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CREATIVE ATMOSPHERE: CULTURAL INDUSTRIES AND LOCAL DEVELOPMENT

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Creative Atmosphere: Cultural Industries and Local Development

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ABSTRACT

The aim of the paper is to develop an analytical framework for understanding and measuring the impact of cultural industries and creative activities in local development. Despite the great debate on the importance of cultural and creative industries in policy, academic and business circles, we still lack a grounded theoretical model to understand how these activities contributes to local development and how far enhancement of culture-based creativity may be linked to certain social and economic configurations in these industries. In order to better understand the role of cultural industries in local development we propose a novel framework, which tries to depict the main actors and structure of local systems of cultural production and under what conditions such systems are able to generate and express creative atmosphere.

Keywords: Cultural Industries, Creativity, Creative Atmosphere, Local Development, Cultural Policy

Introduction

The aim of the paper is to present an analytical framework for understanding and measuring the impact of cultural industries and creative activities in local development.

Culture and creativity are increasingly viewed as two relevant sources for the economic and social development, especially in regional area experiencing de-industrialization processes. On the one hand, there is growing awareness of the economic value generated by cultural and creative industries and their potential for growth as compared to other sectors of the economy (Scott, 2000; Howkins, 2001; Florida, 2002). On the other hand, it is increasingly recognized how cultural capital and the concentration of talent and creative activities may generate new opportunities for development, where economic growth is combined with the social quality and the production of cultural value (Throsby, 2010).

However, despite the great debate on the importance of cultural and creative industries in policy, academic and business circles, we still lack a grounded theoretical model to understand how these

activities contributes to local development and how far enhancement of culture-based creativity may be linked to certain social and economic configurations in these industries. The main systems of cultural production that have been considered so far are those of material culture (the galaxy of industrial design, fashion, and taste industry), those of the content and media industries (publishing, film, television, advertising and software) and those related to cultural heritage valorization (museums and monuments services, performing arts and architecture). All of these systems encompass activities where creativity is embedded in the production of goods and services of high cultural and symbolic value. The characteristics and nature of the products and services may promote business models that can generate opportunities for local development through two main channels. First, most of the cultural systems, and in particular content and material cultural industries, are based on mass-produced and scalable products that contain a high degree of intellectual property. For instance, in media-dependent and design-based products the cost of duplication and distribution is marginal as compared to the cost of design and content creation. What is typical for business models here is the possibilities of leveraging on mass production and thus enhancing the competitive advantage of local creative industries. Second, local systems of cultural production are also characterized by live-based products, where the consumption is linked to the cultural experience and image of a place. In this case, the idiosyncratic nature of the product leads to competitive advantages for the territory, as consumption can only occur by visiting the place, as in the case of the performing arts or cultural tourism, or researching the authenticity of the origin of the goods, as in the case of taste goods (Molotch, 2002).

In order to better understand the role of cultural industries in local development we propose an analytical framework based on four connected components:

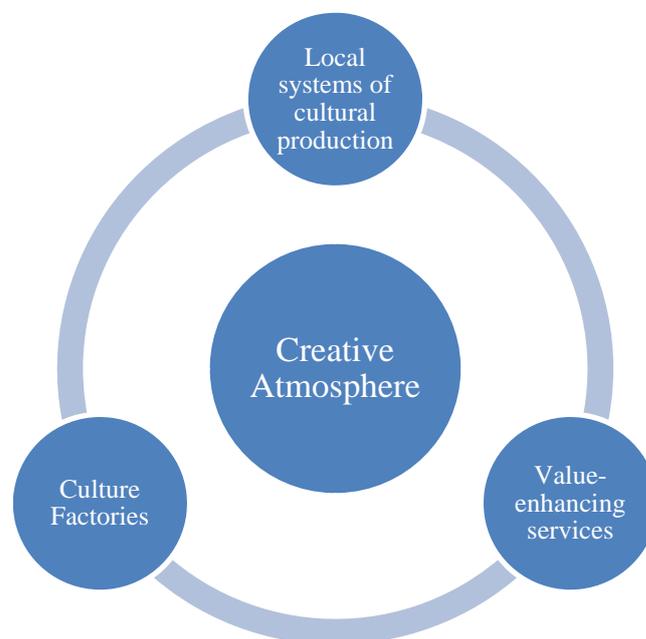


Table 1 – The Creative Atmosphere Framework

Culture factories represent the main players and hubs in the cultural economy. Together with value enhancing services made by small firms and creative activities, they constitute the structure of the cultural production and highlight the presence of specialization in specific cultural productions. Local systems of cultural production are useful to highlight the connections and networks between and

among different actors along the production chain. Further, the systemic approach allows incorporating both economic and non-economic players and to take into account spill over effects and complementarities between industries. However, the presence of local systems of cultural production is not per se a sufficient condition for local development. In order to become a dominant center in the national and international landscape, a creative atmosphere must permeate the productive milieu and the geographical patterns of creativity matter in determining the long-term viability and sustainability of the cultural product industries (Hall, 2000). Clusters of skilled and talented workers in the most creative phases of the production chain, jointly with ties to other relevant hot spots around the globe, may underpin complex and thick webs of interactions that nurture creative outcomes and generate competitive advantage for the regional production of culture (Bathelt et al., 2004).

Our main research hypothesis is that the evolutionary trajectory and the structure of the networks characterizing local systems of cultural production are crucial to detect the level of creative atmosphere expressed by those clusters. Further, while culture factories represent the core players of local systems of cultural production, only the emergence of a milieu of small and medium enterprises providing value enhancing services may guarantee the long term sustainability of the system and enhance their impact on local development.

In order to highlight the implications of the proposed framework for understanding the impact of cultural industries on local development we suggest to adopt a new methodology based on network analysis. This approach allows understanding the main relations occurring between the players of the local system. In particular, it helps both measuring the creative atmosphere, according to the intensity of the relations among the points of the network, and detecting the economic effects of cultural and creative activities spreading across the network.

The paper is divided as follows: Section 1 briefly reviews the theoretical and empirical literature on the role of culture and creativity in local development; Section 2 elaborates the new framework to analyze the contribution of cultural industries and the creative atmosphere on local development; Section 3 suggests potential novel empirical methodologies to test the effects of cultural and creative activities on local development.

Creativity and culture inside the black box of local development: a brief survey

Creativity is at the core of many human activities. The creative process is fundamental to develop new ideas, goods and services that have social, cultural and economic value. Although it is very difficult to define a notion of creativity, this term has recently become very popular with the academic, public policy and business communities. Terms like “creative industries”, “creative economy” and “creative class” are increasingly being adopted in academic articles, international organizations’ agendas and policy-makers’ speeches (see for example, Florida, 2002; UNCTAD, 2008).

The key argument used to embrace creativity in local development strategies is that as soon as intangible assets - such as ideas, skills, knowledge and information - are perceived to become relevant for societies, creativity may have a driving role for enhancing economic outcomes (Howkins, 2001). At the same time, creativity in the arts and cultural expression is perceived as a paramount source for fostering and nurturing cultural vitality in local communities and the social quality of life (Adams and Goldbard, 2005). Likewise, culture can be a systemic activator of creativity and innovation, increasing the propensity of people to invest in their cognitive skills and knowledge (Sacco and Segre 2006).

Despite the great attention on these intangible resources, it has been quite difficult to provide theoretical models and empirical evidence that satisfactorily explain the causal relation between culture and creativity, on one hand, and local development, on the other.

In the literature, it is possible to identify two main groups of studies trying to single out and measure the impact of cultural and creative activities on local development. The first refers to the economic impact of cultural activities and projects while the second is based on the construction of creativity indicators to measure the outcome of creativity as a social process and other environmental variables that may affect its production. An example of such a measure would be a quantitative indicator of cultural production overall or the concentration of talented individuals. These measures help to indicate how creative outcomes come about and what their effects are on society.

Economic impact studies of arts and culture represent today a quite extended body of economic literature dating back since the 70s' (Reeves, 2002). Using different methodologies, the aim of these studies is to evaluate the economic and financial effects generated on a local area by different cultural activities such as new investments in cultural projects, activities of cultural institutions, festivals and the built heritage services. According to OECD (2005), there are four criteria for defining the development potential of cultural activities: i) their permanence, ii) the degree of participation by local people in addition to tourists, iii) the interdependence of the cultural activities, taking advantage in this way of "crowding-in" effects and, finally iv) the territory's capacity to produce all the goods and services demanded on these occasions. This last condition suggests that the effects of a cultural activity will be greater for territories of larger size and population density.

In order to measure the economic impact of cultural activities on the local economy this class of studies has often relied on economic multipliers based on Input-Output Tables, which try to measure the interrelations between different sectors of the economy. Such methodology, although well refined, presents some shortcomings in evaluating the effects of cultural and creative activities on local development. First, it provides a pure economic dimension of local development measured in terms of added value and employment. This neglects more complex social and institutional dimensions of local development. Second, the use of economic multipliers takes into account the final effects but does not capture the dynamics of local development, such as how the spillovers spread through the links between actors of the local system or how new businesses are created as spin-off. Finally, because of such loose-grained picture drawn by economic multipliers, the risk is to misrepresent or wrongly estimate the effects of culture on local development.

Unlike economic impact studies, the literature on creativity indicators is quite recent and reveals some shortcomings. Crucially, it is not easy to establish a relationship between the production of creativity and its impact on the socio-economic development. For this reason, creativity indicators risk measuring phenomena in the absence of a robust theory concerning the synchronic and diachronic interrelationships that must be present before a dynamic creative environment is likely to emerge. Whereas for example there is an articulated theoretical framework supported by a wide empirical evidence about the connection between education, human capital and economic growth (Becker, 1964; Barro 2001) we still lack a grounded theoretical model to understand how creativity as a social process contributes to economic growth and how far enhancement of creativity is linked to certain social and cultural configurations in society.

One of the first works on this subject was by Richard Florida's *The Rise of the Creative Class* (2002), which articulates a framework for evaluating the creative economy, adopting an indirect measure of

creativity as embodied by a 'creative class' in society. This is a transversal group of high-skilled professional, scientific and artistic workers whose economic function is to create new ideas, new technology or new content. The author posits that, across regions, the variations in the relative size of the creative class are positively related to higher rates of innovation and economic growth. For Florida, the key to understanding the new geography of creativity and its effect on social and economic outcomes lies in the '3Ts': Technology, Talent and Tolerance. These three factors are assumed to be the necessary conditions both to generate a social environment where creativity and the creative class take roots and to stimulate economic development. Talent and Technology are responsible for driving growth while tolerance is necessary to attract new human capital. On the basis of these assumptions, Florida produced a creativity index as a composite representation of the 3 Ts. The methodology used to design this additive index is easy to replicate, and allows for comparisons across different states, regions and cities. Recently, an application of the creative index approach to Netherlands (Florida et al., 2008) has shown how the measure of the creative class outperforms conventional educational attainment measures in accounting for regional labor productivity measured as wages, while conventional human capital does better in accounting for regional income.

Despite its appeal to policy-makers willing to rank the creativity of their economy in a global context, Florida's creativity index has serious conceptual and methodological drawbacks. Several criticisms have been made of his work. For example, that the range of occupational categories to define the creative class is too broad. Others have pointed to the high level of aggregation involved, and the risk of missing the complexity of creative activity by reducing contradictions and interpretations to macro-indicators. For instance, such approach is that it assumes that once a creative class has been brought together in any particular place, its innate entrepreneurial and cultural energies will automatically be activated in the construction of a vibrant local economy. However, this argument neglects to take into consideration the complex synchronic and diachronic interrelationships that must be present before a dynamic creative environment is likely to emerge (Scott, 2006).

A second framework for understanding the impact of creative activities on local development has been suggested by the Hong Kong Cultural Center for Policy Research (2004). According to this framework, often labeled the '5Cs model', it is essential not only to measure the economic outcomes of creativity but also the cycle of creative activity seen through the interplay of four forms of capital: social capital, cultural capital, human capital and structural or institutional capital. These are the determinants of increased creativity and their accumulated effects are the 'outcomes of creativity'. Each form of capital is a component that has different quantitative and qualitative dimensions, representing levels of tangible and intangible inputs that favor creativity. Statistics proposed to define the four inputs cover some one hundred variables, from press freedom to the number of volunteers per capita. How much these measures have to do with creativity is a matter of definition and theoretical assumptions. Like in Florida's work, the risk is to excessively broaden the set of variables that are assumed to influence the social quantum of creativity. Moreover, multicollinearity of the variables used to construct the indicators can hide the real causal relations between outcomes of creativity and environmental factors, by violating the postulate of independence between variables.

As regards the outcomes of creativity, the Hong Kong framework identifies several indirect measures. First, it considers aspects of the economic contribution of the creative industries. Second, it addresses the inventivity of the Hong Kong economy, using indicators such as the number of patent applications or productivity growth. These statistics are assumed to measure the creative vitality of the whole economic sector. Third, the final outcome of creativity refers to the production of new cultural goods

and services. These three dimensions of creativity should express an additive index, more complex than Florida's and more capable of capturing different aspects of creativity.

However, also in this case, a number of methodological and definitional issues have a bearing how robust this creativity index can turn out to be. As with the definition of the Creative Class, the drawing of the boundaries of the creative industries will be of paramount importance and will affect the notion of creativity. Further, if the creative sector already includes cultural industries, such as Publishing, Movie and Music Industry, measures of cultural production – the third pillar of the Hong Kong creativity outcomes – are likely to be strictly correlated with the economic contribution of the creative sector. Especially in developed countries, a great proportion of data about cultural goods and services, such as films produced or book titles published, falls within business activities that have been previously measured in the creative industries. If measures of cultural production and creative industries are merged in an additive index, the result may be eventually an overestimation of the creative output of a society.

The “Creative Atmosphere” framework for local development

Given the shortcomings in the models and methodologies proposed to analyze and measure the effect of cultural and creative activities on local development we propose a new analytical framework that is based on four connected components: i) the creative atmosphere, ii) local systems of cultural production, iii) culture factories and iv) value enhancing services for cultural production.

The creative atmosphere is a distinctive phenomenon in each major phase of development of a society. From the Pericles' Athens to the Renaissance Florence until the today New York City or Shanghai, the creative atmosphere is the result of an intense flow of ideas and information within a community on products, styles, art forms, consumer needs, technological innovation, business models, industrial design. The creative atmosphere is, therefore, the signal of a critical intellectual mass produced by the combination of several factors. The prominent observers of creative cities such as Peter Hall (1998, 2000) and G. Törnqvist (1983) have both emphasized how the creative milieu and atmosphere of a place tends to manifest itself through three basic factors: the intense exchange of information between people, the accumulation of knowledge, skills and know-how in specific activities and, finally, the creative capacity of individuals and organizations to use the two above capacities and resources. When a place and its productive system reach a critical mass of these factors, the creative atmosphere becomes operational and visible, developing social forms and institutions that regulate the organization, production and consumption patterns of the subjects involved. It is not possible to evaluate the creative atmosphere in quantitative terms *ex ante*, because it depends on the quality of relationships, ideas, and organizational structures. Rather, it reveals itself only *ex-post* when the creative energies have become property of the endogenous production system (Scott, 2000). It may nevertheless be sought by encouraging the development of its constituent elements.

We argue that the creative atmosphere is the dynamic product of the relations of private and public actors involved in the local systems of cultural production. Local systems may be therefore understood as interdependent networks of actors connected by links of economic and social nature. They form the structure over which the creative atmosphere may be generated and nurtured. As the creative atmosphere represents the quality and intensity of relations, understanding the network structure of local systems of cultural production is relevant to address the formation of the creative atmosphere. On one hand, networks of specialized and complementary producers, together with their

associated labor markets, tend to generate flows of positive externalities captured through both the agglomerative trends of new firms in the local economy or expanding the network with the creation of new links to external actors and markets. On the other hand, interdependent networks are susceptible to various forms of failure (Scott, 2006). Problems may occur where firms are dependent on complementary producers for nonstandard inputs, which can eventually jeopardize the overall functional capacity the local system. At the same time, missing linkages in inter-firm networks do impede the flow of information and ideas through the production system as a whole. As a result, mapping the network structure of local productive systems and assessing the existence of linkages between different actors is crucial to detect the levers and threatens to the formation of creative atmosphere.

Within local systems of cultural production our attention is mainly oriented to the producers along the diverse cultural value chains, namely the “Culture Factories” and the value enhancing services to cultural production. Culture factories represent the main sites of cultural production within a local system (Santagata, 2010). These may be both productive firms, such as design-based or fashion multinationals, or renowned and important cultural and heritage institutions. What is important to stress is that culture factories constitute the driving force of cultural production in the local systems and the excellence for their creativity or cultural production. In the case of Piedmont, culture factories may be, for example, companies such as Miroglio or Zegna in textiles, Alessi and Giugiaro in Design, Slow Food and Ferrero in the food and taste industry, or the Royal Residence of Venaria and the Teatro Regio in cultural heritage and live entertainment. In many local systems, culture factories are the most innovative and creative subjects, reservoirs of tacit knowledge and hubs of global connections between nodes of outside local systems (Bathelt et al., 2004). In these factories strikingly emerges the distinction between communities of episteme (Creplet et al., 2003), which govern the strategic and creative guidance of an industrial complex, and communities of practice (Wenger, 1998) that produce daily management and marketing. The two communities are real creative classes as their members generate and accumulate knowledge of art, technology and managerial skills.

At the other extreme of the cultural production chain lie the value enhancing services, made up of small independent production companies and service providers. Such “micro-services” originate from the vertical disintegration of economic activities and the organizational reintegration of producers within extended inter-firm networks due to the extreme uncertainty and instability of final markets for creative products (Caves, 2000). Complementary and strongly dependent to the culture factories, the micro-services represent the creative and operational humus able to root in a place the creative activities and their impact on local development. First, even without reaching the final markets, micro-services are essential to add to the final products high share of symbolic and creative output as they are provided by very specialized and skilled professionals. Second, they are characterized by narrow line of business and labor-intensive activities, that are useful conditions for enhancing job creation through supporting local system of cultural production. Third, while it is difficult to raise a new culture factory in a territory, value enhancing services are particularly suited for hosting start up companies and young talents which enter the fields of cultural production. As a result, the flourishing of value enhancing services in the several branches of cultural production is beneficial for triggering local development through cultural and creative activities.

Towards an application of the “Creative Atmosphere” framework

It is worth noticing that the four building blocks of the proposed framework are not new in the academic and policy debate concerning the role of cultural and creative activities in local

development. Dealing with creative places and the conditions explaining local development processes, many scholars have contributed with different concepts to highlight the social and economic dynamics triggering a creative atmosphere or milieu. However, the analytical power of such approaches has often been hindered by the scarcity of both accurate methodologies and data to be tested. Conversely, the emphasis set in our framework on the analysis of networks and relations between the actors of local systems of cultural production tries to provide a comprehensive approach for understanding the social, institutional and economic forces at work for generating the creative atmosphere. In addition, the framework can be used to adopt novel methodologies to empirically test the raising of creative atmosphere in a place and its effects in term of local development.

Considering local systems of cultural production as networks may ease the application of social network models. As noted by Potts et al. (2008) social network theory provides an analytic modeling language that parsimoniously represents the essential features of the sorts of organizations and institutions, including markets and information networks. Further, the increasing availability of digitized information on the economic, institutional and social connections between firms, organizations and workers may allow pioneering applications of network analysis.

Analyzing the network structure of a local system of cultural production it is possible to assess strengths and weaknesses of cultural and creative industries as levers for local development. This can be better understood using some metrics of network analysis and their implication in the assessment of local development impact of productive systems. For example, centrality measures, such as *Betweenness*, *Closeness* and *Degree*, highlight the power of nodes based on how well they "connect" the network. Such measures are useful to understand the real role of culture factories in the local systems as activators of spillover effects or to discover the central position of companies providing value-enhancing services for cultural production. Similarly, measures of clustering and density allow understanding how a local system is characterized by a close-knit community of producers.

At the same time, differentiating in the type of network relations may provide a more comprehensive picture of the local systems as activator of local development. Economic, information and social networks may overlap or differ within subjects in the local area. For this reason, different strategies and policies should be devised to enhance the optimal network structure and evolution according to the actors' needs. In some cases, cultural policies may address investments in hard infrastructures, such as IT and R&D centers, which eventually could become hubs of the economic network of cultural producers providing intermediate products and services which support cultural and creative output of the local system. In other cases, cultural policies may develop institutional infrastructures that strengthen network linkages and consequently facilitate flows of information and promote trust and collaboration among interlinked producers (Mizzau and Montanari, 2008).

Finally, network analysis is arguably better suited to capture the complexity of local development. Economic variables describing local development, such as increased employment or revenues, may be easily incorporated as variables of the nodes. At the same time, the creation of new companies and spin-offs is captured through an expansion of the network. Crucially, other more subtle and intangible dimensions of local development may be captured by identifying new connections developed between nodes or evaluating their increased strength.

Conclusion

In the present paper we have proposed a new framework for analyzing the impact of cultural and creative activities on local development. While there is an extensive literature on this subject, we still lack a grounded approach to understand how these activities contribute to the economic and social development and how far enhancement of culture-based creativity may be linked to certain social and economic configurations in cultural industries.

In order to cope with such limitations, we propose a new framework based on four building blocks: i) the creative atmosphere, ii) local systems of cultural production, iii) culture factories and iv) value enhancing services for cultural production. Highlighting such components is useful for scholars and decision makers to identify the main actors involved in cultural production and the structure and quality of their connections, which may spur local development.

Finally, the framework is suitable for developing network-based methodologies to collect empirical evidence on the complex dimensions involved in local development.

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