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The Cultural and Creative Industries: New Engines for the City?

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How is culture, and in particular the cultural and creative industries (CCI), to be a motor of transformation of our cities? This essay explores the challenges and opportunities that this question poses. Culture is complex, it always was; but arguably, it has become more complex recently where the for-profit has been added to the not-for-profit or public-supported spheres, and where technology and social behavior have become more closely entwined. As urban citizens we are presented with a number of defining tensions that, I argue here, we need to negotiate. I will give a definition of what I mean by the CCI below, but the debate is framed by three questions about culture, CCI, and the city.

First, is culture simply the muse that inspires us, that makes us feel better, or is it an economic and social practice that provides an impetus to the activities of a city and its people as real as manufacturing or finance? Second, is culture about consumption and experiences, or about making and creating? Much academic and policy research has concentrated on the consumption of culture, and not on its production. Third, is culture a “container” or a process? Of course, buildings are cultural artifacts, but they can also be a setting for new experiences. Sadly, many great projects are born sterile because the process—the thing that gives rise to them, that occupies them, that animates them, whether it is the streets of the city or the interiors of buildings—was not considered, or was not given sufficient priority. Sometimes, because of political or economic pressures, the emphasis tends to be on a more solid structure than people and content. Of course, in a sense these three dualisms are false: culture is hybrid. However, my characterization serves to raise the awareness of the challenges that they present.

Nothing is black and white. However, there is one additional element to add to our cocktail: economic statistics on the CCI. Recent assessments show that cultural trade is growing at significant rates, faster than the rest of the economy. Furthermore, it has been growing throughout the early parts of the last recession (see fig. 1). Reliable data on the cultural sector shows that the cultural industries actually play a significant part in many economies. Furthermore, it has a potential and growing role in many developing parts of the world. Not only is culture complex, but it may be taking a significant role in economic life as well. My aim in this essay is to take the CCI and cities seriously. In so doing I will point to ways in which we may need to adjust our conceptions and analyses of them, and that we may need to rethink policy toward them.

CCI and the City

I begin with a quick look back at four key stages in the dance of the city and culture. During early industrialization, the large population shift towards cities fostered the concentration of cultural and creative activities in new spheres of activity, such as the literary salon or the private concert. People might have been simply escaping the rural conservative environment in which they had previously been based. But these new opportunities gave rise to new art forms. Writers on urban history talk about this as being one of the components of the new city, and the new person.

The culmination of the enlightenment ideal saw the city held up as a “work of art”; on the one hand looking backward to a classical age, on the other hand looking to recreate, or create anew, cities as pinnacles of human endeavor. This trend was manifest in what became known as the City Beautiful movement. This was not simple idealism, but a reaction against the real city that clearly was not a work of art, namely the industrial city with its uncontrolled industrial development. Nevertheless, the idea that culture will uplift us all if we have a humane environment, one that can be perfectly designed, is a very attractive idea. This aspiration has influenced the shape and form of cities for centuries. It is also been subject to strong ideological control, religious or political.

In the past thirty or forty years a different strand of thought has emerged on the ways in which culture can shape cities: the potential of cities can attract mobile capital. We have seen a period in which world cities invest a large amount of money to distinguish themselves from one another. The symptoms are ever-taller buildings, bridges, and opera houses. This is happening during a period of accelerated globalization, increased international trade, and capital mobility in which cities are pitted against one another in a zero-sum game. To win, a city has to generate a unique selling proposition. What is better than using culture as a unique selling proposition? It fits all the commercial criteria, and it will also gain support within the cultural community. A win-win political game! On one hand, there are only a limited number of heritage sites. Only a few can play the game. On the other hand, why not create new attractions? The problem is that cities are caught on a treadmill, where they will have to continue investing in new buildings, a process that is both expensive and unsustainable. And there is a reason for it not being sustainable: it bends too much toward consumption; this is not a model to attract cultural production. It is, however, the way to attract a labor market. It is the consumption model.

A fourth stage, a concept really, currently developing but that has always been present, is **the city as the site of cultural production**. Andy Warhol's Factory in New York (in the 1960s) was an example of this, but it has been elaborated in recent years, not just in terms of the idea of the city as a film set, but as a site for real cultural production. This popular trend recognizes cultural production as a significant part of the lifeblood of cities. It is often identified with notions of cultural clusters, or art factories (converted industrial buildings which are now artist studios). It is a more sustainable approach in that it involves processes of creation and re-creation. In reality, all cities are a combination of these four ideas. Each of these four ideas has involved strong narratives of their own, though one should not get caught up in any one to the exclusion of the others. One should view them as attempts to rebalance the changing forces of culture, economy, and the city.

The Cultural Ecosystem

I want to now return to the central idea, namely, the idea of the cultural and creative industries. In recent years there has been a focus on the idea of cultural and creative core activities from the point of view of the individual artist that ultimately proliferate into and blend with the rest of the economy and society. This is an idea that fits comfortably with a traditional, romantic notion of artists in their garrets. In this sense, artists are seen as playing only a marginal economic role. They can be kept separate from society. However, this conception of culture fails to attend to the way culture is made. The recent work in the field of the culture and creative industries has transformed this conception, and this work now underpins the framework of cultural understanding of the UN Commission of Trade and Development (UNCTAD), of UNESCO, and of many national cultural agencies **(fig. 2)**.

This new concept of culture is more nuanced; it does not just involve the relationship of activities, it also involves processes as such. These processes relate to the production chain or ecosystem of the cultural economy. This new concept does not just involve the artist or the creative moment, it also involves processes of manufacturing, of reproduction, of distribution, of exchange, and other kinds of processes, along with the process of critical reflection. Once all of these processes are brought together, then a viable environment exists that constitutes a reproducible ecosystem, rather than a unique "one-off" item. This kind of expanded view of the cultural production ecosystem—rather than of the isolated artist, or of the artifact—has enabled a lot of research to be carried out in the cultural and creative economies and has brought these industries some respect in relation to both society in general and economic development in particular.

The new conception of culture can be further elucidated by contrasting the two visions of cultural creation: the aforementioned traditional (romantic) view of the starving artist in his garret, an individualistic, atomized, or fragmented view that sees the artist without connections to anything else; and, a different perspective, that of culture as a pyramid. Consider the making of a film; the actor is simply a person in front of the camera. Many skills and types of expertise are required in order to make the film, both in front of and behind the camera, both on and off the film set. The cultural and creative industries in general are the same; the focus cannot be solely on the artist. More generally it is helpful if we look at them in two dimensions: field and ecosystem. The CCI are comprised of a number of overlapping fields: from visual arts performance, the audio-visual, books, and press; this can be extended to heritage and tourism, or even to health and well-being. A cultural and political debate exists in each locality regarding the precise boundaries of CCI. Such a debate is central to the reproduction of local cultural identities. Times change, and in different cultural environments these lines are drawn differently: variation, or diversity, is a fundamental characteristic.

Behind whatever definition of the range of activities one deems to be the CCI, there lies a critical cycle of creation that is necessary for any production. Particularly for cultural products, all of the skills and all forms of knowledge need to be recognized, along with the activities that sustain, maintain, and curate these. The notion of the ecosystem is tremendously important because it provides a different lens with which to look at the cultural sector. This lens looks at interrelated activities that enable ideas to be extended either into social, not-for-profit-activities or into full-profit activities for them to develop and migrate into a further range of activities that require different sets of infrastructure, such as a social infrastructure or a knowledge infrastructure, to sustain them. These infrastructures are shared and are often seen as a massive resource for the rest of the economy.

One of the fundamental shifts seen in the transformation of economies in the past twenty-five years is also the focus on the differentiation of essentially similar products. Economists talk about the “buy/not buy” decision between two products, which is often determined by as little as 1 percent in terms of its cost. However, this 1 percent may be the design or cultural content of a product. If this factor determines the purchasing choice between two otherwise similar products, then it becomes critical: sale or no sale. This concept has been spreading throughout the whole economy; some refer to it as the “culturalization of economic life.” This is very interesting as we often hear of cultural practitioners despairing of the marketization of culture, though this trend does point to the fundamental importance of cultural value (which in this case has an economic value as well, although the cultural and economic values often

diverge). It is clear that the creative sector is important in its own right in symbolic and cultural terms; however, it has also become an essential part of many of the world's largest economies, and for some reason its growing importance remained largely noticed.

Economic Significance

In the European context, comprehensive studies have shown that the creative sector businesses had significant economic turnover—larger than the car manufacturing industry (fig. 3). Compared to the resources and the concern that politicians dedicate to the automobile industries, what is their response to the culture industries? It is largely ignored. Yet while economic turnover is certainly one question of concern, what cannot be claimed by the rest of the economy is growth: the cultural industries' growth rate also exceeds many of our “core industries.” To take the case of Germany, there is interesting data on the gross value added (GVA), the amount of goods that the economy produces (fig. 4). Compared to banking, automobile manufacturing, the chemical industry, and so on, the cultural and creative industries rank alongside traditional industries. While the margins of these figures may well be disputed (the definitional issue again), the overall conclusion is not in dispute. The cultural and creative industries are now legitimate players in urban economies, not just in Germany, but around the world. Accordingly, we all need to recalibrate our view of culture. Besides being intrinsically important for all the social, aesthetic, and moral reasons, the cultural and creative industries have now also become economically vital.

There are two important reasons for refocusing our attention and fully appreciating the growing economic importance of the CCI. The first reason is that the cultural and creative industries thrive in cities. This is where cities and culture come together. There is European data for the conurbations of Paris, London, Milan, or Berlin, for example, that points to this symbiotic concentration of employment in urban areas. CCI are not evenly distributed. They are concentrated not only in cities, but in small quarters of cities, sometimes only a few streets. Proximity matters (figs. 5 and 6).

The second reason is the cultural and creative industries' share of the total work force in any given region. Looking at London, which is one of the largest global cities in terms of economic power given the dominance of the financial sector, we might suspect that culture is cast in a deep shadow. In reality, however, the cultural sector is the fourth largest in terms of employment (fig. 7). If the CCI are this important in London, then this is surely an aspiration for many similar global cities. But it is not only employment: the GVA of cultural activities is significant enough to put the culture and creative industries on a competitive basis in London's overall economy (fig. 8).

Organization and Networks

The headline figures suggest that we should look at the CCI as economic actors (as well as cultural actors). However, in terms of understanding what drives the CCI and how they operate there are some critical issues; these relate to organization. There is a revealing difference between the cultural and creative sector and, for instance, manufacturing industries. The rest of the economy has a whole range of companies with different employment sizes, usually a small number of very large organizations, many smaller ones, and a fair number of medium-sized companies. Indeed, in Germany and many other countries this *mittlestand* is considered to be the bedrock of a successful economy. The cultural and creative sector has what is called a “missing middle,” a lack of the middle-size organizations, and a plethora of microenterprises and self-employed freelance workers. In the specific instance of the music industry, just three companies dominate the financing and dissemination of the world's music. However, musicians and other workers are not directly employed by these conglomerates, neither are the studio technicians, nor are the songwriters, nor the video makers: they all tend to be self-employed. Similar patterns of organization are found across the cultural and creative industries.

While the culture and creative industries have large corporations at the top, people who are not part of those corporations produce most of the value. These corporations tend not to have a huge headquarters where employees clock in and out for work from nine to five. Artists neither think nor work like that, and culture enterprises do not think or work like that. Artists mostly work on their own account, making this an interesting development. This is not noteworthy when only a few people do it, but when it becomes a normative mode for economies as a whole with significant proportions of employment and output, then it becomes interesting. In the cultural sector many people are working in project-based enterprises. This means that they work together as a loose group or as a formal company for a short period of time, maybe for months or weeks, and then they disperse. In this cultural sector the corporate firm is the least interesting part of the whole industry.

New ways to manage these emergent forms of industry are required, because the old methods are not going to work. What can be seen in the culture and creative industries are project-based companies, overlapping networks of people working in labor markets, people working in, or for, one company on one day, and then transferring that knowledge and skills to other companies or groups on another day. Furthermore, there is a rapid turnover in the innovation cycle. Traditionally, there is general concern in the car industry or in the pharmaceutical industry with innovation. However, the CCI demand comparatively unheard-

of rates of new product innovation. And, the CCI have perfected a system of making such performance normal: this results in a punishing environment and, furthermore, there are huge risks involved.

There is an alternative model for the various different industries in the cultural sector. Generally, it works something like this: on average, two out of any ten projects are successful. And the problem is this: no one knows which two of the ten will succeed. In essence, the product quality is the same for all, but audiences and consumers will decide at the point of entry to the market. Timing and precise focus are required, but even then the risk of failure is high in a winner-take-all market. Consequently, all ten projects must be realized to ensure the anticipated return on the two successful projects. Management techniques have been built to cope with this: portfolio project management. However, the problem remains: many supporters and investors do not understand why eight failures have to be financed. Politicians do not like this model either because they do not like to support failures. However, in this system failure is necessary, and critical. Going for successes only (avoiding failure) leads to boring and conservative outcomes. Exciting outcomes result from the high-risk, high-octane environment. The cultural sector does this and does it well. It requires a rich knowledge ecosystem; it needs environments in which this can happen, as well as the organization and possibilities and the skills. This is a little different than standard economics and business practice.

Interestingly, this all leads to a hyperconcentration of people. At the tail end of the twentieth century, a phrase related to the nascent digital industries entered popular discourse: “the death of distance.” It was envisioned that in the digital age everyone would work from home, which would be by the beach or in the mountains rather than the city. People would no longer need to come together: they were online. The future, especially in the cultural sector, did not quite turn out like this. As previously mentioned, intensive concentrations of cultural activities can be found in small parts of cities, in old urban quarters. For example, research on new media and digital effects companies—the archetypal “online” industries—still cluster in real space. These companies wish to be on the same city block, in the same building as others. And given that they often choose to work in areas with some of the most expensive real estate in the world, this social interaction must be pretty important to their business. The same pattern can be observed across other CCI. There is something important in this phenomenon that we need to understand: how this interaction is facilitated, managed, and curated.

Governance

So, we can now see the problems: the CCI are now an important part of the city, but how are they to be governed, if at all? There is a strong tradition within continental Europe regarding the way in which culture and the cultural sector has been seen as something to be preserved in the public sector. A further division exists between the private sector and what is referred to as the third sector (charitable and informal activities). The CCI seem to have a presence in all these governance spaces. Continental European experience has previously framed the way in which policies for the culture and creative industries have been discussed; that is, by default, the state assumes responsibility. However, the dual trend of, on the one hand, the decline of the state's power and resources and reduced funding for culture, and, on the other, the rise of the for-profit aspects of CCI have created new challenges, and called forth the need to reconsider older governance responses. One of those new insights comes via the United Kingdom; although it shared the state funding model with mainland Europe, it also has a tradition of charitable and private sector involvement. This legacy has perhaps put the UK in a better position than most European nations to confront the current challenges of the intermingling of the types of activities in the different sectors. Much of the strength of the culture and creative industries comes from the public and private sectors as well as the intermediate sector. The formal and the informal are interwoven. In such an interconnected system, applying policy or intervening in one part rather than the whole can disrupt important interdependencies. However, each of the three sectors have a myopic focus on narrow concerns, something often referred to within government as a "silo mentality"; so, the governance challenge is to be cross-sectoral.

Within this ecosystem, there are interconnections or interstices. Smart policies are required to address the governance of these interstices. This is where the ecosystem's weaknesses are located. Therefore, rather than managing the inputs or outputs, a policy based on the governance of interstices would manage the ecosystem with small adjustments from the inside. Of course, this management requires a new skill set on both sides, as well as new thinking about policies. It requires spaces and places where people can meet and exchange knowledge. It requires us to facilitate the meeting of people, both in terms of the networks and the knowledge sets that they have developed, to make them more sustainable. It also needs to allow for the creation of possibilities of encounters with others, not only in the formal sense, but also in the informal sense.

All the things that cities do really well, like having great night clubs and fantastic places to eat and so forth, is where real encounters take place, where the deals are made, where knowledge is picked up, where people keep in touch with what is going on. All this is part of

the ecosystem. It may be marginal to the traditional industries, but it is essential for the CCI and other knowledge industries.

Conclusion

What sort of an engine for growth is culture? It is a different one from what it was thought to be. It is not simply an economic powerhouse, although it is increasingly that; it is not simply a consumable, or even an idealist dream. Indeed it is all of these, but what is critical is the dynamic process, not simply the outcomes and events (impressive though they may be). The process must be understood, though it is indeed complex. First, cities and the cultural and creative industries are transforming on their own account, separately. Second, cities and the CCI are in a dynamic relationship that is producing new processes and outcomes: the process is not simply additive, but generative.

Accordingly, we need to match this challenge with various forms of response. New ways are needed to foster innovation, ways that will lead to more sustainable development and to greater indigenous growth, rather than the “quick fix,” “off-the-shelf” response of importing an architect, a building, or an event such as the Olympics to transform our cities. Fostering indigenous growth may be a very expensive approach in the short term, and it often creates political tensions, because the urban population that is affected by these cultural activities do not necessarily immediately identify with them, thus creating large political and economic problems. These challenges require a more open way of managing this system—the creative city, one that is a more intelligent approach to ensure that this relationship between the public and the cultural activities works. With the era of the large events possibly coming to an end, it is time to work at the other end of the scale: small and sustainable. The complex message that emerges is that of the codependency of the for-profit, the not-for profit, the state, as well as the formal and informal spheres of activity. All of these modalities of activity are found in, and make up, the CCI. They do not always work together smoothly; sometimes they are in significant tension. We now need creative governance to match these challenges.

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