INFLUENCE OF CULTURE ON ECONOMIC DEVELOPMENT:

Emergence of cultural industries and creative economy “clusters”
The emergence of cultural and creative industries (CCI) is closely connected to the rise of the new economy, which relies on knowledge and creativity, and whose form is increasingly informational and global. It sees cultural processes as having a significant impact on all spheres of life, modes and ways of production of goods and services, and a future life-style. Thus the notion of culture itself is being widened and recast from an artistic production and a distinct sphere of social life to something that penetrates everything — means of communication and urban design, governmental policies and public relations, the way how personal and collective identities are formulated and manifested. Similarly, creativity is now being perceived as something not just residing in the arts, but as a key issue and one of the important global economic advantages for all sectors.

Although nowadays creative industries are often referred as cultural industries or as ‘cultural and creative industries’, initially this was not the case. According to the United Nations Educational, Scientific and Cultural Organisation (UNESCO), “cultural industries refer to industries which combine the creation, production and commercialisation of creative contents which are intangible and cultural in nature. The contents are typically protected by copyright and can take the form of a good or a service. Cultural industries generally include printing, publishing and multimedia, audiovisual, phonographic and cinematographic productions as well as crafts and design. The term creative industries encompasses a broader range of activities which include the cultural industries as well as all cultural or artistic production, whether live or produced as an individual unit. These industries are those in which the product or service contains a substantial element of artistic or creative endeavour and include activities such as architecture and advertising.”

The Priority Sector Report on Creative and Cultural Industries by the European Cluster Observatory argued for a common term for creative and cultural industries as it views both terms as conceptually linked, similar and to a certain level interchangeable. The final report of the European Statistical System Network on Culture also has adopted a wider definition.

The advancement of CCI is often closely connected to the development of clusters, a notion that has been associated with Harvard Business School economist Michael Porter. It is creative clusters that have a significant impact on the development of creative cities and regions, providing them with competitive advantages:

- They increase the productivity through easing the access to various specialised resources such as labour or knowledge;
- They enhance innovation by providing space for quick sharing of new opportunities and challenges;
- They promote new business formations.

Thus global knowledge-based economy provides CCI with numerous opportunities and significant challenges, which need to be taken into account in the contexts, where the development of CCI is taking its first steps or is being, according to the European Cluster Observatory Report on Creative Industries, in its precursor or embryonic stages.
Although different studies stress the fact that there is no unique and all-encompassing recipe for developing cultural and creative industries, because despite the global range, CCI have a very distinct local connection and depend on local cultural, social and economic contexts, the knowledge and understanding of emergence and development of CCI in different countries should benefit the EaP countries. The arguments here are both quantitative and qualitative, ranging from numbers, demonstrating stable growth and job creation, to the understating of the role CCI play in the knowledge-based economy world-wide.
One of the major key points about CCI is that it does not just show significant numbers in GVA (gross value added), exports and job creation, but that it also demonstrates stable growth, sometimes higher than other sectors of economy.

- The report from the Department for Culture, Media & Sport of the UK in 2014 shows:
  - Growth of almost 10% in 2012, outperforming all other sectors of UK industry.
  - GVA of the Creative Industries was £71.4 billion in 2012 and accounted for 5.2 per cent of the UK Economy.
  - GVA of the Creative Industries has increased by 15.6 per cent since 2008, compared with an increase of 5.4 per cent for the UK Economy as a whole.
  - GVA of the Creative Industries increased by 9.4 per cent between 2011 and 2012, higher than for any of the other main UK industry sectors.
  - The Creative Industries accounted for 1.68 million jobs in 2012, 5.6 per cent of the total number of jobs in the UK.
  - Employment in the Creative Industries increased by 8.6 per cent between 2011 and 2012 a much higher rate than for the UK Economy as a whole (0.7%).
  - The value of services exported by the Creative Industries was £15.5 billion in 2011, 8.0 per cent of total UK service exports.
  - Between 2009 and 2011 the value of service exports from the Creative Industries increased by 16.1 per cent. This compares with an increase of 11.5 per cent for total UK service exports.

- In 2010, just under 240,000 businesses existed in the German culture and creative industries. These achieved a total turnover of over €137 billion and provided full-time or part-time jobs for just under 720,000 employees. If one includes self-employed and freelancers, just under 1 million people work in the German culture and creative industries. According to estimates, the culture and creative industries were able to contribute around €63.7 billion to German value creation. This means that the share of the gross domestic product (GDP) provided by the culture and creative industries was 2.6%, the same as in 2009.

- The European Parliament recognises the important contribution CCI make to jobs and growth, representing 4.5% of total European GDP in 2008 and accounting for some 3.8% of the workforce.

- Beyond CCI’s direct contribution to GDP, they trigger spill-over in other sectors of the economy such as tourism and fuelling content for ICT (information and communications technology).

- In many ways, CCI are a model for future types of employment and lifestyle in other sectors of the economy – as concluded by the BMWi (German Federal Ministry for Economic Affairs and Energy) monitoring for 2010.
• Most researches on CCI show that this sector is less susceptible to economic fluctuations than other industries. It keeps demonstrating stability or even slow growth in periods of economic crises.

• Next to positive direct economic contributions, creative industries are catalysts for innovation. Being at the crossroads between arts, business and technology, cultural and creative sectors are in a strategic position to trigger spill-overs in other industries.

According to the European Cluster Observatory Report on Creative Industries, creative industries are becoming increasingly important components of modern post-industrial knowledge-based economies. They are thought to account for higher than average growth and job creation, they are also vehicles of cultural identity that play an important role in fostering cultural diversity.
Solutions

Vision change

An essential solution, which lays at the foundation of creative economy and is strongly connected to its initial stage, is a change in vision of the role of culture in nowadays societies and the new economy. The shift from seeing culture as purely artistic environment to the notion of culture as permeating all spheres of life. This shift includes expanding definition of cultural industry from the one being absorbed and devalued by the market (as one can find in works by the Frankfurt School theorists Theodor Adorno and Max Horkheimer) to the one more complex and democratic, where art, culture, creativity and the market are not inimical to each other.

Seeing market as a vehicle for allocating resources and reaching wider circles of customers (audiences) by more efficient ways of distributing good and services allows for more diverse and democratic cultural policy, which is less centred on the ‘arts’, but begins to address the realities of a knowledge-based economy — the conditions of the commercial production of culture using economic and statistical tools (e.g. value-chains, employment mapping), focusing on how the sector as a whole works – including those crucial ancillary and non-creative activities.

The case of the Greater London Council (GLC) between 1979 and 1986 can be seen as the first cultural industries strategy at a local level but at the same time is it an important attempt for a contemporary democratic cultural policy.

Nicholas Garnham, adviser to the GLC, offered a more inclusive way of defining the cultural industries as ‘those institutions in our society which employ the characteristic modes of production and organisation of industrial corporations, to produce and disseminate symbols in the forms of cultural goods and services, generally, although not exclusively, as commodities’. His crucial point was developing a democratic cultural policy based on an educated and informed audience demand. It was important to understand and map the real relations between cultural supply and cultural demand, between creative aspirations of cultural producers and audiences preferences and expectations.

These analytical frameworks were drawn upon in Britain by groups working in cities hard hit by industrial decline, such as Bradford, Sheffield, and Glasgow. Such approaches understood cultural industries as being important in terms of their contribution to national economic development, and pointed to the value-adding possibilities arising from effective policy development, particularly in relation to developing the cultural industries value chain, or ensuring that the products and outputs of artistic creativity were better distributed and marketed to audiences and consumers.

Crucial change in the vision and approach towards culture and creative industries led to a significant change in cultural policies in Europe, North America and East and Southeast Asia. During the last decades, a number of governments around the world have recognised importance of CCI for modern knowledge-based economies, their role in higher than average growth and job creation as well as in fostering cultural
diversity and social cohesion, and started to develop specific policies to promote these industries.

The European Cluster Observatory Report on Creative Industries (2013) identifies 4 stages of CCI development: precursor, embryonic, nurture, and growth. The analysis consists of necessary conditions and recommended policy measures to stimulate the development. It seems possible that solutions accumulated for the first two stages, can be successfully applied in contexts of EaP countries. It is worth mentioning that relevant policy measures are crucial for creating favourable conditions for CCI development and maximising their direct economic contributions and their catalytic potential for innovation, spill-overs in other industries, and responses for major societal changes.

For the **Precursor stage** key conditions and recommendations are:

1. **Presence of historical, cultural and artistic heritage:**
   - Cultural heritage, owned and operated by public institutions, is a major asset in creative economy and it should be recognised as such by governments.
   - Local culture and heritage should be supported to exploit their full cultural and creative potential as being platforms for other creative actors and industries (festivals, hubs, co-workings etc), integral part of the creative infrastructure of the city (tourism and cultural diversity promotion), and as the ones shaping identity of the city or region.
   - Heritage related products and services are important at the later stages of industry development.

2. **Critical mass of creative and entrepreneurial people in the region:**
   - Ensuring a better match between the supply of skills and the demands of the labour market is crucial in the medium and long run. This can be reached through partnerships between art and design schools or universities and creative businesses.

3. **Broad educational and research landscape:**
   - Creating a solid base for CCI through education and awareness building is important. This can be addressed through providing information on CCI, targeted training to help people to value CCI products and services, and supporting creativity in education.

4. **Presence of physical and social creative environment:**
   - Regional and local policy makers might contribute to making available and developing space and buildings.
   - The urban environment should be developed in more free and attractive way, enlivening the atmosphere, which includes activities aimed at: the development of public buildings, urban spaces, creative quarters and environments towards supporting creativity and bringing out inspiration.
   - Capital assets can be legislatively or institutionally protected from market forces, especially around property.
For the **Embryonic stage** key conditions and recommendations are:

1. **Guarantee systems and other financial engineering mechanisms:**
   - To induce a change policy makers need to guarantee access to finances through better access to credits and support in expanding markets and export activities. Crowdfunding is a vital instrument of funding as well, requiring awareness on the side of creative entrepreneurs.

2. **Availability of seed and venture capital for creative companies:**
   - At this stage creative businesses are usually small. Therefore they often cannot use bank loans, at least in the early stages. To obtain additional capital, they have to go to the venture capital funds, which accept a higher level of risk. In many countries the venture capital funds are created by the public sector. An example of a venture capital fund aimed at the creative sector is the VC Fonds Kreativwirtschaft Berlin.

3. **Critical mass of supply chain actors:**
   - Building a critical mass of supply chain actors can help emerge creative industries within a region.
   - In attracting a critical mass in an embryonic stage of industry emergence, policy makers might lower the barriers for supply chain actors to locate their business within a region by creating an SME development policy that incorporates creative enterprises, based on a tailor made microenterprise development plan.

4. **Customer proximity:**
   - Enhancing demand through customer proximity can be reached through multi-targeted festivals and supporting creative clusters.

5. **Policy measures supporting interdisciplinary cooperation:**
   - Interdisciplinary cooperation which results in creative spill-overs, innovations and skills sharing can be supported through fostering creative environments: creative clusters, hubs etc.

6. **Policy measures supporting creative start-up companies:**
   - It is advisory to create a regulatory environment, which is favourable for small and medium enterprises and even micro enterprises and freelancers: lessen undue burdens, strengthen public-private partnerships to involve more stakeholders.
   - Still CCI need partly tailor-made measures due to certain peculiarities of the people and companies in creative industries. Compared to other sectors part-time working, short-term contracts, freelancing and other flexible working forms are more common to creative industries.
Results and Impacts

- Consecutive, coherent and relevant policies resulted in an important phenomenon – such as sector self-recognition. During last decades small business and organisations thriving on creativity, using design and architecture thinking as an integral part of their work, started to associate themselves with the notion of culture and creative industries. This strengthens the sector, creates more solidarity, helps to promote and lobby necessary support measures, eases development of relevant policies, and becomes an indispensable factor in rising awareness about CCI role in knowledge-based economy and cultural diversity.

- CCI are, in many ways, a model for future types of employment and lifestyle in other sectors of the economy. The employment and business models with very short innovation cycles, 'content-orientated' production, focus on prototypes, custom- made items, small series and intangible goods, the above-average proportion of self-employed and freelance workers and the almost blanket use of modern (information and communication) technologies are considered to be future-orientated. All this means that the cultural and creative industries are leading the way into a knowledge-based economy.

- Copyright was seen as a key element for CCI. First CCI success stories were based on industries, heavily relying on strict copyright legislations (film, music, gaming etc). But further development of the industries made copyright laws more diverse, flexible and open (ex., Creative Commons license etc) to address intensifying need for knowledge sharing, information access and learning. This should be taken into account by EaP countries that are at the entrance of knowledge-based economy.

- Although happy marriage of art and market was at the foundation of culture and creative industries and first democratic cultural policies, and even though CCI have proven stable and more significant growth than other sectors of economy, and resilience during crises times, nowadays policies recognise their market vulnerabilities as well. Major part of CCI comprises of small and medium sized businesses and organisations that need more supporting and encouraging climate to grow. Thus relevant policies on the local and national level are crucial.
A change of vision towards culture and creativity as something not just residing in the arts, but as a key issue and one of the important global economic advantages for all sectors is needed to be accepted.

New democratic coherent and relevant cultural policies with a focus on culture and creative industries are necessary means to help them to realise their potential. It is important to remember that there are no universal policies. CCI are deeply rooted in local cultural, social and economic contexts.

The toolkit for a successful policy includes, but is not limited to, careful research and mapping of existing potential, developing relevant and up-to-date statistical support and accountability measures.

Legislative measures to protect and nurture innovation (relevant copyright laws), to address specifics of CCI, which consists mostly of small enterprises and freelancers (labour and social legislation, regulatory environment that simplifies registering and running creative businesses, supportive financial and accounting regulations), to create a climate, necessary for creativity, is needed.

As CCI development is quite dynamic, regular policy updates are crucial. Each development stage has its necessary preconditions and relevant policy solutions not to be missed.

Especially at early stages close collaboration between the two economies: the “old” one, consisting of the traditional institutions such as art schools and universities, museums, theatres, cultural centres etc, providing support structures, and the “new” one, comprised of new small business, freelance initiatives and collaborative enterprises, is vital and needs to be supported and fostered.

Interdisciplinary environment is at the core of creative economy. Interdisciplinary communication and collaboration between art, sciences, technology and business needs to be supported on the local and national level in the form of creative clusters and hubs.

Recommendations
Additional information

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