leading city, there

are not many alternatives. In this respect, no particular difference could be identified between the members of the creative and knowledge-intensive groups. The third attraction is the personal and soft factors changing by target groups when migrants make decisions on an emotional basis (they follow their partners, or the metropolis appeals to them), whereas managers tend to consider economic factors (e.g. informal links and availability of services). Informal links play a decisive part in the Hungarian economy and therefore enterprises might profit greatly from their presence in the capital. Moreover, here they have access to high-level legal, financial, commercial and logistics services. Motivation and attraction factors at the macro level for creative and knowledge-intensive professionals do not differ from those for people employed in other sectors of the economy.

### 6.2 Why remain and settle down in Budapest?

Based on the micro level analyses, no differences could be perceived in the factors decisive for settlement by professionals working in creative vs. knowledge-intensive sectors. The choice to stay in the region was most strongly connected to family ties and personal links. This group of reasons was not only the most highly motivating but two of the reasons within that group (born here, family lives here) were ranked as the most important reasons for living in the BMR. For those born outside of the BMR, the most important motivation factors are the cost of a dwelling, the size of the residence and proximity to public transport as hard factors (Table 4). These are not only attracting but also retaining factors; that is, they are determinants for creative-class workers to move to a certain neighbourhood and also for them to stay there longer. Following these decisive hard factors, several soft factors must be considered before a decision is made. Among these, the quality and atmosphere of the neighbourhood must be mentioned in the first place. In the scale of values, this was mentioned by the employees as a factor considered just after dwelling and public transport. Proximity to the workplace was referred to as an attracting factor by the creative-sector employees, whereas high traffic and noise pollution were evaluated as a push factor. In a longer-term perspective, personal safety and public security, access to commercial facilities and the quality of life offered by the neighbourhood

**Table 4:** Role of various factors in choosing the current dwelling place (whole sample, *n* = 203).

	Very important	Quite important	Somewhat important	Not important	Don't know	No response
Cost of dwelling	33.5	40.5	11.0	6.0	3.5	5.5
Quality of neighbourhood	33.5	38.0	16.0	4.0	2.5	6.0
The neighbourhood's atmosphere	28.0	39.5	19.5	5.5	3.0	4.5
Size of dwelling	23.5	48.0	13.5	6.5	3.5	5.0
Proximity to public transport	19.5	44.5	20.5	9.0	2.0	4.5

Source: Kovács et al. (2008).

are primary retaining factors. From the analyses of the choice of residence, it can be concluded that young people tend to make their choice based on hard factors (in pursuit of education in Budapest and seeking jobs), whereas soft factors (e.g. proximity to a natural environment) are among the preferences for middle-aged and older generations.

Employers and managers primarily consider hard factors in the course of site selection. The leading aspects are the price of an office and the size and infrastructure of an office, as well as accessibility to traffic routes and public transport. For certain creative firms, a presence in Budapest is important because it is a prerequisite to applying for subsidies and grants. Place of residence has special importance in the managerial strata (in inverse ratio to the size of the firm), which also emerges in choosing the site for headquarters. Soft factors come to the fore in the second round, especially the office's neighbourhood: managers of creative firms favour prestige aspects, whereas those of knowledge-intensive enterprises prefer the quiet and calm surroundings. Among the soft factors, informal links and good services are equally attracting factors (at the macro level) and retaining factors (at the micro level) for creative firms (Figure 3). Doubtless, personal trajectories play some part in the decision-making process concerning settlement: family and friends can play both of these roles (see also Murphy & Redmond, 2009).

### 6.3 Strengths and weaknesses of the BMR

Summarising the results on the strengths of Budapest three groups of location factors were judged equally and very positively in each of the three target groups: a) job offers and career opportunities, b) cultural life and leisure, sports and entertainment opportunities, and c) services, retailing and shopping networks, and restaurants.



**Figure 3:** Graphisoft park in the northern section of Budapest, providing a modern working environment and high-quality services (photo: Tamás Egedy).



**Figure 4:** The attractive geographical setting is one of the strongest points of the city (photo: Tamás Egedy).

The first group includes the hard factors, whereas the second and third categories can be evaluated as soft factors. Apart from those mentioned above, groups of factors exist that have less importance but strengthen the position of Budapest. The capital city is an undisputed leader in the country's higher education, and the level of training is highly appreciated among specialists from Hungary and abroad. Job and career opportunities are strong attractions of the metropolitan region. They are supported by favourable working conditions: the enterprises and institutions generally provide better working facilities for Hungarian and foreign employees than their counterparts in the countryside. The issue of subsidies and grants belong to the hard factors. It is well known that there is an extensive social network in Hungary (a system of state subsidies and social allowances) involving high expenditures and thus imposing a heavy burden on the economic performance of the country, which extends beyond its capability. It is not by chance that the respondents (chiefly transnational migrants and managerial strata), based on financial considerations of their own, highly appreciate this system of subsidies and grants. The residential environment should be mentioned among the soft factors; this means that the city's diverse neighbourhoods with high standards and good quality are evaluated as strong points of Budapest. This great variety of the neighbourhoods is ready to meet the demands of all social strata. Among the soft factors, there are two advantages of Budapest: the geographical setting of the city, which is especially appreciated by transnational migrants and managers, and the cultural milieu of the city (Figure 4). This milieu is closely related to the rich choice of cultural programmes and events.

There are a few hard and soft factors that should be mentioned among the weaknesses of Budapest. One is the Hungarian taxation system, which is judged very negatively by both employers and transnational migrants. Although there have

been attempts to reform the system in recent years, these have proven to be unsuccessful or inefficient. Therefore Budapest is in a losing position in economic competition because tax brackets and high tax payments are seen as push factors: they curb the inflow and settlement of professionals and firms. There are four additional factors that weaken Budapest's position in the domestic and international competition among cities, albeit to a lesser extent than those two mentioned above. Among the hard factors, high living costs should be mentioned. All three target groups expressed their view that price of living and especially everyday expenses are very high in comparison with the level of income. Other weak points of Budapest are the lack of tolerance and acceptance of diversity and a lack of openness. A surprisingly high level of intolerance (contrary to all expectations) in most places in the metropolitan region was one of the findings of previous surveys. In relation to this issue, employees feel that solidarity, social cohesion and equity are problematic, not only in Budapest but all over Hungary.

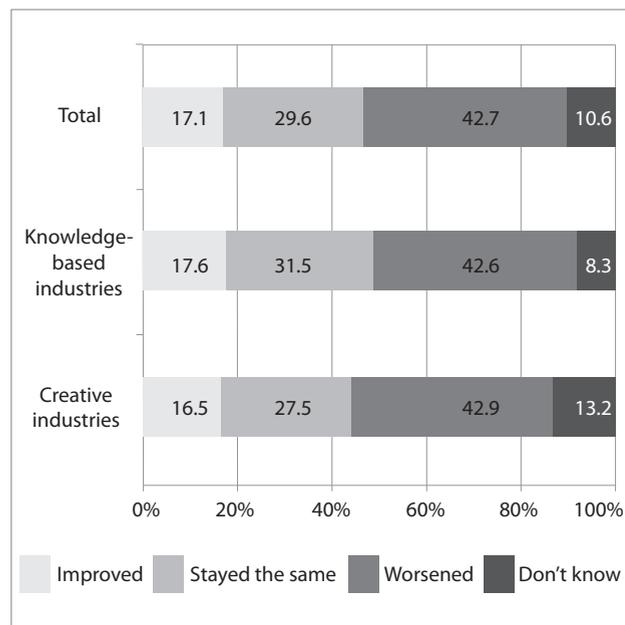
A closely related issue is that, in the opinion of the respondents, there is a very low level of political culture in Hungary, and the situation is further exacerbated by overwhelming corruption and bureaucracy (Egedy et al., 2009). Among the negative soft factors, the indicators typical of big cities – pollution, lack of cleanness and noise – are often referred to. High traffic and the noise it generates degrade the quality of life. The lack of cleanliness and neglected state of the districts, quarters and streets complained about by the respondents can be attributed to an insufficient level of environmental consciousness among the local population. It is not surprising in this sense that almost half of the respondents from both sectors investigated voiced their position on the deteriorating quality of life in Budapest in recent years (Figure 5).

To sum up the findings regarding the strengths and weaknesses of the BMR, we compiled a SWOT analysis based predominantly on the opinions of creative professionals and managers (Table 5).

**Table 5:** SWOT analysis of the BMR.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Geographical location and settings of Budapest</li> <li>• Weight and role of Budapest in the national economy</li> <li>• Favourable positions in the creative knowledge sector</li> <li>• Good job opportunities on the labour market</li> <li>• Higher standard cultural services</li> <li>• Supply on the office and housing market</li> </ul>	<ul style="list-style-type: none"> <li>• Situation of traffic and public transportation</li> <li>• Low level of collaboration between firms and universities, research and public institutions</li> <li>• Slow and inadequate clustering process</li> <li>• Lack of business strategies and strategic thinking of managers</li> <li>• Passive and defensive behaviour of managers on the market</li> <li>• Political climate and culture, problems of administrative and economic rules</li> <li>• Taxation system</li> <li>• Quantity and quality of green spaces</li> <li>• Cleanness of the city and living environment</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• High concentration of companies and enterprises</li> <li>• Concentration of universities and colleges in Budapest</li> <li>• Spectacular development of certain branches within the creative economy</li> <li>• Attractiveness of Budapest for the countryside manpower</li> <li>• Great variety of neighbourhoods</li> </ul>	<ul style="list-style-type: none"> <li>• Size, capability and openness of national economy</li> <li>• System of education and higher education</li> <li>• Hard competition between enterprises because of its high number in the metropolitan region</li> <li>• High specialisation of SMEs</li> <li>• Price level of experienced and well-skilled labour</li> <li>• Danger of corruption regarding informal links</li> <li>• Inadequate development of public services</li> <li>• Price level on the office market</li> <li>• Costs of living (prices, level of wages and salaries)</li> <li>• Emerging social problems, tensions, intolerance and aggressiveness</li> <li>• Homelessness, poverty, social polarisation</li> </ul>

Source: Egedy & Kovács (2009).



**Figure 5:** Perceptions of quality of life improvements ( $n = 203$ ; source: Kovács et al., 2008).

## 7 Development strategies in the BMR

The BMR stands as the most important development area in the New Hungary Development Plan (2007–2013) and in the new Pole Programme of Hungary from 2005. The city's development programme, called the Budapest Innopolis Development Pole Programme, encourages creative cooperation between local enterprises, professional organisations, research and development bases and educational and training institutes in a model that increases the national and international competitiveness of the economy. The development strategies and policies in the BMR give priority to the knowledge-intensive sector and the creative industries are given a subordinate role. The development of creativity has therefore been neglected in favour of the development of innovation and knowledge. This is also indicated by the aims of these thematic development areas (clusters that must be developed in the near future): Medi-Pole (medical industries), ITT Pole (info- and telecommunication, informatics), and EcoPole (environmental industries).

The comprehensive improvement of hard and soft factors through policies and strategies does not appear to be a main priority in the BMR. This is partly the result of the top-down character of policymaking that does not pay too much attention to local (location-specific) factors. Another problem in Hungary and specifically in the BMR is that the decision-making process is strongly affected by political influences that push professionalism into the background. Strategies and policies that were prepared professionally are frequently overwritten by political force. Top-down and short-term ways of thinking are

very typical of decision makers in the BMR and in Hungary itself (i.e., they tend to determine development tasks for the given year when the annual budget is prepared, but they hardly consider long-term goals). The improvement of hard and soft factors is therefore more the outcome of routine development processes than specific strategies.

## 8 Conclusions

The BMR is the most economically advanced area of Hungary, and since the change in political regime, Budapest managed to keep its leading position in the economic development and modernisation of the country in most respects. Economic restructuring has made it obvious that Hungary and the BMR – based on their skilled workforce – can be competitive in the knowledge-based industries of the EC. Since 2000, the national, regional and local strategies in Hungary have focused on the development of creative and knowledge-intensive industries. The BMR's contribution is significant and encourages the progress of these industries. The central region of Hungary (including the BMR) attracts most of the foreign and domestic investments and innovations, and the BMR serves as a gateway for innovation and modern technologies and a national centre for most of the creative activities.

According to the new metropolitan-level statistical database available, we can conclude that between 1999 and 2007 several remarkable positive changes took place in the creative knowledge sector not only in Hungary but also in the BMR. It must be highlighted that since 2000 the BMR's contribution to Hungary's creative knowledge sector has steadily increased. Economic indicators testify to its leading position within Hungary, which guarantees a good standing for the BMR in terms of international competitiveness. The BMR is overrepresented in terms of the number and ratio of creative and knowledge-intensive firms, as well as the employees in these firms and the revenues generated by this sector. The BMR represents more than 40% of the businesses operating in those sectors, nearly half of the employees of those sectors and 60% of the revenues generated. The BMR is leader in terms of the creative industries, legal and business services, ICT, R&D and higher education. The BMR is the prominent cultural hub of Hungary and in many respects of southeast Europe. The development of creative and knowledge-intensive industries in provincial cities now is somewhat lagging behind that of the capital, but the fact that they are gradually catching up is indicative of positive shifts and promising for the future. The most relevant motivating factors for creative sector employees, employers and transnational migrants that come to and settle down in the BMR were job and career opportunities and to pursue education. Personal motivators occupy a special position in that they

were found to outweigh all other motivators. The opinions of creative professionals and managers in Budapest show that in the course of their decision-making regarding their place of residence or business location selection, they tend to consider both hard and soft factors but, in general, the hard factors are more influential. This might have special importance in the case of the BMR because our survey showed that highly qualified representatives of the creative economy were more satisfied with the soft factors of the city than with the hard factors. An integrated analysis of the target groups' opinions also determined the most important perceived strengths and weaknesses of the BMR. The relevant strengths of the region included the job market and career opportunities, working conditions, the level of higher education and universities, the conditions of the residential environment and good public services. Weaknesses included environmental problems (e.g., pollution, noise, lack of cleanliness), the taxation system, social housing sector problems, lack of tolerance and social cohesion and the poor political culture.

Due to the economic development of the past twenty years, the BMR has been successfully integrated into the European metropolitan network. This was despite economic difficulties in the years after 2002 and during the global economic crisis in 2008 to 2009. Hungary and the BMR maintain a competitive presence even though the creative knowledge sector is still in its beginning stages. The BMR can be an effective gateway in the development of the creative and knowledge-intensive industries of this part of Europe if it continues to grow into its great potential.

.....  
Tamás Egedy

Hungarian Academy of Sciences, Geographical Research Institute,  
Budapest, Hungary  
E-mail: egedy@gmx.net

Zoltan Kovács

Hungarian Academy of Sciences, Geographical Research Institute,  
Budapest, Hungary  
E-mail: zkovacs@iif.hu

## Note

<sup>[1]</sup> The creative index is a simple cumulative index based on rankings (1–20) of counties and of Budapest by number of enterprises, number of employees and amount of revenue created in the creative economy.

## References

Andersson, A. (1985) Creativity and regional development. *Papers of the Regional Science Association*, 56, pp. 5–20.

Chapain, C., Collinge, C., Lee, P. & Musterd, S. (2009) Can we plan the creative knowledge city? *Built Environment*, 35(2), pp. 157–164.

Egedy, T., Földi, Z., Balogi, A. & Kovács, Z. (2009) *Budapest in the eyes of creative foreigners – The view of transnational migrants*. Research report. Amsterdam, AMIDSt, University of Amsterdam.

Egedy, T. & Kovács, Z. (2008) The creative knowledge sector in the Budapest Metropolitan Region. In: Kertész, Á. & Kovács, Z. (eds.) *Dimensions and trends in Hungarian geography – Studies in geography in Hungary*, pp. 149–167. Budapest, Geographical Research Institute, Hungarian Academy of Science.

Egedy, T. & Kovács, Z. (2009) *The potentials of Budapest to attract creativity – The views of high-skilled employees, managers and transnational migrants*. Research report. Amsterdam, AMIDSt, University of Amsterdam.

Florida, R. (2002) *The rise of the creative class and how it's transforming work, leisure, community and everyday life*. New York, Basic Books.

Florida, R. & Tinagli, I. (2004) *Europe in the creative age*. London, Demos.

Földi, Z. (2006) *Neighbourhood dynamics in Inner-Budapest – A realist approach*. Doctoral thesis. Utrecht, Utrecht University, Faculty of Geosciences.

Glaeser, E. L. (2005) Reinventing Boston: 1630–2003. *Journal of Economic Geography*, 5, pp. 119–153.

Hall, P. (1998) *Cities in civilization*. London, Weidenfeld and Nicholson.

Hirsch, P. (1972) Processing fads and fashions: An organization-set analysis of cultural industry systems. *American Journal of Sociology*, 77(1), pp. 639–659.

Hungarian Central Statistical Office (1999) *Special database selected for the Hungarian ACRE project partner*. Budapest.

Hungarian Central Statistical Office (2004) *Special database selected for the Hungarian ACRE project partner*. Budapest.

Hungarian Central Statistical Office (2007) *Special database selected for the Hungarian ACRE project partner*. Budapest.

Kovács, Z., Egedy, T., Földi, Z., Keresztély, K. & Szabó, B. (2007) *Budapest – From state socialism to global capitalism. Pathways to creative and knowledge-based regions*. Research report. Amsterdam, AMIDSt, University of Amsterdam.

Kovács, Z., Egedy, T., Földi, Z., Keresztély, K., Szabó, B. & Balogi, A. (2008) *Everyday life and attitude of creative people in the Budapest Metropolitan Region*. Research report. Amsterdam, AMIDSt, University of Amsterdam.

Lambooy, J. G. (1998) Knowledge production, organisation and agglomeration economies. *GeoJournal*, 41(4), pp. 293–300.

Lash, S. & Urry, J. (1994) *Economies of signs and space*. London, Sage.

Malecki, E.J. (1987) The R&D location decision of the firm and "creative" regions. *Technovation*, 6, pp. 205–222.

Murphy, E. & Redmond, D. (2009) The role of "hard" and "soft" factors for accommodating creative knowledge: insights from Dublin's "creative class". *Irish Geography*, 42(1), pp. 69–84.

Musterd, S. & Gritsai, O. (2009) Creative and knowledge cities: Development paths and policies from a European perspective. *Built Environment*, 35(2), pp. 173–188.

Phelps, N. A. & Ozawa, T. (2003) Contrasts in agglomeration: Proto-industrial, industrial and post-industrial forms compared. *Progress in Human Geography*, 27(5), pp. 583–604.

Rantisi, N. M., Leslie, D. & Christopherson, S. (2006) Placing the creative economy: Scale, politics, and the material. *Environment and Planning*, 38(10), pp. 1789–1797.

Scott, A. J. (2004) Cultural products industries and urban economic development. Prospects for growth and market contestation in global context. *Urban Affairs Review*, 39(4), pp. 461–490.

Scott, A. J. (2006) Creative cities: Conceptual issues and policy questions. *Journal of Urban Affairs*, 28(1), pp. 1–17.

Tasan-Kok, T. (2004) *Budapest, Istanbul, and Warsaw – Institutional and spatial change*. Delft, Eburon Academic Publishers.

Törnqvist, G. (1983) Creativity and the renewal of regional life. *Human Geography*, 50, pp. 91–112.

Zukin, S. (1995) *The cultures of cities*. Oxford, Blackwell.