The Sound of Berlin: Subculture and the Global Music Industry

INGO BADER and ALBERT SCHARENBERG

Abstract

In recent years, Berlin has become a ‘world media city’. Our thesis is that a key reason for this development can be found in its dynamic subculture. In the 1990s the club and music scene thrived, in particular in the deindustrializing inner-city areas, thereby paving the way for large media and music corporations to move to Berlin. The rise of the Berlin techno and electronic music scene, and recently also of hip-hop, to a successful cultural district, is therefore closely connected to the urban transformation since the fall of the Berlin Wall, as well as to the increasing importance of the ‘creative class’ in the local economy. The article examines the connections between the specific local urban environment of the city and the development and rise of its creative and subcultural milieu. The relation between subculture and the music industry, however, cannot simply be described as a commodification of underground and its use as a brand name. Rather, it highlights the fact that flexible integration of the creative districts of subcultural music production is becoming one of the new organizational models of the industry.

Berlin booms — but only with respect to culture and more specifically music. While the vision of becoming one of the leading cities in the global economic network has failed dramatically since reunification (Scharenberg, 2000; Krätke, 2004), it is, ironically, precisely deindustrialization that has turned Berlin into a node of creativity and cultural production. The musical styles most closely associated with the Berlin music scene — new wave, techno, electro, as well as, in the national context, hip-hop — originated in the urban ruins of deindustrialized Detroit and Manchester or the dilapidated Bronx. In Berlin, the free space that urban movements fought for in the 1980s and 1990s facilitated the development of a lively subculture.

To explain the city’s rise to an ‘alpha world media city’ status (Krätke, 2002), it is insufficient to look simply at the city’s overall economic performance. In fact, Berlin’s marginal position in the highly decentralized network of German cities has not changed much since reunification. Therefore, institutionalist approaches to cultural economy are not sufficiently able to explain Berlin’s rise to become a central node of the global music economy. We argue that the main reason that global players and major music industry associations have moved their headquarters to Berlin is the city’s dynamic club and music subculture.

Our case study is empirically based on qualitative fieldwork devoted to the music economy, in particular participant observation and 20 guideline-based interviews with representatives of music-sector companies and associations, as well as with administration employees between 2001 and 2005. Interviews were carried out with representatives from both the formalized firm-based section of the music industry (major
and independent companies), and from the more informal club scene. In addition, we consulted Berlin’s culture press, local newspapers and administrative publications, as well as empirical data obtained from statistical agencies and business registers.

In the following, we discuss, firstly, the flexible integration of small businesses into the networks of global players. Secondly, we examine the relation between Berlin’s economic decline and the city’s specific urbanity. Thirdly, we analyze the development of the specific urban music scene and its styles. In doing so, we follow Amin and Thrift (2007: 158), who make the case that this approach ‘adds a whole new raft of possibilities and connections to contemporary cultural studies of the urban’. We conclude that subculture is more than a force of attraction for the creative class, and that Berlin’s attractiveness for young and creative people does not correlate with general economic success, as Florida (2002) argues.

Creative industries and the city

Most observers agree that an urban context and atmosphere is essential when debating the potential locations for enterprises in the cultural economy. However, this is not only true for their economic activities, but also with respect to musical innovation and production. It is no accident that most music styles are closely connected to certain cities — New Orleans and jazz, Detroit and Motown, Chicago and house, Manchester and Brit-pop, and even Nashville and country. Without the urban density and the specific local conditions, their development would not have been feasible. Even though many large cities develop a local music style, only a few of them receive an international response, and fewer still become important nodes of the global culture industry.

Following the collapse of the dot-com bubble in 2000/2001, the creative industries and the so-called creative city have increasingly become the new leitmotif for urban development. The debate was triggered by Richard Florida’s book *The Rise of the Creative Class* (2002). Florida stresses the importance of so-called ‘soft’ location factors, in particular as pull-factors for the creative class (i.e. the workforce of the knowledge-based and creative industries). Their attractiveness to this class is supposed to be the decisive element in a city’s economic success. While Florida’s book has had strong repercussions in the arena of city politics — in particular in the areas of economic policy and city marketing — it has met with strong criticism, too (Peck, 2005; Scott, 2006). For instance, Scott (2006) argues that Florida does not have any theoretically grounded and empirically based understanding of the urban cultural economy and its embeddedness in post-Fordist urbanity. In understanding urban culture primarily as a ‘soft’ location factor, Florida’s approach, according to Scott, falls back behind the institutional theories which focus on the dynamics of cultural production.

The global city debate shows that services produced for the global market need urban centers, i.e. global cities. The same is true for the cultural industry; it is also organized in a global network of (a few) cities with a great deal of cultural production (and productivity). These cities have come to be known as media or culture cities (Krätke, 2002). Here, the controlling mechanisms of the global cultural economy, which are part of the heavily centralized distribution network, are concentrated. Krätke’s analysis of the institutional embeddedness and global networking of this industry offers conceptual starting points for the explanation of Berlin’s rise to an alpha world media city defined as having (1) a presence of more than 50% of the global players, and (2) more than 60 global media business units (Krätke, 2003).

According to Krätke, the globalization of cultural production enhances the importance of control functions and thus of global media corporations (Ryan, 1992). At the same time, the industry’s tendency to re-agglomeration fosters the formation of inner-urban clusters.
However, even Krätke does not really come to terms with the enterprises’ choice of location since he focuses on control functions and agglomeration economies. We thus want to supplement Krätke’s theory by focusing on the creative input of the production process of cultural goods and on the organizational changes in the cultural economy. Our example will be music in the context of the cultural industry’s economic restructuring: How significant is urbanity — and, more precisely, Berlin’s specific urbanity and (sub)culture — for this production process?

At this point, Santagata (2002) defines ‘creative districts’ as regions of flexible production which generate the specific cultural and institutional forms of networks of small enterprises. This concept draws on the concept of ‘industrial districts’ (Sabel, 1992). Due to the fact that within the production process, cultural and technological knowledge has become more important, this approach — though already developed in the early 1980s — regained influence in the scientific debate during the 1990s. The connection between the knowledge generation process and a specific social environment as well as a specific institutional setting explains both the rise of agglomerations of the creative economy in general, and the latter’s spatial selectivity vis-à-vis local institutional settings and a locally specific urbanity.

These approaches also offer valuable insights, which help explain Berlin’s rise to be an alpha world media city. Creative economies are based on networks of flexible specialization and a vertically disintegrated production process (Scott, 2000). Technologies and work processes that are used for the production of cultural goods often contain a high degree of tacit knowledge and, increasingly, specialized computer technology. In general, production is dominated by networks of small and medium-sized enterprises, which are dependent upon each other due to their specialized input and output, although large companies often participate in the same networks. Because works in the tradition of Piore and Sabel (1984) tend to overestimate the networks of small enterprises as the new organizational model of post-Fordism, we rather want to follow Amin (2000) as well as Scott (2001: 11ff.) in proposing different types of incorporation of small enterprises — so-called ‘independents’ — into globally operating corporations of the music industry.

Networks of music production are organized in highly complex forms. Among other things, they need a highly specialized and trained workforce. The size of the agglomeration — or, more specifically, the labor market — minimizes the risk for employers as well as for employees (Scott, 2000). Contrary to Florida’s assumption of a new and fairly homogenous ‘creative class’, employment within the cultural industry is visibly divided (Peck, 2005: 757–8). The industry’s workforce, i.e. artists and their productive environment, make their living through creativity, which in turn is dependent on living conditions. The settlement (and financial promotion) of individuals engaged in the cultural sector is foremost determined by two factors. On the one hand, a large segment of the creative economy is based on precariousness — their industries are pioneers for unregulated working conditions. Because of their mostly low income, cheap rent prices are an important ‘location factor’ for the creative scene in Berlin. Additionally, creativity is not only an individual quality (of an artist); it is deeply rooted in the interaction and mutual stimulation of a creative field (Scott, 1999). Furthermore, agglomeration eases the formation of a network-specific institutional infrastructure. In sum, cultural production is based upon the development of complex and extensive — and hence largely urban — agglomerations in the form of cultural districts.

Beyond the demands on the local labor market, context and detailed processes within creative economies are only generally addressed within institutional theories. Those theories do not take into account the specifics of the cultural production of goods. It is precisely this aspect that needs to be explained; otherwise, the fact that other industries have not — despite the government’s move to Berlin in 1998 — experienced similar economic booms, cannot be understood.

With its experimental music scene, Berlin has become the most important location and an international first-class node for the global music industry. We want to show that the
importance of the city’s cultural economy is mainly based on local subcultures and their everyday environment. This is not only relevant because of its symbolic qualities as a ‘soft’ location factor which may be used for city marketing purposes. At the same time, it is an important part of production networks and, therefore, an integral part of local economic policies. For this reason, we want to first outline the societal conditions which have turned subculture into an important field in the global music industry.

The importance of subculture

‘Subcultural flair’ is of great importance to major record companies. Connell and Gibson (2003: 113 ff.) link the new significance of local music and ‘niche markets’ to the differentiation of lifestyles. The demand for mass products, i.e. mainstream music, decreases, while consumers increasingly ask for diversified products. One of the main reasons for this new demand is the social distinction derived from these products, which can be used for self-stylization. Subcultural, local music is particularly suited for this kind of distinction, because it is linked to quality and creativity and differs from the mass market due to its local, but also subcultural and rebellious character (Hebdige, 1979). Going back to Bourdieu’s (1984) term ‘cultural capital’, Thornton (1997) proposes the term ‘subcultural capital’ that she defines as accumulated subcultural knowledge signalizing status in the form of ‘hipness’. It is embodied in style, such as a particular haircut, or in a record collection that has a similar status to a library in a middle-class household. Hipness, i.e. subcultural capital, emerges through delineation from the mainstream and allows social ascendancy across the established classes. This delineation has an important function of social distinction, in particular within youth culture. Since ‘youth, from many class backgrounds, enjoy a momentary reprieve from necessity’ (Thornton, 1997: 206), they also spend money for this purpose. This may explain in economic terms how subculture, i.e. hipness, has been integrated into the products of the music market, and that ‘the singles sales chart is mostly a pastiche of niche sounds which reflect the buying patterns of many taste cultures, rather than a monolithic mainstream’ (ibid.: 205). Therefore, subcultures are more than a coexistence of lifestyles. Difference no longer necessarily signifies opposition or resistance to a hegemonic culture, as the Birmingham Centre for Contemporary Cultural Studies (CCCS) put it, but also competition for (sub)cultural capital. Independent labels founded during the 1970s and 1980s represented an attempt to create alternative economic structures beyond a music industry that is only interested in commercial success. Their purpose was to autonomously produce and distribute creative, experimental (and thus subcultural) music. In contrast, underground culture in East Berlin’s inner-city districts was from its beginnings around 1990 in part entrepreneurially oriented (Gdaniec, 2000); the contradiction between commercial and non-commercial was rarely as present as it used to be in the earlier Punk and Independent movement. The club culture’s ‘heroes came in the form of radical young entrepreneurs who had started up clubs and record labels, rather than the poets and activists of yesterday’ (Thornton, 1997: 208).

The marketing of niches links products to local history and thereby appropriates the sound of the street (Scharenberg and Bader, 2005) — not only with respect to cultural products, but also as regards the symbolic revaluation of gentrified neighborhoods (Allen, 2007; for Berlin see Diederichsen, 1999). Authenticity is the connection to the local, and it embodies the lifestyle of local subcultures. Because it is used to maximize profits through diversified styles and local sounds, authenticity is becoming an important element in the strategies of the global music industry. The major labels’ marketing is no longer solely directed at the mainstream, but is looking for differentiated lifestyles (and lifestyle images) — and it is even producing them itself. In sum, subcultures can no longer be understood primarily as a cultural attack against the mainstream and as standing outside the music industry (if they ever were). Rather, they are becoming increasingly important as niche markets.
But vivid subcultures do not arise solely in cities that are booming and entirely gentrified. This matches Hall’s finding that the development of creative milieus and the attraction of creative people is a matter of transitory phases, which are open to experiments, rather than something taking place in cities that are at the peak of economic prosperity:

But these talented people needed something to react to. We noticed that these [creative cities] were all cities in transition: a transition forward, into new and unexplored modes of organisation. So they were also societies in the throes of a transformation in social relationships, in values and in views about the world (Hall, 2000: 646).

There is a fundamental contradiction to Florida’s thesis involved here: While Florida takes it for granted that a creative milieu correlates with economic success, the situation in Berlin is quite different. Generally, such a milieu evolves particularly within those cities that have to deal with a collapse of their economic base. It is precisely the most deindustrialized cities and regions that ‘smell’ their chance as ‘shrinking cities’ and attempt to attract creative people (Scharenberg and Bader, 2005). This milieu is more often than not connected — or at least related — to a social movement protesting against the restructuring of cities. Just as Peck (2005) has questioned the correlation between the creative city index and growth, Jeppesen (2004) states in his comparative study of five European cities that it is rather those cities and regions without a strong creative milieu that have the highest growth rates (such as Galway in the North of the Irish Republic).

Now the creative class Florida talks about tends to prefer gentrified neighborhoods and thus a specific form of urbanity (Peck, 2005). However, there are certain differences: Whereas global control functions and highly specialized production services tend to be concentrated in the gentrified inner-city neighborhoods of booming metropolitan areas, our findings support Hall (2000), who argues that creative processes and cultural innovation — and particularly the creation of niche products — tend to be concentrated in declining cities. Therefore, a branding strategy using a city’s subculture may enhance the city’s symbolic value, but simultaneously undermine the everyday conditions necessary to sustain the creative process itself.

The music industry discovers Berlin

In Berlin, the music industry has become an important part of the urban economy. It is, within the concept of ‘creative cities’ (Florida, 2002), increasingly being seen as a key to the success of the regional economy. Despite the industry’s crisis — from 2001–03, the German music economy lost about 40% of its turnover — the German music industry (including retail) in 2005 produced a turnover of 24 billion Euros (US $32.17 billion) (Senatsverwaltung, 2006). However, after Universal Music Germany, MTV Central Europe and many other music labels and service providers moved to Berlin, the market share of the city’s music industry has increased significantly. Starting with the global players’ relocation to Berlin, a dynamic pull has developed which to a significant degree is based on agglomeration economies (Scott, 2000). From 2000 to 2005, the turnover of Berlin’s creative economy has grown more than 22%. Altogether, it is now 18.5 billion Euro (US$24.8 billion), accounting for 23.5% of the city’s overall turnover. The music industry’s share of the creative industry’s turnover is 5.5% (Senatsverwaltung, 2007).

Although Berlin has been troubled by persistent economic problems that have been discussed intensively (see Scharenberg, 2000; Krätke and Borst, 2000; Krätke, 2004; Krätke and Taylor, 2004; Brake, 2005), the city has been a winner of the music industry’s economic crisis and has only recently become an alpha World Media City (Krätke, 2002; 2003). Even in times of its global decline, Berlin’s music industry has managed to grow (though only modestly by 4% between 2000 and 2005 (Senatsverwaltung, 2007).
Altogether, the cultural economy has become an increasingly important part of the city’s economy (Scharenberg and Bader, 2005).

Berlin, in particular, could take the message spelled out by this analysis as a reason to make the cultural economy and the media industry core areas of its economic development policy and to further enhance the ‘local’ creative potential of the cultural economy as an important attractiveness factor for a world media city . . . [The] reputation [as a cultural metropolis in the 1920s] can now be restored on the basis of current economic developments and exploited for the development of the city. However, while Berlin is still not a global city . . . it is a first-rank global media city in terms of being a centre for cultural production and the media industry with a world-wide significance and impact (Krätke, 2003: 618).

The settlement of music companies and corporations, however, is still one of the few fields in which Berlin’s economy has been able to resist its overall decline. Between 1995 and 2005, the city’s Gross Domestic Product decreased by 8.5% (Schwammenthal, 2006). Next to tourism, low-skill services and the culture industries, only a few highly specialized creative and knowledge-based industries managed to flourish (Brake, 2005), but they are not able to replace the employment and economic power of the former industries. Even though there seems to be no alternative to the strategic focus on certain creative and service industries — and in particular on culture and the music economy — this is not without problems. The core problem of the city’s economy, i.e. the lack of an industrial base, remains untouched by this strategy (Helms, 2000). Before the city’s reunification, West Berlin played a rather marginal role in the decentralized German city network and had huge structural deficiencies, because it had already experienced a first wave of deindustrialization right after the second world war. Therefore, specific ‘Berlin subsidies’ were used to keep alive some assembly line production of mass products. After the fall of the Wall, most branches of the East Berlin economy were no longer globally competitive. Contrary to the high-flying visions of the early 1990s, Berlin did not become a global city. Even compared to other metropolitan areas in Germany, Berlin’s economy still commands very limited economic control capacities (Krätke, 2001). In effect, ‘the great hope of a metropolitan service economy’ did not materialize; the city is currently merely ‘the ‘capital of cleaning squads and private security firms’ (Krätke, 1999: 333). Moreover, the global city policy accelerated the city’s financial decline (Krätke, 2004).

However, one important ‘industry’ moved to Berlin in the late 1990s: government. Though the overall economic impact on the various sectors of the city’s economy differed, this move was very important for the music industry — being in Berlin now means being close to political decision-makers. This closeness is very important, because the control of copyright — and also the making and changing of laws — is central to the functioning of a profit-generating music industry (Reinbacher, 2004; Nuss, 2006). For instance, influencing the political regulation of the marketing of music via lobbying was one of the main reasons for the national branch of Universal Music to come to Berlin. On the other hand, this does not sufficiently explain why the music industry has restructured around Berlin as a central node more so than any other industry deriving an advantage from this closeness.

In any case, local networks of creativity are important for musical innovation (Lovering, 1998: 37) and also for subculture as an important part of these networks. The global music industry is rooted in local communities (Scott, 2001), in particular in ‘place-specific socio-cultural milieus’ (Krätke, 2004: 527), but its sales are mainly based on the back catalogues of the few superstars of international music. Berlin derives its increasingly important role mostly from the production of innovative niche products catering to an international market.

With respect to musical innovation, Berlin has been an important city for a long time. But there was hardly any significant creation of value within the city until the late 1990s. The term ‘music capital of Germany’ only made sense — and hence became
established — after Universal Music Group Germany and other large companies had moved to the city (Bader, 2004). This image was strengthened after other important actors in the music industry — such as Germany’s largest music fair ‘Popkomm’, various medium-sized labels, and the most important national associations of the German music industry — moved to Berlin as well. Although Universal Music is the label with the highest sales rates, it likes to emphasize its closeness to Berlin’s local, subcultural music scene.

To a certain degree, Tim Renner, at that time CEO of Universal Music Group Germany, exemplified this strategy at the time of the company’s move (Renner, 2004). Renner still likes to emphasize his love for punk music. In Germany, he was the first to sign independent bands via major record companies; Rammstein later became the most successful of these bands. For a while, Renner was regarded as the darling of the German music industry, because he was able to profitably integrate a music that used to be the soundtrack of rebellion into the major record companies. The eventual dismissal of Renner in January 2004 demonstrates that his strategy remains disputed within the music industry.

**Berlin and subculture: city, space and style**

Today, Berlin is one of the most important cities for electronic music worldwide. At the same time, it has kept its experimental, self-made and innovative character. This has made Berlin different from many other cities, where nightlife diversity exists only as simulated ‘air’ controlled by large entertainment companies or breweries (see Hollands and Chatterton, 2003). This ‘experiment and laboratory situation’ has enhanced the attractiveness of the city as a site for the music economy. The best-known labels of Berlin’s electronic music scene — such as Tresor Records and Kitty-yo — are expressions of the local creative districts. Social scientists and government reports, for the most part, notice only those actors that have an economic output which is statistically measurable, i.e., next to labels, enterprises from other parts of the value creation chain such as sound studios, music publishers, producers of music instruments, music clubs, concert agencies and fairs (Obert *et al.*, 2001; Keßler and Reinhard, 2004; Senatsverwaltung für Wirtschaft, Arbeit und Frauen, 2005). The anchorage of these actors in a local scene is usually not taken into account. However, economically marginal actors, such as temporary and semi-legal clubs and bars or record stores, are important places of communication for the local networks of creativity (Schyma, 2002). They are meeting points and thus contribute to the development and diffusion of musical styles. Their temporary and non-commercial (or less commercial) character allows for experimentation as small, though still market-oriented labels. Here, people who may later start economically successful enterprises meet for the first time, get to know (and trust) each other and start an informal exchange of ideas, concepts, etc. Well-known local labels and clubs mirror the complex processes that created the specific ‘Berlin-type’ music after the fall of the Wall (Vogt, 2002). To a certain degree, this music is rooted in West Berlin’s alternative culture of the 1970s and 1980s.

During the 1970s and 1980s, a lively and politically rebellious subculture evolved in Charlottenburg, Kreuzberg, Schöneberg and other inner-city districts of West Berlin. It was based on new social movements (squatters, community organizations), the gay scene and student milieu, and culturally located between Punk, Industrial and *Neue Deutsche Welle* (the German counterpart of new wave and the first pop music in the German language to dominate the national charts for some years) (Teipel, 2001). Small labels, sound studios, and party and club organizers founded networks aimed at counter-culture activities. The specific geography of the city of West Berlin — as an ‘island’ within the GDR surrounded by the Berlin Wall — had turned the city, and in particular the south-eastern part of Kreuzberg, into urban periphery. Kreuzberg, a traditional working-class neighborhood with a lot of small trade and ‘backyard
factories’ (Hinterhofsabriken), became a central location for Turkish immigration, and is still the city’s poorest district. The controversy about redevelopment caused the squatting of empty houses, warehouses and other buildings as clubs, bars and living space. One example is the famous club SO 36 that has been the center of the scene from which Einstürzende Neubauten evolved as the arguably best-known act of the 1980s Berlin underground. Next to the ‘City West’ (the area between Bahnhof Zoo and Savignyplatz) — where, among others, Mute Records, BMG Berlin and clubs like the Dschungel (Jungle, Berlin’s heart of the Neue Deutsche Welle) were located — this area (including Universal Music and MTV) became the basis for the second important cluster of Berlin’s music industry (Bader, 2004).

The Hansa Studios provided the connection to the international music scene, where stars like Nick Cave, Iggy Pop and David Bowie worked and produced during the 1970s and 1980s. They also lived in West Berlin for a time and were as deeply influenced by the local music scene as they in turn influenced the city. The Hansa Studios not only provided artists with physical infrastructure, but was simultaneously ‘a location, with a political and cultural style, that somehow combined pre-war hedonism with post-war political tension’ (Connell and Gibson, 2003: 105).

However, Berlin may have been internationally known for its music scene and musical expression. But as a location for the national and international music industry, it did not play any significant role. In this respect, Cologne, Hamburg and Munich were the leading cities in the Federal Republic (Scharenberg and Bader, 2005).

The fall of the Berlin Wall in November 1989 changed everything for Berlin — and also for its music and ‘spirit’. The center of subcultural activities moved to the eastern part of the inner city. Areas used for subcultural music proved to be pioneers for the settlement of music companies. Some of them simply moved to these locations, but many evolved directly from subculture (e.g. Tresor Records and the Tresor club) (Hegemann, 2005).

For the city’s contemporary club culture, this radical change proved to be the spark. It was only then that techno became a mass phenomenon in the city, though its roots can be found in the hedonistic gay scene in the city district Schöneberg (WestBam et al., 1997), and in the electronic avant-garde that thrived in West Berlin during the 1980s (with bands like Einstürzende Neubauten). Right after the fall of the Wall, the new freedom met with a specific urbanistic situation in East Berlin, characterized by massive vacancy of commercial and residential buildings as well as the city’s deindustrialization. How the urban youth of the 1990s saw itself is reflected in the new centrality of the audience: people were no longer just passive consumers, but — as dancers — constitutive elements of raves. The slogan of the first Love Parade in 1988 — Friede, Freude, Eierkuchen (a German saying, meaning ‘everything is fine’; literal meaning: Peace, Fun, Pancakes) — shows a renunciation of the depressed, but also highly politicized spirit of the Berlin underground of the 1980s:

Raves take place largely in postindustrial landscapes, transforming rundown warehouse sites into timeless, de-localised, and de-realised spaces, where obsolete industrial infrastructure is juxtaposed to state of the art technology to create a surreal, almost virtual world — a fun factory (Richard and Kruger, 1998: 163).

The local music scene, and in particular electronic music, reflects the quick local transformation right after the fall of the Wall. At the same time it can only be conceptualized in the context of the global development of electronic dance music, as exemplified by the techno music of the Black inner-city of Detroit (Henkel and Wolff, 1996), and the acid-house of the mostly illegal warehouse parties in English deindustrialized cities (Ingham et al., 1999). Techno music from Detroit, in turn, became famous primarily through the Berlin techno scene. This demonstrates how processes of postmodern urbanism spatially and historically framed Berlin’s local electronic music scene. Like hip-hop (Scharenberg, 2004), techno evolved in the context of the deindustrialization of cities, and in Berlin it found its most significant expression.
The use of vacant buildings was possible, because in East Berlin the ownership status of land and property was often unclear during the early years following reunification. Therefore, the administration had no cause to interfere with the temporary use of these locations. Even after the reassignment of ownership according to the ‘unification treaty’ between the FRG and GDR from 1990, it often took years before the administration decided legal claims. Since many clubs and other subcultural users appropriated the spaces of their activities for only a few months, those persons who otherwise might have had the responsibility to legally interfere did not have a survey of the East Berlin underground scene.

In addition, many of today’s clubs and other sectors of the urban music economy have their roots in these squats. After the fall of the Wall, most of the important actors of Berlin’s club music have gone through an ‘illegal phase’ — such as the Tresor (the club of the founders of Tresor Records) and the Love Parade as an internationally known event that attracted one million people at its peak in the late 1990s (and is commonly described as one major example of festivalization of local urban policy). However, temporary appropriation, i.e. the creation of ‘temporary autonomous zones’ (Bey, 1991) free from state and institutional control, was not limited to cultural use; living space was squatted, too. In addition to about 140 squatted buildings, many vacated apartments were squatted without much controversy. This was one of the reasons for the migration of young and creative people to the city’s eastside. Next to Berlin’s image as a stronghold of youth and subculture, the low costs of living were a major factor for this migration — low or no rents, cheap food, and a subculture that, at least right after 1989, was not particularly commercial. Furthermore, the city’s subculture and nightlife have long differed from other (German) cities because Berlin lacks a closing time and has little regulatory interference (Bader, 2004).

Because of the temporary character of club culture and the exclusive (and excluyor) advertisement via flyers (Riemel, 2005), the spatial manifestation of Berlin’s club culture is hard to assess in terms of quantity. The media’s perception, and likewise the academic understanding, is dominated by those locations that started as illegal clubs and later became commercially successful. Small, temporary locations or clubs playing music that differs from what is globally marketed as techno via the Love Parade often go unnoticed. In the early 1990s, this club scene used to be mainly located in Prenzlauer Berg and in Berlin-Mitte (around Hackescher Markt). These districts have since been thoroughly gentrified (Bernt, 2003), and the scene has moved to other districts and areas — first to Friedrichshain, and more recently ‘back to its roots’ to the area around Schlesische Straße in Kreuzberg (Bader, 2008). This scene has produced various styles of electronic music, as they are presented at the independent music fair ‘Marke B’ (‘Brand B’; see Gut and Fehlmann, 2005). Together with German ‘ghetto-style’ hip-hop and world music, they have in recent years replaced Berlin’s image as ‘Tekkno City’.

The experimental and innovative character of these underground locations is made possible by the temporary character of these illegal clubs and bars, which are permanently threatened by closure, and by entry restriction via codes and ‘informal’ advertisement that can only be read and understood by the corresponding target group. Ambience and style can only be maintained, if a certain size is not exceeded, and if the audience is in line with the club or bar and thus represents its particular ‘character’ (Ballhausen, 1999).

The underground is always subversive and elitist at one and the same time. Access limits and separation from the mainstream make possible the avant-garde character, but they also mean exclusion. This shows how the subculture of temporary clubs and bars with their partly illegal practices could in Berlin go hand in hand with the gentrification of city districts, as demonstrated especially in Berlin-Mitte and Prenzlauer Berg. The

1 After the demise of the Love Parade, Berlin’s largest music event today is the Carnival of Cultures of the World. World music and hip-hop are both, though quite differently, linked to migrant communities.
subculture of temporary clubs and bars was not only integrated into urban restructuring, but also into the innovative processes of the cultural economy. Its elitist character fits the self-stylization of the new urban middle classes. The locations’ character has thereby changed as well. Non-commercial, dingy, self-made basement clubs have become rare. Increasingly, they are being replaced by ‘chic’ and thoroughly styled bars as well as by a simulated and ‘ready-made’ subculture.

New forms of economic cooperation

In order to use the potential of subculture and local creative districts, major labels commonly open a local branch. But spatial proximity is not only necessary at the level of cities; local production clusters are also formed at an intra-urban level. For instance, Low Spirit Recordings, a sub-label of Bertelsmann Music Group (BMG) that is one of the major sellers of techno music and the label behind the Love Parade, is located close to BMG. A similar proximity can be found in the cluster at the Oberbaumbrücke (the bridge connecting Kreuzberg and Friedrichshain) with Universal Music Germany, MTV Central Europe, and various smaller labels and other musical enterprises: reproduction and distribution enterprises, which take over those parts of Universal Music’s production process that have been outsourced (and which depend on an urban environment), choose a location close to this major record company. This is particularly the case for mastering studios, graphic designers and advertising agencies (Bader, 2004).

This spatial proximity also allows for the acquisition of new contacts to other labels, since personal contact and trust are central to business within the network of creativity. As regards production-oriented services, this is a general phenomenon. Sassen (1991) has argued that personal trust is one of the reasons that specialized services are still highly centralized — despite all ‘disembeddedness’.

As it is largely tacit knowledge, musical knowledge is anchored locally, too, and it is integrated in networks based on reciprocity (Scott’s ‘creative field’). The innovative potential of networks of creativity is bound to a certain place and can thus primarily be used in close personal contact. For the success of a label, tacit knowledge about the scene is crucial. With respect to subculture, knowing musicians and being known within the scene is a precondition for signing musicians, precisely because for these actors, in contrast to major record companies, trust is a central category for cooperation.

Local agglomerations of flexible production — the networks of creativity — are integrated into the global music market via transnational corporations (see Amin, 2000: 165). They use and maintain the advantages of cultural districts based on the networks of small enterprises. Major record companies mainly take over those segments of music production that benefit from concentration, i.e. reproduction, global distribution and global brand name. This deal, however, is inherently unequal. First, while successful artists get their share from the profits generated by their products, other actors in the cultural milieu producing this creativity do not participate. Second, even though individual artists who are coming from an independent label or, more generally, the subculture, do gain from a contract with a major record company, the distribution of profit is heavily one-sided. The bigger part of profits goes to the networks that belong to transnational entertainment corporations. These corporations account for 80–90% of the global music market (Binas, 2005). The integration of music scenes into the major labels is based not only on their advantages concerning global distribution, but also on their control of networks. Important instruments of marketing, such as radio and television stations or international chains for entertainment products, are not accessible for independents, since they are controlled by the transnational entertainment corporations.

The rigid, inflexible structure of major record companies has also many disadvantages. Musical innovation is always a high-risk venture, because the future of the music market is hard to predict and highly unstable. Labels that are closely connected
to the subculture tend to publish high-risk products. Their commercial success is precarious or, at best, only profitable on a low scale. Moreover, independent labels may suit artists better and more continuously, because more often than not they belong to the same musical scene as the artists themselves. Independents can only reach small markets, even if they cooperate with a major record company. Major labels, on the other hand, tend to react very slowly (and carefully) to new trends, because their organization and processes are highly complex. This is not only due to the level of bureaucracy and complex decision-making structures, but also to the fact that major record companies organize more extensive marketing campaigns that are directed to other — large — media. Of course, this is primarily a cost factor. More than 90% of the products a major record company publishes do not make any profit (Ryan, 1998).

In recent years, independent labels have become more attractive to artists, because today, an international commercial success is possible even for independents. This has been shown by, for instance, Tresor Records (with Detroit-Berlin star DJs such as Jeff Mills and Juan Atkins), or Kitty-yo (with Peaches) (Obert and Böhl, 2001). Labels that have specialized in a particular music, and which are based in the respective musical scene, can more easily turn into a brand name than major record companies that cover everything from Country to Rap to Punk to Pop. Furthermore, due to the large number of musical styles and artists, labels have become quite important for individual purchase decisions.

The major record companies have also realized the advantage of flexible production and now integrate many of the independents’ advantages. Today, the latter have actually become part of the global music industry — not so much their ‘counter model’. The large corporations of the global music industry try to use the decentralized structures in various ways as innovation networks.

The ‘classical’ approach assumes that local artists working with small labels will directly be taken over by major labels. A direct take-over, though, is not something that majors and independents aspire to. It generally seems to make sense only if the band (or artist) can be placed in a large market that can only be reached through the majors’ marketing. Since a product’s success in the music economy is hard to predict as well as a high-risk project, many artists taken over by major record companies fail, i.e. they do not economically survive the change. The risk is not only on the side of the majors, in particular since the necessary funds for production and video shooting are usually given out as credit. Therefore, the change to a major record company — even if sales rates remain more or less unchanged — does not pay off for many artists.

In their cooperation with subcultural scenes, majors increasingly favor the integration of networks of small enterprises — the cultural districts — into the global network of the cultural economy. This is mainly done because of the advantages of economies of scale. The cooperation with subcultural actors may be understood as a form of outsourcing. In addition, the independent labels no longer see the music industry as an enemy (as many did in the past). Generally, they do have artistic independence as well as (more) economic success. Small labels have their strengths in the networks of creativity; in other networks, the advantages of economies of scale, which can be used better by large corporations, dominate. This mainly affects distribution. Furthermore, small enterprises of the music industry are financially insecure, because they usually depend on a few artists and the success of a particular style of music. In contrast, ‘the smaller company provides its larger partner with preferential access to artists that it discovers through its own A&R department’ (Leysn, 2001: 64), since they are part of music scenes and thus can apprehend and observe developments taking place in these particular scenes much better than major labels.

There are different organizational models for the inclusion of creative districts. In Berlin, for instance, the labels Mute (an important independent label well known for Depeche Mode or Einstürzende Neubauten), and Low Spirit (the label behind the Love Parade which has signed techno artists who managed to get into the German Top 40) are directly integrated as sub-labels in major record companies. This is the most far-reaching
form of inclusion: the formerly independent enterprise is directly built into the operational structure of a major record company, and it mainly serves as an established brand name and ‘development laboratory’.

Distribution contracts are another model which allows the independent label to maintain a high degree of autonomy. All large independent companies distribute their products either completely via major labels, or they do so for those products that cannot adequately be distributed by themselves due to sheer capacity (Gut and Fehlmann, 2005).

The majors’ success is based first on their capacity to use local positive externalities and innovative energy; second on their power to place their products on national and international markets; and third on their ability to overcome various cultural barriers to market access in all parts of the world. The process of distribution is the decisive interface between a local agglomeration and the global market. It is through this process that the transnational entertainment corporations secure their control over the commodification of music (Scott, 2000).

Conclusion

Berlin’s example questions the economic sustainability of the creative city concept. Our analysis has confirmed Hall’s (2000: 646) thesis that cultural innovation is a phenomenon of cities in crisis. The basis for musical innovation as well as the development of the ‘global trademark Berlin’ — now being commodified by the global music industry as well as by many small and medium-sized enterprises — has its roots in the period of radical change during the early 1990s and to some extent in West Berlin’s subculture of the 1970s and 1980s.

Free space is not given; it must be taken. It is no accident that alternative visions and creativity reached a high-point during the 1980s in West Berlin, and during the 1990s in the eastern part of the inner city. Here, subcultural movements organized themselves, fought for another way of living, took over free space. And they prevailed, though the results in the long run differ from the initial visions in many ways. The link to a specific urban situation, as well as to ‘underground’ and ‘rebellion’, is still an important factor for the global marketing of music from Berlin. We have demonstrated that there is a close interdependence between major corporations and a large, fluid scene still using this free space.

To Florida, the economic success of cities correlates with the ability to attract members of the creative class. In this context, urban culture and subculture are no more than a mere soft locational factor. Creative city politics following Florida’s concept contradicts the fact that Berlin’s creative districts are based in these subcultural scenes. In addition, it is precisely these scenes that attract members of the creative class — in the case of Berlin not so much the global elite of the creative industries, but independent creative entrepreneurs. Neither Florida nor Krätke take into account that cultural innovation processes are stimulated by an urban subculture which cannot be understood simply in terms of economic activity. Our analysis of the nexus between the city’s style, the subcultural scene and the clusters of small enterprises demonstrates that Berlin has become a global node of the music economy precisely because of its scene and the attraction of subcultural entrepreneurs.

Moreover, gentrification generally limits the opportunities for creative pioneers. This is illustrated by the club scene’s continuous migration through various city neighborhoods from Berlin-Mitte to Prenzlauer Berg to Friedrichshain and back to Kreuzberg. While large development projects such as Media Spree (with MTV and Universal Music) try to profit from the location’s image, it seems highly unlikely that the much-acclaimed diversity can be obtained in the long run. Therefore, a politics favoring large-scale development projects undermines one of the few flourishing branches of the city’s economy.
The relocation of MTV Middle Europe and Universal Music Germany increased the interest of the public in music as an important branch of the city’s urban economy. However, Berlin’s mostly small-scale music economy is, in contrast to the national branches of the major companies, genuinely global with respect to its markets and perception. The city’s electronic music scene, the independent labels and the city’s club culture are accountable for Berlin’s reputation as a global music city. This creative environment is used as a brand, and it is also seen as an important economic activity. Furthermore, the independent labels, which were originally founded as a counter-model to the global music industry in the 1970s and 1980s, in fact revitalized their former rival. The flexible integration of independent labels into the major music companies — whether directly as sub-labels (by using their distribution channels) or retaining formal independence (as creative laboratories) — promoted the reorganization of the music economy that fostered Berlin’s rise to global music city status. In the face of the music industry’s restructuring, the integration of small businesses related to the subculture in networks of flexible specialization represents a new organizational model of the industry. In sum, there is not one creative city, rather there are various types: cultural production and branches of the creative industries in a broader understanding, i.e. design-intensive producer services, respond to different types of creative cities. The global cultural economy itself is simultaneously bound to different urban settings. However, it is uncertain which organizational model of the music industry will succeed. The dominance of large companies will not be challenged, but cities like Berlin will have the chance to position themselves in those niches within the new geography of the music economy that are of still growing importance. The fact that Berlin has achieved a status in the first rank within the global cultural economy precisely because of its strong subcultural basis underscores this thesis. The lessons to be drawn for politics are thus evident. It is better to stop promoting large-scale development projects and to rather act cautiously, in order to protect and nourish this cultural and economic treasure.

Ingo Bader (ingo.bader@metropolitanstudies.de), Center for Metropolitan Studies/Technische Universität Berlin, Ernst-Reuter-Platz 7, 10587 Berlin, Germany, and Albert Scharenberg (a.scharenberg@gmx.de), John F. Kennedy Institute for North American Studies, Freie Universität Berlin, Torstrasse 178, 10115 Berlin, Germany.

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Résumé

Depuis peu, Berlin est devenue une «ville mondiale des médias». Cette évolution est due en grande partie au dynamisme de sa sous-culture. Dans les années 1990, les clubs et la scène musicale ont prospéré, en particulier dans les quartiers déshérités du centre en voie de désindustrialisation, ouvrant ainsi les portes à l’installation à Berlin de grosses compagnies du secteur des médias et de la musique. L’essor de la scène musicale techno et électronique, et récemment aussi du hip-hop, en un quartier culturel florissant est donc étroitement lié à la transformation urbaine depuis la chute du Mur, ainsi qu’à la place grandissante de la «classe créative» dans l’économie locale. L’article examine les rapports entre le contexte urbain local spécifique, d’une part, et l’évolution et l’ascension de ses milieux créatifs et sous-culturels, d’autre part. Toutefois, on ne peut ramener la relation entre sous-culture et industrie musicale à une marchandisation de l’«underground» et à son utilisation comme un nom de marque. En revanche, elle met en avant le fait que l’intégration progressive des secteurs créatifs de la production musicale sous-culturelle devient l’un des nouveaux modèles organisationnels de cette industrie.