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Social and Cultural Innovation in Sustainable Urban Development

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Abstract Social and cultural innovations have unfortunately received less attention than technical-architectural innovations in sustainable and creative urban development, rehabilitation and regeneration programs. Moreover, the quarter century since the fall of communism in Central Eastern Europe has seen a blossoming of original, grass-roots, bottom-up and spontaneous social and cultural innovations, creative ideas, products, places and services. Since these initiatives and their role in sustainable and creative urban development are rather under-investigated in Hungary and Budapest, this paper takes some steps to fill this research gap. The first part provides an overview of the on-going scholarly debate about the notions of social (and cultural) innovations and their relation to sustainable urban development. The second part describes empirical evidence for the impact – be it positive or negative – of these types of innovations on citizens' quality of life based on documentary and field research.

Keywords: • social innovation • cultural innovation • creativity • sustainable urban development

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1   Introduction

Cities and the development of human civilizations are, were, and always will be intertwined. Cities have been the cradles of great civilizations and cultures for thousands years, from Uruk in the Fertile Crescent through the Inca Machu Picchu to the European Venice. Cities host more people (54%) today than rural areas, and according to the world population prognosis of the UN, will be the home of the majority of people (66%) globally by 2050 (UN 2014). Cities are complex systems both in a physical and material and metaphysical and immaterial sense. They concentrate economic and political power and breed new, innovative and creative ideas. As Landry puts it, "the city provides a critical mass. It is an accelerator of opportunities and a generator of problems. It is a laboratory for what is good and bad about living together" (Landry 2012, 126). Creativity is the lifeblood of cities, with creative people and organizations at the centre. When individuals come together in one area, they establish a creative milieu, but the real question is how such a milieu comes about and enables cities to become innovative hubs (Landry 2000). As for the development of the creative milieu, Florida (2002) emphasizes the importance of how the physical space itself provides culture-related facilities, meeting places, restaurants, cafes and bars that attract the creative class of workers. While acknowledging the importance of the physical place and space – as we will see in the second empirical case study –, our interpretation is closer to Landry's "metaphysical" understanding of the creative milieu and cities, with the people, organizations and capacities at the centre establishing creative and innovative places. Thus, accepting his perspective, cities can be considered permanent laboratories of creativity and innovations, and, as this paper will emphasize, social and cultural innovation. Without such developments, we assume, cities could not have arisen, nor could they survive, since the multifaceted problems they generate demand innovative solutions. Moreover, we assume that culture and cultural innovations are the quintessential elements and basis of sustainable and creative cities, present and future.

Cities can be mediating innovation hubs, and/or perfect laboratories – quantitatively and qualitatively large enough for the testing of what is good or bad for communities, being located in-between the macro/national and micro/individual level. From another perspective, it is very important what kind of negotiation and mediation takes place in the urban development policy process to successfully meld "bottom-up," spontaneous and decentralized social and cultural innovation initiatives with "top-down," centralized urban development planning and policy.

The first part of this paper attempts to clarify the term social innovation as extended to the field of cultural innovation by describing the results of a literature review which paid special attention to the relationship of the former with sustainable urban development. To support our argumentation, it then seeks to operationalize – to translate into down-to-earth, everyday life – these notions in the form of case studies with the help of qualitative empirical research based on document analysis, field research and structured interviews.

2   The conceptualization of social innovation

At the beginning, we should consider the ongoing theoretical and scholarly debate about the concept of social and cultural innovation – whether this is a useful, enduring and theoretically clarified term, or just another trendy but ambiguous buzzword (Pol and Ville 2009; Jenson and Harrisson 2013[1]). The term – and the idea behind it – are not new, since Max Weber in the early 1900s first mentioned "social invention" when examining the relationship between social order and innovation. Later in the 1930s another well-known social theoretician, Joseph Schumpeter, considered social innovation as structural change in the organization of society, or as a change within the network of organizational forms of enterprise (Moulaert 2009; Moulaert *et al.* 2013).

Despite its widespread use in contemporary social science literature, however, the scientific conceptualization and operational definition of social innovation is still under elaboration (Jenson and Harrisson 2013; Moulaert *et al.* 2005 and 2013; Mumford 2002; Pol and Ville 2009). Some authors have acknowledged that social innovation is a "quasi-concept" (Jenson and Harrisson 2013, 15), while others honestly admit that reading and talking about social innovation "do not necessarily make its scientific meaning unambiguously clear" (Moulaert *et al.* 2013, 13).

In the last decade there has undoubtedly been a rise in the number of theoretical overviews of social innovation, many of which were related to social economy, sustainable development and creative cities (Cameron *et al.* 2004; Cohendet *et al*. 2010 and 2011; Deakin and Allwinkle 2007; Landorf 2011; Landry 2000 and 2012; Laville *et al*., 2007; MacCallum *et al*. 2009; Mieg 2012; Moulaert and Ailenei 2005; Moulaert *et al*. 2005 and 2013; Mumford 2002; Pol and Ville 2009; Rydin 2010). We can also witness an increase in empirical research in the form of a growing number of initiatives and projects funded by national/federal governments: for example, in Canada (Laville *et al*. 2007; Wolfe 2009) and the EU (see, for example, Jenson and Harrisson (2013), or Pisano *et al.* (2015),[2] in addition to some of the latest EU FP7 projects such as SI-DRIVE, TRANSIT, TEPSIE and WILCO).[3]

Nonetheless, the author still continues to observe a "technological bias," both in the interpretation and application of innovation among university scholars and professional experts generally, and in the field of urban development particularly. Both social innovation and what may be termed cultural innovation have unfortunately received less attention than technical innovation, despite their essential role in integrated and sustainable urban development, rehabilitation and regeneration programs. However, cities can be the starting points for sustainable urban development and policy implementation both in a technological and social sense, since they link technological and social innovation, including institutional innovation. When Mieg (2012) links sustainability and innovation in urban planning and development, he stresses both the challenge and potential of urban development for preserving local identity as a major retention factor and resource. To reconcile the seemingly controversial characteristics of

sustainability (preservation) and innovation (radical change in and/or re-combination of resources) he differentiates based on other theoretical concepts two kinds of resources: "core" resources for preserving, and "growth" resources (potential "services") which may be radically changed through urban development. Another concern – also important in later argumentation – is to distinguish between "pure" and "hybrid" types of social innovation, the first having pure public good characteristics – many of them found in civil society and the social economy sector –, and the latter being located in between public and private goods, mostly represented by private/business sector social innovation. When business innovations and social innovations overlap, they can be called "bifocal innovations" (Pol and Ville 2009).

Mumford (2002), when trying to explain this problematic issue through conceptualization, identified several – essentially methodological – factors: social innovations are quite rare and they are typically diffuse, involving multiple partners over rather a long period of time. As such, it is difficult to identify a definite creative act in the end as an outcome. Perhaps one part of this explanation is too general, since it covers changes in social institutions, the creation of new forms of government, social movements and ideological-theoretical revolutions at the macro social level at one end of the social innovation continuum. At the other end of the continuum, however, are micro-level social innovations such as the creation of new processes and procedures for structuring collaborative work, the introduction of new social practices in groups, and the development of new business practices. This perspective is more relevant to this research, focusing as it does on examples of micro-level, practice-oriented social innovation in Hungarian case studies.

There are, however, certain features and characteristics common to scholars' interpretations in the social innovation literature which may serve as a starting point for further discussion. One characteristic approach is to relate the appearance of social innovation in a society (and economy) to unsatisfied needs or dissatisfaction with the present state of the art of social (political and economic) relations, institutions and ideas, often in times of crisis from a historic perspective. Many interpretations associate social innovation with issues of social justice, social integration, the fostering of (local) development and combating social exclusion, alienation, deprivation, or a lack of well-being (Gerometta *et al*. 2005; Moulaert and Ailenei 2005; Moulaert *et al*. 2005 and 2013). Social innovation is often a phenomenon concomitant with the social economy, as social innovation is viewed as a re-introduction of the values of social justice (such as solidarity) into the economy (see for example, Laville *et al.* 2007; Primavera 2013).

3   Social innovation and sustainable urban development

Some authors claim that many cities today suffer from various socioeconomic problems due to the crisis of the welfare state and the post-Fordist transformation processes. They also hope that these problems may be addressed by changes in governance structure – an important component of social innovation in the dimension of process – and by increasing

socio-political capabilities and access to resources (the empowerment dimension) with the help of civil initiatives and organizations (Gerometta *et al.* 2005; Lafferty 2004; Moulaert *et al.* 2005; Taylor 2000). It is clear by now that social innovation is an important element of the social economy, and that both are strongly related to the third sector or civil society as they aim at increasing social integration and strengthening social-economic solidarity. In this paper, we treat civil society as an umbrella term, embracing both non-profit and not-for-profit organizations, among the other important initiatives in the "political community" that supplement and "counterbalance" the state and the market. Without exaggeration we can say that the re-appearance of civil society and the revitalization of various non-governmental organizations (NGOs) in the late 1980s changed the course of history, triggering – directly or indirectly – enormous political-economic regime change and the process of democratization of the countries of the Central-Eastern European region, including Hungary.

Turning back to social innovations in an urban context, Taylor (2000) argues that financial capital alone is not enough; human, social and institutional capital are also needed for successful urban regeneration, along with more inclusive urban governance programs. Furthermore, extending the research question to the "happiness of cities," quantifiable empirical evidence has recently come to light (Florida *et al.* 2013) that human capital plays a significant, crucial role at the metropolitan-level of well-being and the happiness of communities: more so than income or other variables (housing, density, climate, commute time, age, etc.).

Employing another perspective, some authors treat civil initiatives, civic engagement, local communities and networks – even "ICT-enabled" ones – as primary elements of alternative or sustainable local and/or urban development (Deakin and Allwinkle 2007; Moulaert *et al.* 2005), placing special emphasis on innovation and creativity in knowledge-based urban economies and urban regeneration programs (Deakin and Allwinkle 2007; Wolfe 2009). Authors also claim that there is a need for a more horizontal, network-based, multiscalar and multi-actor, participatory, inclusive and sustainable process of urban governance and policymaking (Gerometta *et al.* 2005; Lafferty 2004; Rydin 2010), a finding also relevant from the perspective of the present research and its policy implications.

4   Cultural innovation and creativity

This paper adds two further areas for consideration and analysis. As the title indicates, we included cultural innovation in our empirical research. To clarify the notion itself, we consider the former to be comprised of creative and innovative new ideas, practices, processes and/or changes in the vast field of culture, be they among the normative, cognitive or material, human-made artifacts and elements of culture. In the case studies we emphasize those material and immaterial – or rather, normative and cognitive – elements which enhance the life and well-being of urban social communities. Creativity, on the other hand, is a complex psychological phenomenon involving intuition and reason

(Richards 2010) which may be classified in various ways, such as the "C's and P's" of creativity (ranging from the "Big C" – the eminent and unambiguous creativity of well-known artists and scientists – to the "little C"; the everyday creativity of ordinary people). Depending on which aspect of creativity is being emphasized, four or six P's can theoretically be identified, focusing on *process, product, person (or personality)* or *place*, – extended by *persuasion* and *potential* (Kozbelt *et al.* 2010). The social context and environment a creative person operates in may be highly important. In social or business environments where grass-roots, everyday creativity can be found everywhere, creativity is a norm and culture in which there may be found many so-called "cultural creatives" (Richards 2010).

Finally, the *place* perspective leads us toward the creative place phenomenon, where "you can feel and sense the buzz" (Landry 2012, 123) which can occur either at the micro-level (a pub, for example) or the meso/macro level (a whole city). We assume that culture and cultural innovation are quintessential elements of any creative city, present and future. We suppose – as a concluding remark associated with a theoretical overview based on Roberts' (2006) findings about the British night-time economy does – that creative places, milieu and cities are not equivalent to "party cities" with youth-based, night-time, dominantly alcohol-related forms of entertainment and "no-go areas"; places that create more negative than positive externalities for local communities and lead to calls for a clearer vision of the creative city and effective policies from various layers of urban/local government.

As mentioned before, the second part of this paper – employing the theoretical findings described above – describes an examination of empirical evidence for the impact of social and cultural innovation on citizens' welfare and quality of life in various sectors. The first case study is an example of "pure" social innovation – with strong public good characteristics – coupled with cultural innovations realized in a civic-public and/or "CPP" (civic-public-private) partnership that unquestionably serves to improve local community welfare. We describe some hindering as well as fostering factors in the diffusion of this innovation, thereby enriching the findings of the earlier mentioned EU WILCO project. The second example is dominantly a cultural innovation with much "little C" creativity, which at the same time represents hybrid or bifocal social innovation in the private sector replicated very rapidly by new cultural creatives and entrepreneurs. Paradoxically, this second example exemplifies both public good and "public bad" characteristics, the latter in the form of negative externalities that affect the life of a close, local community.

In this way, the two case studies mirror each other: the first relating to sociocultural innovation, and the second to cultural-social innovation, but each have their own explanatory power to confirm our initial assumptions. However, both of them can be considered creative urban laboratory products that emerged "from below" that are – directly or indirectly – related to sustainable urban development. Moreover, they are successful socioeconomic and cultural experiments, validated – and replicated – by society and the economy.

5   **Social and cultural innovation serving the well-being of families with kids**

5.1   **Maltese playgrounds[4]**

Our first case study, initiated by a Hungarian civil organization, the Hungarian Charity Service of the Order of Malta, or the Hungarian Maltese Charity Service for short (HMCS), involves "pure" social innovation and has the characteristics of a public good coupled with cultural innovation. At this point, however, it is essential that we extend the historical scope, geographic space and time dimension to include an observation about the 1989–1990 political and economic regime change in Central-Eastern Europe. The re-appearance of civil society, and the foundation and revitalization of various non-governmental organizations (NGOs) in the late 1980s played an essential role in the political-economic regime change and democratization process of the region's countries, including Hungary. Without exaggeration we can say that some of these initiatives changed the course of history, having – directly or indirectly – enormous political impacts on the regime change process. One of the actors was the Hungarian Maltese Charity Service (HMCS), whose foundation and early activities are strongly intertwined with the political-economic changes of the late 1980s in Hungary.

Today, one of HMCS's programs represents a social and cultural innovation, providing empirical evidence for the earlier-mentioned theoretical foundations: it satisfies a social need, fosters social integration, forms part of sustainable urban development and provides the kind of social welfare, as well as cultural services, which are essential for promoting the well-being of many local communities. Basically, it is a pure social innovation with public good characteristics that was founded by a civil organization, relying on both "core" and "growth" resources, the former represented by a preserved urban infrastructure, and the latter socio-educational services.

In 1998 the HMCS initiated a program called "Prevention with playing" and opened (through a "civic-public" partnership) the first of its *Maltese Playgrounds* in a high-rise estate in Óbuda in Budapest's Third District, supported by funding from the government as well as other non-profit organizations. The creative idea of a new type of playground came to the founding fathers' (the President and Vice President of HMCS) minds when they visited a Dutch town in the late 1990s and saw a fenced-in playground with a little house occupied by an elderly female guard. Nevertheless, from the very beginning the initiators wanted to do more. From working in the schools of the district, they were both aware of all the socioeconomic problems and needs of local families. An additional important aspect was that they had (and still have) good relations with the local government (from our perspective this represents positive social capital), which can be regarded as a fostering factor, yielding more Maltese playgrounds in the Third District than in any other in Budapest.

One the most important socio-educational innovations of these playgrounds is the service they provide to the families of the high-rise apartment buildings: social pedagogue

professionals, accompanied by volunteers, offer free-of-charge, cultural-educational day-care activities both for families with small children and for older teenagers. These playgrounds are rather large, fenced off, about 100 m^2 in size, and are open every day – but closed at night – with a covered playhouse shelter where activities and events can be held even on rainy days. They are also equipped with other service facilities, including toilets with a changing table, a first-aid kit and a telephone for emergencies. It is also important to mention that the various youth cohorts have separate places to play peacefully within the grounds, but everybody has to conform to the ethical norms and formal and informal behavioral rules of the Maltese playground, which serve their own interests. Thus, supported by this form of normative cultural innovation, the Maltese playgrounds have a very good reputation in the district as meeting and orientation points for families, mothers and children, who "like them and come, because there are rules".

It is fair to say that these Maltese playgrounds are most helpful in social terms for local families and sustainable for the whole (prefabricated) housing estate community during school holidays. This is especially true during the long summer vacation when schools are closed and many children wander unattended in the streets, as their parents are working and cannot afford to pay for summer camps or other activities that are offered by the private sector. Many former "Maltese kids" help the social workers as young volunteers with their own programs, such as teaching folk dancing. There are also other social-educational and cultural innovation programs such as the "Playground library stop" where second-hand kids' books can be exchanged free of charge, and a "Puppy adoption market".

Beyond the physical existence of these playgrounds, it is primarily the professional expertise and free cultural-educational and community building programs that they offer that help prevent both youth crime and vandalism, and also contribute to the well-being of the people living in the huge high-rise, concrete panel-block estates in the area. Nonetheless, building and especially maintaining these Maltese playgrounds represents a public good: someone has to pay the bill, which is unfortunately a problematic issue, and a hindering factor in terms of their successful diffusion. The annual costs of maintenance are 10–12 million HUF, which may be a – relatively – large portion of the total budgets of certain local governments who are thus unable to engage in such initiatives. This may also be an explanation for their slow diffusion both in Budapest and in the countryside. However, we have witnessed some progressive, bifocal, "CPP" (civic-public-private) social innovations based on social capital in smaller cities, where everyone knows everyone. Creative local governments have found patriotic local businessmen to sponsor the maintenance of these Maltese Playgrounds, primarily for the well-being of the whole community, including themselves and their own kids.

6 Creative urban regeneration, reuse and "Cultural creatives"

6.1 The success story of Budapest's ruin pub culture[5]

Our second case study focuses on a real mixture of social and cultural innovation, cultural creatives and urban regeneration and represents a successful model of bifocal sociocultural innovation in the private sector. The phenomenon under investigation is a "Hungaricum" (a Hungarian speciality), a well-known, image-building tourist attraction in Budapest and among the top five destinations for foreign visitors, especially for the young people from all over the world who come to Budapest.

This example involves the "ruin pubs" of Budapest and the interrelated and alternative "ruin pub culture" which has been developing for more than fifteen years. Today there are many such establishments around the city concentrated mostly on the Pest side of Budapest, especially in the more run-down parts of the seventh district of Budapest (called Elizabeth-town), full of decaying old apartment houses and courtyards, the original birthplace of this type of innovative cultural and entertainment venue. Since the early 2000s the seventh district has undergone an intensive process of urban rehabilitation and regeneration – although interrupted by the economic crisis of 2008–2009 – which was partly planned and controlled by the local government through (for example) the granting of "re-use" licenses. It was also partly initiated by bottom-up, spontaneous cultural creatives and entrepreneurs who occupied run-down apartment houses otherwise destined to be demolished. The "top-down-bottom-up" interrelationship, however, has not been without conflict since the mid-2000s. Following this time the local government could no longer stand to see the spontaneous mushrooming of ruin pubs and either demolished the decaying houses, or terminated licenses to use them (Csizmady and Olt 2014). The only survivor was our case study example which moved to a privately owned – but also run-down – house and widened its scope of activities to include arts and culture by opening an open-air movie theatre. Hospitality – or as some researchers call it, "guerrilla hospitality," – played a significant role in the establishment of these ruin pubs, but they were more than simple providers of hospitality from the very beginning, becoming cultural focal points and attractions in their own right (Lugosi *et al.* 2010).

For our field research we selected and focused on an analysis of the very first flagship ruin pub, *Szimpla Kert* (Simple Garden) on Kazinczy street, which opened its doors in 2001 and which still exists and thrives to this day, and which is a model for many other cultural innovators and an initiator of this new sub-cultural trend. One piece of empirical evidence for the successful diffusion of this cultural innovation is the rapidly increasing number of ruin pubs on Kazinczy street: twenty-nine have opened in the last fourteen years. Furthermore, this bifocal sociocultural innovation ruin-pub model has been internationally replicated and exported to Berlin where two Szimpla-like venues (under the same ownership) have been opened recently.

Some university students in the early years of the new Millennium wanted to found an alternative, non-consumerist type of underground entertainment venue in which young people could meet, talk and feel a sense of community. The first *Szimpla Kávézó* (Simple Café) was – both in its physical and metaphysical meaning – a real underground place located on Kertész street, in a stuffy basement with little furniture but always full of enthusiastic young people. The first creative insight by the Szimpla founding fathers to start a business was partly spontaneous and partly planned at a very opportune moment because in 2001 there was a temporary vacuum in the underground nightlife scene caused by the closure of two popular youth clubs in the city. At the very beginning it only involved a "let's-see, one-off, spontaneous adventure" of the founding friends, but very soon they realized that they had created something unique and attractive where "you can feel and sense the buzz". Nonetheless – according to one of the founding fathers, still among the most innovative and active owners of *Szimpla* – it was always more than a simple pub: the owners wanted to build a cultural and community centre with a variety of new and innovative cultural and community-building programs (e.g. cultural street festivals), some of them belonging to the field of the social economy (e.g. *Szimpla* Farmers' Market). One of the present owners also founded a civil organization named *Azért 7*[6] to represent both the interests of the creative entrepreneurs and ruin-pub owners that could mediate between them, the local government, and local inhabitants, and also for the purpose of discussing and settling any conflicts, as well as to somehow formalize their spontaneous participation in the neighbourhood urban development process.

Their vision was realized right after moving to their second location, the first *Szimpla Kert* in Kazinczy Street, which opened on a seasonal basis in an abandoned locksmith's workshop decorated with low-cost, second-hand, re-used furniture and various found objects – such as a Trabant car ("Made in GDR") and old fashioned hairdryers from the 1950s, computers, lamps, gardening tools and living plants – in a very creative, unusual and unique way, smartly balanced between art and rubbish. There are many creative people and designers working in *Szimpla Kert* with Big C and little C creativity, although there is one jack-of-all-trades among them who has a huge imagination and can repair everything. In 2004 – due to the above-mentioned rental-related conflicts with the local government – the venue moved to the present location; another abandoned and decaying, but privately owned one-hundred-year-old house in Kazinczy Street, and widened their scope of activity in the field of culture, becoming more acceptable in the eyes of the local government. Since then, the founders have continuously built their empire, extending the *Szimpla* network of various businesses and initiatives with a clear mission and vision of alternative eco-culture and an urban and sustainable way of living, ranging from the *Szimpla Bringa* (Simple Bike) *Flea Market* of second-hand bikes and gadgets, through street festivals to the local smallholders' *Szimpla Háztáji piac* (Farmers' market) connected to the *Szimpla Háztáji* Slow Food restaurant.

The courtyard of *Szimpla Kert*, full of foreign visitors by night, is unbelievably different on Sundays, becoming an urban market place for organic vegetables and fruit, farm fresh meat, sausages, salami, home-made fruit jams and cordials from local family farms and

small-scale entrepreneurs from the countryside. *Szimpla* farmers' market has become very popular both among environmentally conscious young citizens who come from distant quarters of the city, and elderly locals who enjoy the reasonably cheap, fresh products (helped out with a special discount scheme directly targeting them which also includes other *Szimpla* services). There are usually 35–45 local farmers present, some of whom are very enthusiastic and come only to this market to sell their home-made products because of the fantastic atmosphere. Moreover, within the framework of their community building and educational strategy there are dedicated family and children's events, coupled with "community lunch cooking," where anyone can be a volunteer chef using the market products which are available to create dishes which are then sold to visitors to help finance the initiative. A further part of their cultural-educational and local food promotional initiative is organising wine and *pálinka* (a strong Hungarian spirit, and another Hungaricum) tasting sessions by well-known experts in the *Szimpla Háztáji* slow food restaurant where these home-made products can be found and tasted.

In line with Mieg's (2012) argumentation, we conclude that *Szimpla* as a bi-focal form of sociocultural innovation has somehow become a part of a creative and sustainable urban development project, preserving "core" – architectural-physical – resources, and at the same time creating radically new and innovative "growth" – culturally creative service – resources, which together make up a unique, local identity-building attribute, attracting other creative entrepreneurs, thousands of tourists, and nowadays, old-new real estate investors who have realized the increasing value of the quarter and are polishing up earlier development plans that were interrupted by the financial crisis.

7   Public good or public bad?

In an effort to maintain balance, however, we should mention the negative externalities; the disadvantageous features of ruin pubs which have created the ongoing need for conflict resolution tools and mechanisms, be they either cooperative informal solutions or more formal policy resolutions on behalf of the main stakeholders (namely, the creative entrepreneurs and the local municipality). There is permanent, on-going conflict between the ruin pub owners and local residents – third parties, and stakeholders – about late-night noise, littering and sometimes the misbehavior of foreign tourists (sometimes between 10,000 and 20,000 people on a crowded summer night). Obviously, this conflict has come to the attention of local government officials who sought to find a compromise. The mayor of the district, while acknowledging that they had only slowly realized the seriousness and extent of the problem, ruled out closing the bars, since these spontaneous initiatives were making their district more colourful and attractive. Instead, they suggested more strictly enforcing policies for the entertainment quarter based on the local government's official closing policy[7] and increased out-door terrace rental fees, from which they try to financially compensate local residents; for instance, by supporting the replacement of windows with new, better insulating ones. Another socially innovative safeguarding mechanism of the ruin pub owners for preventing littering and decreasing

noise – quite unique in its format – involves the so-called "silence clowns" who patrol the neighbourhood, asking noisy, misbehaving costumers to stick to the rules.

On the other hand, the ruin pub and bar owners – many of them local residents themselves – maintain that, although the influx of visitors has created some problems, the benefits outweigh the disadvantages as the bars earn money and boost property prices in the area.[8] According to a local resident owner, the area had been very quiet for almost fifty years, but the recent changes came so quickly that some people could not get used to them. Truly, on the one hand this spontaneous re-generative development of the quarter brings in money to local entertainment businesses,[9] gives work to many young people[10] who work in the pubs, shops and mushrooming hostels, raises tax revenue for the local government, and increases the property values of local residents.

From another perspective, the over-crowdedness of the area, with noise and littering – the "no-go areas" of Roberts (2006) –, constitutes a "public bad"; a negative externality which diminishes the well-being of neighbourhood residents who can choose between the options of "go-away-quit" or "stay and bear the consequences". Many of them chose the former and have sold their properties – for a higher price, as mentioned, thus being somewhat compensated in a financial-material sense – and have moved to quieter areas of the district or further afield. Others, such as young professionals between 30–40 years of age and students – Hungarian and foreigners alike – have been attracted by the creative atmosphere – despite the above-mentioned negative externalities of the district –, and are continually buying up or renting apartments nearby. Moreover, property owners and real estate investors have revived their earlier development plans and started constructing new apartment houses and hostels. It is a contradiction though, that terminating or closing these ruin bars would create a counter-effect, totally changing this spontaneously started, bottom-up urban regeneration process, leading to a loss of the creative milieu itself, an essential growth resource and factor in the urban development of the quarter.

8   Conclusions

Cities such as Budapest are very complex systems, full of individuals and organizations with different views and interests, including those about the planning, development and governing of sustainable and creative cities. Therefore, it is very important what kind of negotiation and mediation takes place during the urban development policy process to meet bottom-up, spontaneous and decentralized social and cultural innovation initiatives with top-down, centralized urban development planning and policy responses.

Nonetheless, we claim – based on document analyses and interviews – that to date there exist no institutionalized fora for negotiation and mediation or meeting places for interested parties where problems can be discussed, conflicts solved and agreement made about sustainable urban development, either at the district or city level. From the first case study we identified a more supportive and inspiring environment in which NGO leaders (the civil sector) had good – though informal – relations with the local government

(the public sector). Moreover, in smaller cities, "where everyone knows everyone" local governments enjoyed supportive relations with local businesses, representing a form of trust-based social capital. This latter turned to be both an essential growth resource and a factor fostering the diffusion of social innovation. In the second case, the private-public, bottom-up-top-down interrelation is not without conflict. There has been a local district referendum in February 2018 initiated by a recently founded local civil group ("For liveable Elisabeth town") about the midnight closing. The referendum was not successful and decisive, as less than 50% (just 16%) of the local citizens voted. However, the conflict was not solved. The dispute is still ongoing between the local residents and the entertainment SMEs whether the ruin bar area is a public good or a public bad?[11]

Finally, learning from our own empirical case studies, as well as from the experiences – either positive or negative – of other creative, culturally innovative and sustainably planned cities (see Cohendet *et al.* 2011; Merkel 2012; Raj Isar 2012; Roberts 2006, among others), we now put forward our own idea for social innovation in local urban governance (on a district and/or city level): the introduction of a permanent, formalized negotiation space; an institutionalized forum for discussion, conflict resolution, and most importantly, for horizontal, participatory and sustainable urban governance. This suggestion is in line with the critical overview and research findings of Scott (2014) about twenty-first century new urbanism, which claims that the enlargement of the urban democratic sphere is a basic condition for the really successful – not self-declared – creative city, and for urban development.

Notes:
[1] See for more detail the policy review written by Jane Jenson and Denis Harrisson (2013) Social Innovation Research in the European Union, EC Directorate-General for Research and Innovation, later referred to as Jenson and Harrison (2013), available at: https://ec.europa.eu/research/social-sciences/pdf/policy_reviews/social_innovation.pdf/ (15 March, 2019).
[2] See more detail in Pisano *et al.* (2015) Social Innovation in Europe, ESDN Quarterly report No. 36, April. Available at: http://www.sd-network.eu/quarterly%20reports/report%20files/pdf/2015-April-Social_Innovation_in_Europe.pdf (15 March, 2019).
[3] See for more detail the web page of these EU-funded projects: www.si-drive.eu, www.transitsocialinnovation.eu, www.tepsie.eu, www.wilcoproject.eu (15 March, 2019).
[4] Sources for this subchapter: official website documents of the Hungarian Maltese Charity Service (Available at: http://www.maltai.hu/ (15 March, 2019)) and personal communication with László Nagy, Program Coordinator of the Maltese Playgrounds in Óbuda-Békásmegyer (III) District of Budapest (May 2015).
[5] Sources for this subchapter: the official website documents of *Szimpla Kert* (available at: http://szimpla.hu/ (15 March, 2019) and *Budapest Erzsébetváros Municipality* (available at: http://erzsebetvaros.hu (15 March, 2019)) and other internet-based news and resources (available at following websites: http://7.kerulet.ittlakunk.hu/arcok/130524/abel-aki-nem-szimpla, http://romkocsmak.hu/index.php?id=blog&cikk=23; http://romkocsmak.hu/index.php?id=blog&cikk=18;http://index.hu/kultur/2012/11/24/szimplapiac/; http://hg.hu/cikkek/varos/11963-szovetsegben-a-romkocsmak; http://hetesblog.blog.hu/2016/02/20/elo_erzsebetvaros_egyesulet;

http://www.origo.hu/itthon/20150813-maga-ala-temeti-a-romkocsmakat-a-beporgo-budapesti-alberletpiac.html/ (15 March, 2019)), and personal communication with Ábel Zsendovits, one of the founders and owners of "Szimpla".

[6] Az Élő Erzsébetvárosért Egyesület/For a Living Elizabeth-town, available at: http://7.kerulet.ittlakunk.hu/holmi/legfontosabbak/az-elo-erzsebetvarosert-egyesulet/ (15 March, 2019).

[7] In accordance with the general Budapest-wide rule that from March 2013 bars and restaurants should close after midnight, and should obtain the operational agreement of the given community of local condominiums.

[8] The average flat prices have more than doubled in the last five years in Elisabeth town.

[9] Earning 300 billion HUF per year (Index 2019). Available at: https://index.hu/belfold/2018/02/18/bulinegyed_nepszavazas_eredmeny (15 March, 2019).

[10] Employing ten thousand people (Index 2019). Available at: https://index.hu/belfold/2018/02/18/bulinegyed_nepszavazas_eredmeny (15 March, 2019).

[11] Available at: https://index.hu/belfold/2018/02/18/bulinegyed_nepszavazas_eredmeny/; http://magyarhirlap.hu/cikk/111129/Ervenytelen_volt_a_nepszavazas_a_bulinegyed_jovojerol (15 March, 2019).

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