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At the Gateway to Opportunities: Towards a Creative and Knowledge-Intensive Budapest

Introduction

The drivers of urban development have been constantly evolving and changing over the past decades, adapting more and more to the process of globalisation and its characteristic trends, seen as a positive process by some, or considered negatively by others. In the shift from Fordist to post-Fordist economic structures, metropolitan regions have gained, and continue to gain an increasingly important role; furthermore, as focal points of development they are exerting a growing influence on urban populations and the labour force. Nowadays, the proportion of the urban population is rapidly growing, thus making the role of megacities, metropolises and other cities that are lower in the urban hierarchy increasingly important in the socio-economic development. This deserves particular attention in the light of today's increasingly fierce competition between different regions. Regional competitiveness is basically determined by the cities and towns in a region, so regional competition is enhancing competition between cities. Economic development and metropolitan development therefore mutually impact each other, and their development becomes progressively interlinked.[1] After the millennium, it became clear that the post-Fordist social and economic transformation of cities has brought to the fore new economic drivers such as knowledge, creativity, innovation, science and technology.[2] In the competition between city-regions, those are able to achieve a good position and obtain an economic advantage that create favourable conditions for these drivers. In the international and national competition between cities, the social and economic environment that cities can provide for the creative economy to settle down has an increasingly important role to play together with their ability to attract and integrate companies and workers engaged in the creative economy.[3]

Relying on the international and domestic research results, the purpose of this chapter is to provide an overview of the situation of the creative economy and the differences in the spatial distribution of creative and knowledge-intensive sectors, with special regard to the characteristics and situation of the Budapest agglomeration. Apart from presenting current development trends, we will lay special emphasis on the strengths and weaknesses of the metropolitan region and on how representatives of the creative class perceive Budapest as a city and a host economic environment.

1 Scott 2006: 10.
2 Musterd et al. 2007: 7.
3 Glaeser–Gottlieb 2009: 992.

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1. The creative economy and the city

The creative economy was initially identified as the cultural economy, but it quickly grew to include copyright industries, information and communication technologies and research and development (R&D).[4] The notion of creative economy has been expanding, given the fact that individual creativity is the root of an exceptionally broad range of industries and activities. Their success depends on creativity and knowledge-intensive work, they have a high information content, moreover, their final products are unique intellectual or tangible products. The industries that can be classified as part of the creative economy are currently divided into two large categories, namely: creative industries and knowledge-intensive industries. The scope of creative industries is nowadays an especially broadly defined category, including the cultural economy, the copyright industries and the traditional and digital content industries. However, in the literature such approaches have become widespread over time that also include knowledge-intensive activities having a relatively high creative content in the definition of the creative economy. Knowledge-intensive industries may thus include ICT, specific financial, legal and business services, R&D and higher education. Companies operating in the creative economy are characterised by relatively small company size, high flexibility, knowledge-intensive work as well as customer-oriented, high information content activities. They are distinguished by domestic and international networking, within the framework of which they also attract other advanced economic activities. All these activities find an ideal location in large cities, where there is a high concentration of creative and knowledge-intensive industries. The creative economy is characterised by a relatively high share of customer-oriented activities (especially in the cultural economy), where it is necessary to have a daily contact between supplier and consumer. On the other hand, a high information content requires the existence of advanced information networks, close cooperation between companies with a similar profile and a high-quality R&D base; in other words, all the things that the major cities of the developed world can offer best.[5][6] According to Andy Pratt and Thomas Hutton, one of the most important spatial characteristics of the creative economy is its strong attachment to cities, especially in sectors with high added value. [7] Highly urbanised areas do not only attract creative industries but also cultural industries and specialised labour force.[8] Large cities often stand as strongholds of the creative economy in their wider environment. This has directed attention to the interrelations between the development of the creative economy and its role in the settlement hierarchy of cities, as cities are not only at the top of the settlement hierarchy as centres of labour markets and of the population, but they also possess a disproportionately large share of the creative economy. The dynamic development of the creative economy has also led to certain social structural transformations in cities. A gradual emergence of a new group, the

[4] Hartley 2005: 12.

[5] Kovács et al. 2011: 44; Mészáros et al. 2010: 145.

[6] Csomós–Lengyel 2020: 575–578.

[7] Pratt–Hutton 2012: 88.

[8] Kézai–Rechnitzer 2022: 218–248.

"creative class", can be observed within the societies of the cities concerned. According to Richard Florida, this "creative class" is contributing to the economic performance of a city or region at an increasing rate.[9]

2. Past and present – Budapest on the road to becoming a creative city

In Budapest, as in other major European cities, the development of the creative economy in the modern age is rooted in the cultural economy and cultural traditions. In certain periods of its medieval and early modern history, Buda became a major cultural centre as a royal seat, such as the Renaissance court of King Matthias in the second half of the 15th century. It was not until the second half of the 19th century that Budapest was again elevated to the status of a European capital city. In the period from the 1870s to the First World War, Budapest played a very important role by transmitting European cultural influences to Hungary through its formal or spontaneously established institutional system, through the channels of the press and publishing, theatrical performances and other activities, spreading them to the various regions of the country. The capital also took a key role in spreading new patterns of cultural consumption, forms of entertainment, lifestyle, and material culture.[10]

After 1919, the intellectual life of Budapest underwent great changes. In the 1920s, a number of several world-renowned artists, scientists, and intellectuals lived and worked in Budapest, but at the end of the 1930s, political conditions forced many of them to emigrate. Thus, Hungarian scientists, artists and thinkers who had been forced abroad also had an impact beyond Europe in the second half of the 20th century. However, it was a positive phenomenon in terms of the development of the cultural and creative economy that between the two world wars, Hungary set up Hungarian institutes abroad to help Hungarians study and gain experience abroad, the most important of which were the Hungarian Academy in Rome, the Collegium Hungaricum in Vienna and in Berlin. [11]

After the communist changeover, the relations between Hungary and Western Europe were artificially eroded, so Budapest spent the four decades from 1948 to 1989 in forced isolation in many respects, cut off from the developmental trends of European culture. This has also contributed to the fact that, despite the developments of the last three decades, the Hungarian capital has only partially regained the role of a cultural centre that it used to play in the region in the past.

After the regime change, the economy recovered relatively quickly, and in the second half of the 1990s, it advanced with increased momentum and underwent significant structural changes. This was primarily due to foreign capital and investments and the emergence of multinational companies. Budapest benefited most from capital inflows (57% of investments between 1990 and 2000), and almost a quarter of foreign greenfield

[9] Florida 2006: 24.
[10] Lukovich 2005: 60.
[11] Kovács et al. 2007. 27.

investments were also made in the western sector of the Budapest agglomeration. These investments greatly contributed to the modernisation of the economy both in Hungary and the capital city and to their introduction to international markets. The first wave of the foreign working capital came to the automotive, packaging, telecommunications, financial services, banking and construction sectors. These new sectors took over the place of the traditional heavy industries, and the role of services (e.g. logistics, financial and legal services) grew significantly. The electronics and computer industries were also popular target areas for foreign investments. As a conclusion, it can be stated that foreign capital and investments played a decisive role in laying the foundations of the creative economy in Hungary and Budapest.[12]

The fall of the Iron Curtain suddenly propelled Budapest from a peripheral position to the centre, which produced benefits in terms of transport, migration and tourism, fostering the development of the creative knowledge economy. The weight of the Budapest agglomeration within the country's economy is favourable for the development of the creative and knowledge-intensive branches of industry due to the fact that the region played and continues to play a prominent role in financial, legal, commercial, and transport services. The city's past and its advanced network of cultural, scientific and educational institutions also provided a good basis for the creative economy. Today, the innovative industries contribute significantly to the competitiveness of the economy of Budapest. The key industries driving the modern economy are concentrated in Budapest: pharmaceutical companies in the high-tech industry, telecommunications, IT and media companies in the ICT sector. There is significant investor interest from the IT and pharmaceutical sectors, as well as from the service providing centres, with wide-ranging R&D implications. Budapest also has a prominent role in R&D in Hungary. For the long-term development of Budapest, it is of particular importance to develop *new technology and knowledge-intensive micro-enterprises* (start-ups, spin-offs), to continue supporting their innovation activities, to support the experimental development of SMEs, to promote their networking and to encourage them to become large-scale suppliers.

Geographically, the city has benefited from the concentration of the creative economy's top industries in a relatively small area within the city. The axis of this area runs roughly along the Danube. It stretches from Rákóczi Bridge in the south (InfoPark, ELTE and BME university campuses, Millennium City Centre) to the north, encompassing the Danube Promenade and the Inner City with their cultural and arts institutions (theatres, concert halls), educational and research units (e.g. universities, MTA [*Hungarian Academy of Sciences*]), clusters of international legal and financial services (e.g. stock exchange), and institutions providing services to and operating tourism. The axis with creative institutions stretches on either side of the Danube, and it ends in the north with the Graphisoft Park on the Buda side and the former developments of Újpest on the other (e.g. galleries, R&D institutions). Future development projects for the creative economy in the capital should take greater account of this spatial concentration and exploit its benefits. At the same time, socio-economic transformation has created significant

12 Kovács et al. 2007: 14.

spatial differences within the Budapest agglomeration. Economic development has been particularly conspicuous on the periphery of the Budapest Metropolitan Region, where new development poles have emerged alongside the traditional centres in the areas of Gödöllő, Szigetszentmiklós–Dunaharaszti–Soroksár, and Budaörs–Törökbálint.[13]

Already in the 1990s, urban development policies outlined the possibility of making the capital once again the cultural and intellectual centre of Eastern and Central Europe, a gateway city connecting the West with Southeastern Europe. However, it was rather difficult to establish this unique position, as after the 1990s, Budapest found itself in an increasingly fierce competition with the cultural cities of neighbouring countries, especially Prague, Warsaw, and Krakow. In this competition, even the revival of traditional relations and rivalries between Budapest and Vienna, the emergence of an ever-increasing number of new cultural projects, events and institutions were not sufficient to restore the position of the Hungarian capital held in its 'golden age'. We had every reason to hope, on the other hand, that Budapest would become one of the leading cultural and creative centres of the region, luring attention with its attractive, valuable and in many respects unique cultural offerings and infrastructure. However, over the past one and a half decades, the political and economic processes starting both globally and locally, have been less favourable to the development of the creative economy.

Overall, it can be stated that Budapest set out from a favourable position in the competition between metropolitan regions, as a result of which the Budapest metropolitan region has been successfully integrated into the European metropolitan regions, thanks to the economic development of the last two decades. The key political and economic players in Hungary have clearly recognised the importance of the creative economy and the potentials it offers for social and economic development. In this field, the task for the coming years is to develop the creative and knowledge-intensive driver sectors further, which will ensure sustainable development for the city region and Budapest, while strengthening its role in the international competition.

3. What do statistics show?

In our analyses, we applied the TEÁOR'08 (NACE in the European communities) codes used by HCSO (*Hungarian Central Statistical Office*) to define creative economy.[14] For our statistical analyses, we used the data provided by the National Accounts Department of HCSO on the number of enterprises in operation (partnerships, sole proprietorships,

[13] Kovács et al. 2007: 53.

[14] We listed the following activities under creative economy: a) *Creative industries:* publishing, advertising, news agency, software, media, entertainment, design, motion picture, fashion/clothing, leather, fur, jewellery; b) *Knowledge-intensive industries:* ICT – manufacturing of TV, telephones, audiovisual equipment, computers, etc., telecommunications activities, data transmission, data processing; financial service activities, international stock exchange services, international insurance, market research, auditing, workforce recruitment, international accounting services, tax consultancy, R&D and higher education, scientific and engineering research and development, social sciences and humanities research and development, higher education.

and budgetary institutions), the number of persons employed by them and their annual turnover over 6 time periods (1999, 2004, 2007, 2011, 2015 and 2019).

At the end of 2019, HCSO registered 266,000 companies in the creative economy in Hungary, which accounted for 31.8% of all businesses in the country. Companies in the creative economy employed 958 thousand people, which represented 22.8% of all employees. The aggregate revenue of creative companies was around €69.6 billion in 2019.

The Budapest agglomeration as the only truly metropolitan region in Hungary has always played a key role in the creative economy. The concentration of the creative and knowledge-based sectors (number of enterprises and employees, revenue) in the metropolitan region is higher than the weight of the capital in the Hungarian economy. While the share of the Budapest metropolitan region accounted for 38.5% of the total number of enterprises in Hungary in 2019, the Budapest agglomeration was home to 48.3% of the country's creative companies, which employed 56.6% of the creative workforce and accounted for 64.1% of the sales revenue realised in the creative economy.

The creative economy essentially settles down in cities, and *there is a high correlation between the position in the hierarchy of settlements and the share of the creative economy.*[15] This is illustrated by the fact that while the share of Budapest and its metropolitan area increased gradually between 1999 and 2019 in respect of creative companies, employment and revenues, the share of rural cities at lower levels of the hierarchy of settlements decreased *(Figure 1).* However, our findings suggest that since 2015, the creative economy in rural Hungary has undergone a slow process of decentralisation, alongside the continued dominance of the Budapest agglomeration.

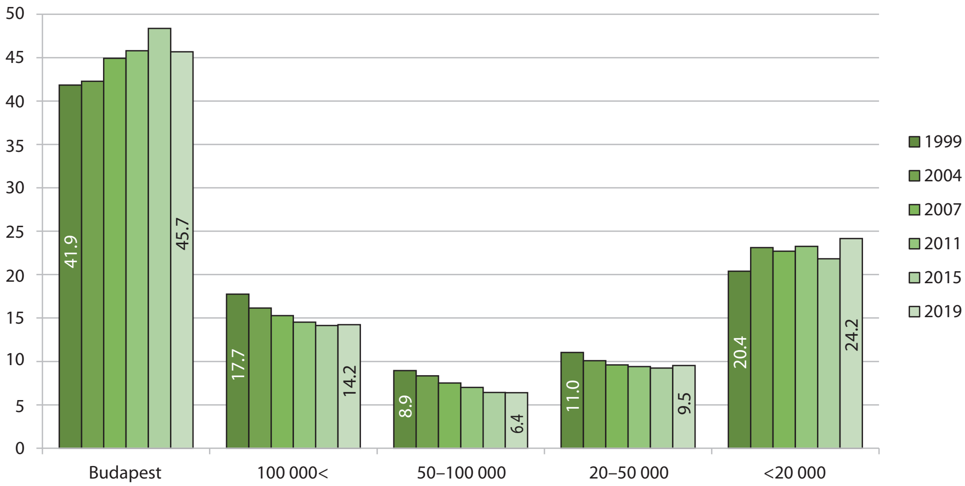

Figure 1: Distribution of employees in the creative economy by category of settlements (1999–2019, %)
Source: compiled by the author based on the data of National Accounts Department of HCSO, 1999–2019

15 Egedy et al. 2018: 288.

The share of the Budapest agglomeration has been growing steadily over the past two decades, even during crisis periods. Thus, the data suggest a growing spatial concentration of creative and knowledge-intensive sectors *(Figure 2).* Within the agglomeration, the dominance of Budapest is evident, and the weight of the capital city in the Hungarian creative economy tends to increase slowly but surely in the long term, both in the creative and knowledge-intensive industries *(Figure 3).* Over the past few years, a slow strengthening of the creative industries has been witnessed in Budapest and its agglomeration, while the position of the city region in terms of knowledge-intensive industries has become unstable compared to previous tendencies.

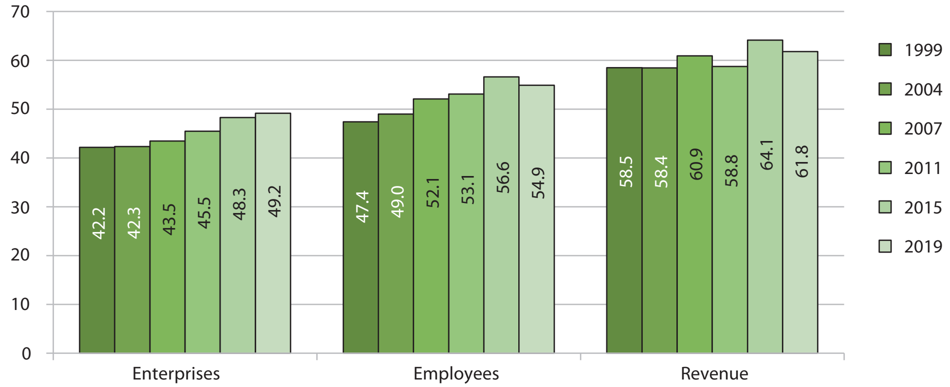

Figure 2: The weight of the Budapest agglomeration in the creative economy (1999–2019, %)
Source: compiled by the author based on the data of National Accounts Department of HCSO 1999–2019

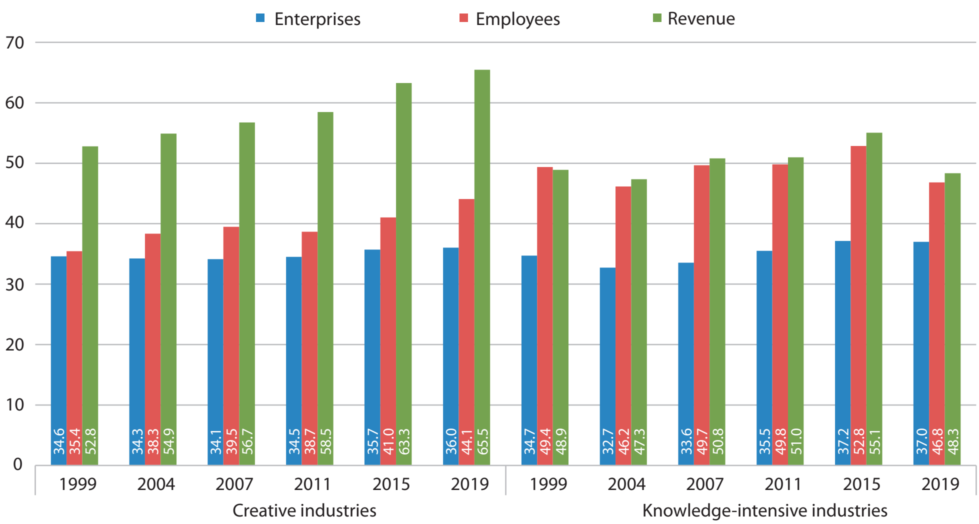

Figure 3: The weight of Budapest in creative and knowledge-intensive industries in Hungary (1999–2019, %)
Source: compiled by the author based on the data of National Accounts Department of HCSO 1999–2019

Within the creative economy as a whole, the weight of the Budapest agglomeration is outstanding in the field of infocommunications (56.7%) concerning the number of enterprises, whereas based on the number of employees, the dominant role of the Budapest metropolitan area is particularly remarkable in legal and business services (59.3%). The share of the Budapest metropolitan area exceeds 93% in the field of finances, considering the amount of revenue *(Table 1).* If our findings are compared with previous indicators from 2015, there seems to be a dramatic drop in the number and share of employees working in the financial sub-sector (the share of employees fell from 70.9% to 43.0%), while a significant positive shift is observed in the revenue realised by the legal and business services and the R&D sector (the share of the agglomeration increased from 60.3% to 65.4% and from 78.7% to 84.7%, respectively). Overall, the Budapest agglomeration has slightly increased its share as regards the number of enterprises, whereas its importance has decreased in terms of employees and revenue.

Table 1: Share of the Budapest agglomeration in branches of the creative economy, 2019 (%)

	Enterprises	Employees	Revenue
Creative industry	48.7	53.8	72.2
Knowledge-intensive industry	49.7	55.7	55.8
Infocommunications	56.7	55.4	40.0
Finances	31.8	43.0	93.3
Legal business services	52.6	59.3	65.4
R&D higher education	49.4	51.3	84.7
Creative economy	49.2	54.9	61.8
Total	38.5	41.0	52.4

Source: compiled by the author based on the data of National Accounts Department of KSH, 2019

In the Budapest agglomeration, the financial services sector achieved the highest revenue per enterprise and per employee in 2019 (€889,200 and €316,400, i.e. 149% and 282% of the national average, respectively). The lowest indicator per enterprise was recorded in legal and business services (€169,700), and the lowest indicator per employee was identified in the more costly R&D sector and the lower income-generating, high-rate employer higher education (€26,600), corresponding to 28% and 23% of the national average, respectively.

By examining the number of enterprises and the number of people employed in them, as well as the absolute and relative amount of the revenue, the economic sectors that are the main drivers of the Budapest agglomeration can be readily identified. For all the three indicators, the dominant sector is 'Business management and management consultancy' (TEÁOR'08 code 70, e.g. business consultancy, public relations, communication). Other dominant activities in terms of the number of enterprises are 'Advertising' (731, e.g. advertising agency activities, media advertising), 'Complex administrative services' (8211), 'Clothing, retail trade' (4771) and 'Fashion and design' (741). In addition to 'Business management and management consultancy', most creative workers are employed in 'Legal, accounting and tax consultancy activities' (69), 'Labour market services' (78, e.g. employment agency, temporary staffing agency), 'Computer programming activities' (6201) and 'Architectural activities' (711, e.g. engineering, technical testing). The latter two also play an important role among the highest revenue-generating activities. Other activities that are dominant in terms of revenue are 'Insurance, reinsurance and pension funds' (65) and 'Information services' (63, e.g. data processing, web hosting, web portal services, news agency activities).

Examining the spatial concentration of enterprises in the creative economy, significant differences can also be seen within the Budapest metropolitan region. Within the capital, the share of creative enterprises among all the enterprises is the highest in the elite districts on the Buda side (51.6% in the 12th district; 50.8% in the 1st district; 50.0% in the 2nd district), while in the outer districts of Pest (e.g. Soroksár, Csepel, the Rákos districts) it is significantly lower. A northwest–southeast polarity can also be observed in the suburban zone, which can be linked to the suburbanisation process of the last two decades and to the elite groups occupying newly acquired spaces.[16] *Figures 4* and *5* show the share of creative enterprises and the employed in the local economy in 1999 and 2019. The suburban towns where the share of creative enterprises is outstandingly high are located in the northwestern sector of the agglomeration, i.e. Budajenő (51.6%), Nagykovácsi (49.0%), Telki (48.0%) and Pilisborosjenő (47.6%). Based on the significance of the creative economy and the aggregate weight of enterprises, the people employed and the revenue in the metropolitan area, the following districts, towns and villages should be mentioned: the 1st, 2nd, 6th, 11th and 12th districts of the capital, the towns of Telki, Göd, Budakalász and the villages of Budajenő and Csobánka.

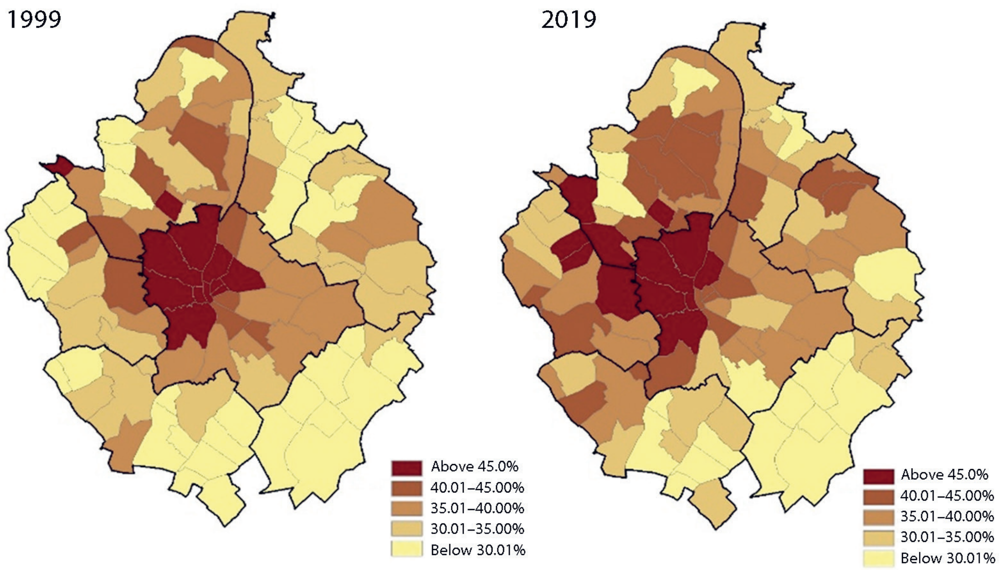

Figure 4: Share of creative enterprises in the Budapest agglomeration (1999, 2019)
Source: compiled by the author based on the data of National Accounts of HCSO 1999, 2019. Cartography by Richárd Tomka

[16] Tímár 2006: 38.

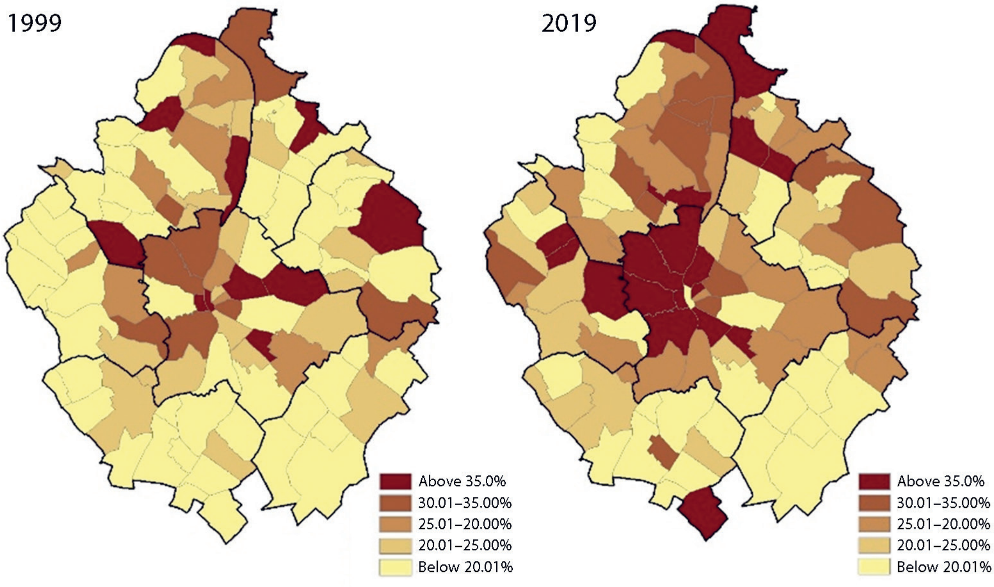

Figure 5: Share of creative employees in the Budapest agglomeration (1999, 2019).
Source: compiled by the author based on the data of National Accounts of HCSO 1999, 2019. Cartography by Richárd Tomka

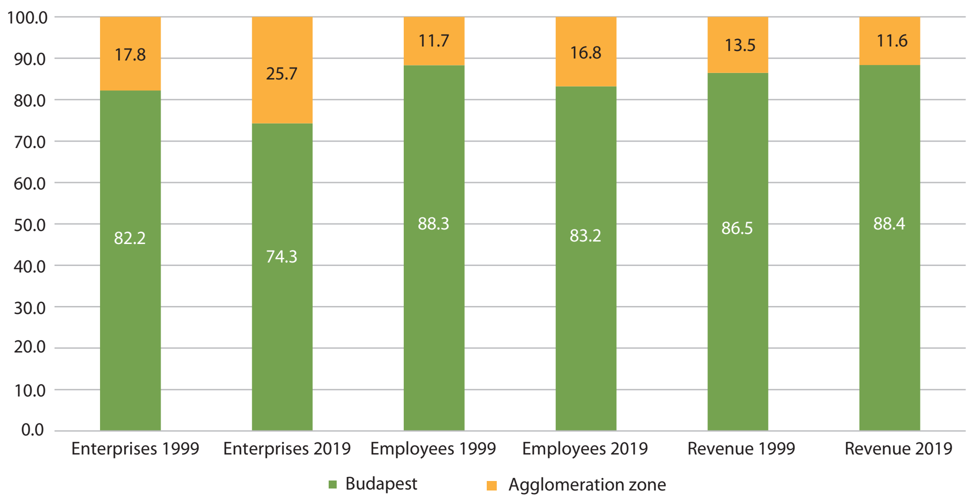

Figure 6: Distribution of the volume of the creative economy between Budapest and the agglomeration zone (1999, 2019, %)
Source: compiled by the author based on the data of National Accounts Department of HCSO, 1999–2015

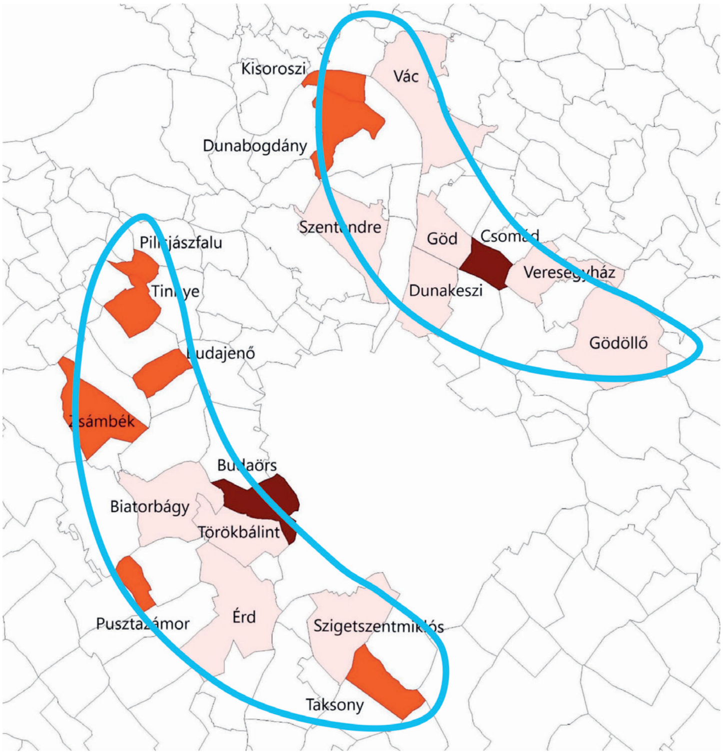

Figure 7: Most dynamically developing settlements of the creative economy in the agglomeration
Source: compiled by the author

Statistical data show that within the Budapest agglomeration area, *the creative economy of the agglomeration zone is developing more dynamically than that of the capital,* and its weight in the number of enterprises and employees is continuously increasing *(Figure 6).* A review of the revenues leads us to the conclusion that, in the context of economic rationality, it is primarily the less capital-intensive enterprises that tend to choose the agglomeration for their sites (lower property prices and rents, lower overheads, while retaining their favourable geographical location close to Budapest). Since the new millennium, the development of the creative economy has been particularly dynamic in the western and southern sectors of the agglomeration *(Figure 7)* along the Pilisjászfalu–Biatorbágy–Törökbálint–Érd–Taksony axis and in the north and east along the Vác–Szentendre–Dunakeszi–Veresegyház–Gödöllő axis. In Budapest, the development dynamics of the 5th, 11th, and 13th districts were outstanding in terms of absolute indicators, and in terms of relative indicators the 1st, 5th, 6th and 9th districts had the highest rate of development.

4. The Budapest agglomeration in the eyes of the creatives

4.1. Factors affecting the mobility of creative employees and enterprises

Between 2006 and 2010, in the framework of the ACRE (Accommodating Creative Knowledge in the Enlarged European Union) international research project, we made an in-depth analysis using quantitative and qualitative research methods to study the opinions of creative workers, managers and foreigners about the Budapest agglomeration. The research provided insights into the most important personal, hard and soft social and economic factors influencing the mobility and the settling down of creative workers.

Our research findings show that for creative workers living in the Budapest agglomeration area, *personal reasons, personal ties* (e.g. born here, family living here, circle of friends) play the most important role in why they chose the city region as their place of residence. It is definitely worth separating the hard and soft motivational factors and treating personal and family motives separately. These can be such strong motivators for mobility to a metropolitan region, in this case Budapest, that the people involved ignore any other points of view.[17]

If we disregard personal motivation and we only focus on hard and soft relocation factors, we can say that Hungarian and foreign creative workers *come to Budapest mainly motivated by the hard economic factors.* Among these factors, job opportunities and college and/or university studies play a decisive role. Such factors are clearly considered more important by the representatives of knowledge-intensive industries, whereas in the case of those engaged in creative industries, the diversity of entertainment and cultural opportunities tend to have more than average importance.

Creative enterprises also choose Budapest primarily for the hard factors: they settle down in the Budapest agglomeration mainly *because of the size of the market and the labour market.* One of the greatest strengths of the Budapest agglomeration is the concentration of a *critical mass* in the city and its surroundings, both economically and socially. It means that Budapest, as the only metropolis in the country and the centre of the most developed region, has the potential to enter the competition of cities at international and European level. In the creative economy, the city region is a determining factor in Hungary due to its weight, so being based in Budapest gives a comparative advantage to the companies that are active in this sector.[18] Most of the business companies of the country are located in Budapest, the overall infrastructure is significantly better than the average (e.g. supply of offices on the real estate market, modern office buildings), local firms are in an advantageous position over their rural counterparts due to the larger market, higher demand and number of customers.[19]

[17] Egedy–Kovács 2009b: 16.
[18] Lengyel–Ságvári 2011.
[19] Gajzágó–Gajzágó 2019.

Managers unanimously agree that among the soft factors*, informal contacts play a crucial role in* the Hungarian economy, so firms can benefit greatly from their presence in the capital. In addition, it should be mentioned that enterprises in Budapest and in its surroundings generally have access to higher quality legal, financial, commercial, logistical, etc. services.

The most important motivating factors for professionals in creative and knowledge-intensive sectors for settling down in urban and agglomeration areas are also the hard factors: the *price of housing, the size of the dwelling and the availability of public transport.* They also consider soft factors in the decision-making process, the most important of which are the *quality and atmosphere of the living environment.* Therefore, housing and accommodation, regardless of education and employment, play a predominant role in the choice of place of residence, which is influenced in practice only by financial means.[20] Age plays a decisive role in mobility to urban areas. It is particularly attractive for young people, as regards Budapest. The metropolitan region has a high population retention rate, i.e. once somebody has moved in, he or she rarely wants to move out or move on. Younger people tend to choose the metropolitan region as their place of residence because of hard factors (studying in the capital, moving for jobs and job opportunities), while soft factors (such as access to the natural environment) are more likely to be preferred by older people aged 45 or above. The inner city is a target area for certain strata of the creative class (mainly young people working in the creative industries).[21] So, even if not the whole creative class in general, but several of its representatives are currently strongly attracted to the inner city.

When choosing a site for their business within a city region, employers and managers *primarily consider hard factors.* These, first of all, include *the price, the size and the infrastructure* of the office, as well as its *good accessibility and transport connections.* According to the managers interviewed, the office market in the city region offers a good choice, but there are significant price level differences between Budapest and its agglomeration, so when choosing a site for their business, the rent (or price) of an office is an important limiting factor for small companies and companies that are short of capital. In terms of infrastructure, modern office buildings (e.g. Infopark) now take into account the needs of people working long hours, and make available fitness centres, massage parlours and shopping facilities, which was not a point of consideration when the first office buildings were built. Such industrial parks attract solvent demand, especially well-capitalised, medium-sized enterprises.

In addition to the supply on the office market, other high-priority criteria that the economic sectors and industries take into consideration when choosing their business premises are *transport and public transport,* and in connection with that also the *accessibility* of the site. All enterprises, without exception, consider the aforementioned factors when choosing a location for their site, though the role of the factors varies depending on the size of the enterprises. As the size of an enterprise increases, it becomes less

[20] Egedy–Kovács 2009b: 24.
[21] Kovács et al. 2008: 9.

sensitive to where its employees commute from. However, particular emphasis is put on the place of residence of the managerial strata in the site selection process. The surrounding environment of the office is an increasingly important consideration in the choice of site location.

Clustering should also be briefly mentioned*, which* does not yet have a long tradition in the agglomeration, though there are already signs of it. The process of clustering and the recognition and awareness of the significance of clustering among the managerial strata of the enterprises in Budapest have not yet been clearly demonstrated by our studies conducted so far. The degree of clustering in different sectors and industries varies across the city region. Some sub-sectors (e.g. IT) show signs of clustering (e.g. Graphisoft Park, Infopark), although some experts are of the opinion that this is an artificially generated process rather than a natural development trend. At the same time, for example, there is no clustering in the 'Business and management consultancy activities', whereas in the 'Motion picture, video, motion picture related activities', there is a kind of 'anti-clustering' and fragmentation process taking place, according to managers.

4.2. Strengths and weaknesses of Budapest according to the creatives

According to the opinions of employees and managers working in the creative economy, the strengths and weaknesses of Budapest can be summarised as follows:

In the case of Budapest, the most important strengths of the metropolitan region are the following: a) *job and career opportunities,* which are found highly attractive by domestic and foreign employees; b) *high quality cultural life, leisure, sports and entertainment opportunities;* c) *services, commercial networks and gastronomy.* Among the soft factors we should point out the *residential environment,* residential areas of high standards and quality, the *geographical location of the* city and its *cultural milieu.* The advantages of the city, according to the opinion of the majority of the managers interviewed, are primarily linked to the *services* provided by the metropolis. In Budapest, as in large cities in general, the quality of services is higher, and the variety of supply is wider. The capital plays a key role in the cultural life of the country, and the cultural industries are very strongly represented in the Budapest agglomeration. Budapest has the most favourable positions in terms of cultural services. As our analysis shows, another strength of Budapest is the diversity of its *residential areas,* offering a wide choice for people and businesses wishing to settle in the city.[22]

Out of the hard factors, the creatives consider *the Hungarian tax system* as one of the greatest weaknesses of the city region. Apart from this, the *high cost of living* must also be highlighted, as all three target groups consider life in Hungary and Budapest very expensive compared to salaries. Among the soft factors, *air pollution, the polluted environment and noise* must be mentioned in the first place. The *neglect of the built environment* and the *deterioration of the quality of life in the metropolis* are seen as important

[22] Egedy–Kovács 2009a: 288.

limiting factors by the creatives. From foreigners' point of view, the city is very beautiful, it attracts tourists, and while visitors see a city under construction, people who live here see it rather as a metropolis that is difficult to live in. Creative managers think that one of the biggest obstacles to development in/around the Budapest agglomeration is the situation of *transport and public transport,* the capital clearly provides the worst conditions in this field. There are currently very few multi-storey car parks and parking spaces available in relation to the number of vehicles, and the metropolis has been struggling to solve the parking problem practically since the regime change, but without success. A low level of *tolerance,* acceptance of diversity and openness in society take a prominent place on the list of weaknesses of the capital. Primarily, managers and foreigners are of the opinion that Hungary has an extremely *low level of political culture.* The unnecessarily high level of *administration and bureaucracy* also creates an unfavourable situation. Our main findings are summarised in the SWOT analysis in *Table 2.*

Table 2: SWOT analysis of the Budapest agglomeration based on the views of creative workers and managers

Strengths	**Weaknesses**
Weight and role of Budapest in the national economy Favourable position in the creative economy Good labour market situation, job and career opportunities High quality services Good supply on the office market Variety of residential areas	The situation of transport and public transport Lack of cooperation between the actors of local economy Weak and inadequate clustering process Weak strategic thinking of local entrepreneurs, lack of business strategies Passive and defensive behaviour of managers in the local economy Quantity and quality of green spaces
Opportunities	**Threats**
Geographical location Spectacular development of some creative and knowledge-intensive sectors The attractiveness of the Budapest agglomeration in the domestic labour market Concentration of companies and enterprises Concentration of higher education	Size, capability and openness of the national economy Political climate and culture, bureaucracy, problems of economic regulation Systemic problems in public and higher education High degree of specialisation in the SME sector Price levels for skilled and experienced labour The role of state subsidies in the development of certain sectors The risk of corruption linked to informal relationships Increasing level of social problems, tensions and intolerance

Source: compiled by the author

5. Proposals for the development of the creative economy

Based on our multiannual research conducted among creative workers and employers, we have formulated our professional recommendations that can help the creative economy to develop further in Budapest. Developments in the economic, built and social environment can make a major contribution to improving the competitiveness of the city.

As regards the *most important suggestions concerning the economic environment,* it is to be emphasised that the complex and differentiated diversity offered by Budapest should be communicated much better in the ‘image’ of Budapest. This can be attractive to both tourists and people working in the creative professions. The communication strategy of Budapest should be changed. Budapest needs to reposition itself among European cities, emphasising those elements and factors where it has real potentials. Another important question is whether the city will develop its cultural economy, which has excellent potentials, by investing additional resources in its development, or whether it will give priority to the development of other creative and knowledge-intensive sectors in the future. If the city decides to focus on cultural industries, the range of offerings should be broadened. There are relatively many offerings for younger age groups, but more limited opportunities for middle-aged and older age groups. Statistical data suggest that the profitability of knowledge-intensive industries by far exceeds that of creative industries. Thus, economically, it is much more reasonable to develop them. The economy of the country and of the capital is less supportive of creative workers from abroad who want to move to the country, settle down and set up their businesses there. The system is not adequately prepared to receive foreigners, and neither the country nor the capital city is exploiting the potentials of foreign creatives. It would be worthwhile making foreign creative workers who have lived, worked and raised a family in Hungary for many years be involved in local economy more strongly.

Among the *suggestions concerning the built environment,* it is important to highlight the need to modernise public areas, create interdisciplinary groups for the design and reconstruction of public spaces, which could include representatives of different creative professions (e.g. artists). In Budapest a public space could be created where representatives of all the creative professions could work and sell in one place. This way, they could create their artistic ‘products’ by inspiring and helping each other. It would be beneficial to create alive, functional community spaces and meeting places for different generations in public spaces, this would also invigorate the city visually. Public transport should be undoubtedly improved, the different networks should be coordinated, and the integration of the transport network should be upgraded (e.g. linking rail and suburban rail lines).

Among the *proposals concerning the social environment,* it should be mentioned as a priority that the future development and competitiveness of Budapest is due to be adversely affected by the low level of tolerance. The state or the municipality of the capital could develop a long-term strategy and programme to tackle the spread of extremist views. To reducing the level of intolerance, children and young people could be sensitised, while the national values should certainly be emphasised and borne in mind. Attracting highly skilled creatives to Hungary could also have economic and cultural benefits. The immigration and settling down of highly skilled foreign creatives could be facilitated by the setting up of a mentoring scheme to give assistance to highly skilled foreigners arriving in Hungary in their daily life, integration and settling down.

Conclusions

After the regime change, economic development in Hungary accelerated due to the internationalisation of the economy, the inflow of foreign working capital, and the emergence of multinational companies. On the ruins of the state socialist economy, which in many respects resembled Fordist mass production, a service-based, flexible accumulation of capital was consolidated, while a new spatial order of the division of labour emerged. Since the mid-1990s, the national economy has been undergoing modernisation at a fast pace and after 2000, the development of the creative economy has increasingly come into the focus of national, regional and local economic strategies. The creative economy has grown stronger in Hungary and in Budapest, and the advance of knowledge-intensive industries, in particular, has been spectacular over the past two decades. As a result of this process, the role of Budapest has become more highly valued and the weight of the Budapest agglomeration within the Hungarian creative economy has increased significantly, a trend that even crises have not been able to reverse.

The strengthening of the creative economy in Hungary has created new territorial disparities. Due to the increasing spatial concentration of the creative economy, the traditional East–West slope of the economy tends to be replaced by the distance from Budapest.[23] The former centre–periphery, developed–underdeveloped relations therefore no longer present themselves primarily at regional level, but within the hierarchy of settlements. The creative economy is actively shaping and transforming the geographical environment of Budapest, which has gradually transformed the society, economy and not least, the physical environment and spatial appearance of the city since the turn of the millennium. People's attachment to a metropolis is based not only on traditional economic factors (agglomeration factors, clusters), but the benefits of urban spaces (cultural diversity, recreational spaces and a wide range of personal connections) and the historical past also plays a part in it.

With its infrastructural developments, the neoliberal urban development policy focusing on competitiveness has fostered the spatial concentration and development of the creative economy in the Budapest agglomeration. However, it has exacerbated spatial inequalities and has revealed so many negative features and has been so counterproductive over the last three decades that it has ultimately failed to live up to expectations. Today, the city region, the inner areas of Budapest and the areas beyond its administrative boundaries, are faced with numerous social, economic and, not least, political problems. Greater emphasis should be placed on local needs and demands in developments in and around the city, using the excellent opportunities offered by the careful development of the remaining reserve areas and brownfield areas.

By rethinking the city, by building a reinvented city, and by taking more active and effective advantage of the creative economy during this process, the unrealised urban development goals of previous decades could be achieved.

[23] Egedy 2021: 74.

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