

**Chapter I.**  
**The economy of culture in Europe - Background and Context**

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*The questions of what Europe can do for culture, and what culture can do for Europe are not new. But in this context they have acquired a new sense of urgency*”.

José Manuel Barroso, President of the European Commission<sup>1</sup>

## SECTION I. THE POLITICAL, ECONOMIC AND SOCIAL DIMENSIONS OF CULTURE

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### I. THE POLITICAL DIMENSION

*“On ne tombe pas amoureux du marché unique ».*

Jacques Delors quoted by J.C Juncker in his speech pronounced within the *Rencontres pour l'Europe de la Culture*, Paris, 3 May 2005.

Europe is a political project and not simply an economic market. Culture is ideally positioned on the cusp between the economy and the political sphere. Compared to other sectors of the economy, culture has an additional dimension – it not only creates wealth but it also contributes to social inclusion, better education, self-confidence and the pride of belonging to an historic community. Culture is also a powerful tool to communicate values and to promote objectives of public interest that are broader than wealth creation.

Culture has traditionally been considered from the point of view of “enlightenment”. Following an “art for art’s sake” approach, one could say a work of art is important because it enriches its beneficiaries, offering them the pleasure of admiring an embodiment of “beauty”, broadening their “horizons” and/or providing them with a better insight on the complexity of the human being.

Culture performs multiple social and political functions. These have often served as justifications for cultural policies at national levels which have gained an increased relevance in a globalised and multicultural world.

Indeed, culture can be regarded as an “ambassador” and as a vehicle for European “values” (tolerance, democracy, diversity and pluralism, etc.) and its “way-of-life”. For example, from antiquity to the present, from Sophocles to Brecht and Beckett, European theatre has been linked to democracy, providing a place for free-expression. Goya’s caricatures or Picasso’s *Guernica* have marked the minds of generations because of the powerful social and political messages they encompass. Today the films of directors such as Pedro Almodovar, Lars Van Trier, Aki Kaurismaki or Roman Polanski play the same role and are expressions of European creativity.

Europe has succeeded in establishing the principle of cultural diversity as a tenet of international law and in establishing that cultural products are not mere merchandises, but deserve specific treatment.

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<sup>1</sup> Berlin Speech 26 November 2004, Conference “A Soul for Europe”.

But culture is more than a banner for European “values”. It acts as a catalyst for intercultural dialogue within Europe, as well as with the rest of the world. Distributors of films, books or sound recordings give citizens the opportunity to experience the culture of others. Great artists are best positioned to deliver powerful messages. For example, Rostropovitch played the cello to celebrate the fall of the Berlin Wall, Daniel Barenboim conducts an orchestra composed of Israelis and Palestinians.

In a multicultural world culture has a role to play in exemplifying the peaceful and enriching dimensions of exchanges between populations. As expressed by Yehudi Menuhin: *“It is only culture, by uniting diversity that will give us a true European conscience”*<sup>2</sup>.

Culture is also a lever for territorial and social integration. The Bilbao Guggenheim museum opened up the Basque country to the world and reintroduced Bilbao into modernity. Brownfield sites, when they are vested with cultural activities, bring a new economic and social life to our cities. Culture is powerful tool to re-integrating the socially excluded, providing them with the opportunity to set up and fulfil their own project, acquire new skills that can be transferred into other sectors of activities and recover self-confidence .

*“It is art that can structure the personalities of young people with a view to open their minds, to instillate the respect of others and the desire of peace”* Yehudi Menuhin.<sup>3</sup>

## **II. THE ECONOMIC AND SOCIAL DIMENSION(S) OF CULTURE**

By themselves the above arguments justify the interests of policy makers in the field of culture. However, the European Union has historically been built through market forces and the economy. This has enabled Europe to create minimal economic solidarity amongst the European nations upon which they could build. The market prism remains prevalent in the valuation of activities and the attribution of EU competences. In this context it is particularly important to assess the value of culture and creative industries to Europe’s economy.

For example, is cultural diversity a competitive asset for Europe? Are European creators and industries well positioned for global competition? Do they contribute to Europe’s influence in the world? Is this influence measurable? What are the strengths and weaknesses of the European “cultural sector”? How does the sector compare with other industries? Does it create employment? Does it create wealth or is it a drag on public spending – a bottomless pit for public expenditure with limited returns on investment? Does the sector deserve its place as a priority sector in the Lisbon strategy?

The assessment of the economy of culture at a European level has never been done before and the task is formidable.

The constraints are numerous:

- At statistical levels, the only pan-European source, Eurostat, relies on data provided by national States. Apart from the fact that the majority of the latter have an insufficient system to monitor the cultural sector and do not collect comprehensive data, they use different statistical systems, resulting in a lack of data harmonisation in this field. In addition, the statistical frameworks used at European and national levels are not tailored for the cultural sector. Relevant sub-sectors are scattered around within different categories, or they find themselves lost within categories

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<sup>2</sup> Yehudi Menuhin – Letter to the European Council on 17.02.1999 – *Le Monde* 14 March 1999, page 25.

<sup>3</sup> Yehudi Menuhin, Letter to the European Council, *ibid*.

that are too broad to permit the cultural dimension to be assessed. As a result Europe knows how much it invests in science and innovation, but it is unable to figure out the economic value of art and creation<sup>4</sup>.

- Cultural organisations are sometimes reluctant to participate in an exercise aimed at giving an economic value to the world of art and culture. For these organisations, art has no price and investment in art does not require economic justification. A cultural activity should be disconnected from market reality so as to avoid economic pollution on the artistic minds. The act of creation should be independent from any lucrative thoughts. Moreover, the market may reject some artistic activities on the grounds that they are unprofitable – hence the need for public support to redress market inefficiencies in the world of art.
- Some trade organisations express reluctance in being considered as part of the cultural sector, preferring to be granted the status of industry. This is also driven by a fear of not being taken seriously by decision makers and of being excluded from EU programmes not focused on culture (the fear of the “cultural ghetto”).
- So far the focus of the Lisbon Strategy has been on ICT uptake and network development as well as on research in technology. Technology has been given prominence over other factors that stimulate economic and social growth in Europe. Culture and creativity suffer from an image problem and their economic role needs to be articulated if the sector is to gain better exposure amongst decision makers.
- Analyses of the possible “returns on investment”, in the form of solid and reliable ex-post impact studies and monitoring, are scarce in the sector. Culture has traditionally been looked upon by public authorities (whether local or national) as a cost issue (often as part of the communication budget) and not as an investment justified to tax payers by a proper business plan. In terms of private finance, cultural and creative projects, and businesses, often suffer from financial problems.

However, the situation of marginalisation in the cultural sector is changing. It has been triggered by the following factors:

The contribution of culture to the economy has gradually been acknowledged, in particular with the development of the cultural industries. Culture contributes directly to the economy as it provides products for consumption, namely the cultural goods and services embodied in books, films, music sound recordings, concerts, etc.

In addition, long-term structural changes in our societies give more importance to culture as a product of consumption. The demand for an ever greater number of diverse cultural products is indicative of post-modern consumer behaviour: consumers seek to differentiate themselves by appropriating the signs and values that mark specific products. These behaviours stem from long-term socio-economic structural trends observed in Western societies. Indeed our societies are becoming increasingly “individualised”. Research in human and social sciences stress the rising importance of “the individual” increasingly “free” from traditional loyalties (family, church, social class, etc.). This trend is being reinforced by the average level of education: as it increases, so does the demand for culture. Considering income availability, the richer our societies become, the more immaterial our consumption patterns become. When basic needs are covered and satisfied, consumption is increasingly a cultural statement. This trend is reinforced by the increase in availability of leisure time that can be devoted to cultural activities. All

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<sup>4</sup> In a speech pronounced at the Delft University in The Netherlands on 13 January 2006, European Commission’s President José Manuel Barroso insists that culture and science “are the legs on which Europe stands” and that “constant innovation in art and science has helped Europe to enjoy both rapid development and unparalleled wealth”. And yet, whereas the importance of science and technology is backed up by figures (“a third of the top 25 R&D investing companies in the world are from the EU”, “the investment deficit affecting higher education is now so huge that to close the funding gap with the US, for example, Europe would need to spend an additional €10,000 per student per year”) there is no single figure on culture and creativity.

these social trends converge in sustaining an increasing demand for cultural content consumption and for cultural participation.

It is also increasingly acknowledged that the benefits culture brings to European economies are wider than the mere consumption of cultural goods: culture is indirectly used by many non-cultural economic sectors as a source of innovation. "Creativity" is a complex process of innovation mixing several dimensions such as technology, science, management, and culture. Culture provides tangible as well as intangible assets consisting of artistic heritage, processes, references and skills that interact with other skills and resources to foster innovation. This will be further developed in Section II below. The importance of culture in triggering innovation is not new but it has suffered from the difficulties associated with presenting and naming it as such. In regard to the question "should we be creating a Europe of art, or a Europe of science?" the European Commission's President recently stated: *"Certainly both are important, and particularly since the Renaissance, Europe has excelled at both. Constant innovation in art and science has helped Europe to enjoy rapid development and unparalleled cultural wealth (...) For Europe it must never be a question of art or science, but (...) art and science are the legs on which Europe stands"*<sup>5</sup>.

More importantly, some EU member States have been looking into ways of analysing the commercial value of creative industries without necessarily attempting to capture their cultural and social values. Those countries are developing programmes to turn creativity into industrial successes. These attempts are relayed in cities and regions.

Leading the pack is the UK which set up a Creative Industries Task Force and published the Creative Industries Mapping Documents in 1998 and 2001. On the basis of its initial findings the British Government states that the creative industries are now bringing in 8% of national income and employing 5% of the workforce. Since 1997 the output of the creative industries, according to the UK government, has grown by up to 20% a year, compared with less than 6% for the economy as a whole. Again, according to the UK Trade Secretary, the creative economy is growing at 8% per year. It accounts for one in five of all jobs in London and £ 11.4 billion of UK's balance of trade *"well ahead of the construction industry, insurance and pensions, and twice that of the pharmaceutical sector"*. The creative industries are now bigger than the financial services sector in the UK<sup>6</sup>.

Other countries are focusing their attention on the creative economy as a catalyst for social and economic health as well as competitiveness. This study will in particular refer to the attention given to the "creative economy" by some cities (New-York, Hong-Kong - which ambitions to position itself as the creative hub of Asia - or Montreal), in addition to some countries such as Australia and New Zealand. The USA has long understood the power of image and music to export its way of life and the "American dream".

The following double page provides an overview of selected European national studies on the economy of culture. Beyond a common interest in assessing the cultural sector from an economic standpoint, it shows the variety of methodologies. More importantly it shows the decisive impact of the economy of culture on the overall economy

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<sup>5</sup> José Manuel Barroso, President of the European Commission, « Europe : art or science », speech at the Delft University of technology, 13 January 2006

<sup>6</sup> NESTA, *Creative growth how can the UK develop world class creative business*, April 2006

## DENMARK

|                              |  |
|------------------------------|--|
| Source:                      | <i>Denmark in the culture and experience economy- 5 new steps</i> , The Danish growth strategy, Danish Ministry of Culture, Copenhagen, September 2003, 66 p.  |
| Approach :                   | Culture and experience economy   |
| Definition:                  | Fashion, virtual arts, music, books, theatre, radio/TV, printed media, architecture, design, film/video, advertising, edutainment, content production, events, cultural institutions, tourism, toys/amusement, and sport industries. |
| Date :                       | 2000-2001  |
| Turnover:                    | <b>€ 23.4 billion</b> (DKK 175 billion)<br>7.3% of total private sector turnover   |
| Value added to national GDP: | € 8.3 billion (DKK 62 billion)<br><b>5.3% of national GDP.</b>   |
| Workforce (private sector):  | 170.000 full-time employees<br><b>12% of the total fulltime workforce</b>  |
| Exports:                     | € 9.11 billion annually (DKK 68 billion)<br><b>16% of total exports</b>  |

## THE NETHERLANDS

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|-------------|--|
| Source:     | <i>Our Creative Potential, Paper on Culture and Economy</i> , RAES, S.E.P., Hofstede, B.P., Ministry for Economics Affairs and Ministry for Enterprise, Culture and Science, 2005 (in Dutch), 44 p.  |
| Approach :  | Creative economy   |
| Definition: | The "creative business sector" relates to three sectors: the arts (the performing arts, the visual arts, cultural heritage and cultural events), media and entertainment (film, the audiovisual sector, language and literature and journalism), and creative business services (design, fashion, architecture, new media and games, advertising.) |
| Date :      | 2004   |
| Turnover:   | <b>€ 8.4 billion</b>   |
| Workforce:  | 240,000 people<br><b>3.2% of total workforce</b>   |
| Exports:    | € 0.258 billion<br><b>0.14% of total exports</b>   |

## THE UK

|                              |   |
|------------------------------|---|
| Source:                      | <i>The Creative Industries Mapping Document 2001</i> , Department for Culture, Media & Sport, London, 2000.   |
| Approach :                   | Creative economy  |
| Definition:                  | The British Department for Culture, Media and Sport (DCMS) defines creative industries as those industries which have their origin in individual creativity. This includes advertising, architecture, the art and antiques market, crafts, design, designer fashion, film and video, interactive leisure software, music, the performing arts, publishing, software and computer games, television and radio. |
| Date :                       | 2001  |
| Turnover:                    | <b>€ 165.43 billion</b> (£ 112.5 billion)   |
| Value added to national GDP: | € 85 billion<br><b>6.8% of national GDP</b>   |
| Workforce (private sector):  | 1.3 million people<br><b>4,3% of total workforce<sup>7</sup></b>  |
| Exports:                     | Approx. € 15.1 billion ( £ 10.3 billion)<br><b>4.7% of total exports</b>  |

## FINLAND

|                              |   |
|------------------------------|---|
| Source:                      | Source: <i>Finish Ministry of Culture - Aulake Kimmo</i>            |
| Date :                       | 2004-2005   |
| Turnover:                    | <b>€ 12.6 billion</b>   |
| Value added to national GDP: | € 4.3 billion<br><b>3.8% of national GDP (2002)</b>                 |
| Workforce:                   | 85 854 persons (2003)<br><b>3.2% of total workforce<sup>8</sup></b> |
| Number of enterprises:       | 14 517 enterprises  |

<sup>7</sup> CIA's World Fact-book 2002 figures.

<sup>8</sup> CIA's World fact-book 2005 figures.

|                 |  |
|-----------------|--|
| <b>Exports:</b> | € 0.59 billion (including objects of art and antiques, books, journals and other printed matter, fairground amusements, instruments, writing and drawing equipment, video recording and reproducing equipment and sound recording and reproducing equipment. The figure doesn't represent the exportation value of most cultural goods or services and its information value is very limited)<br><b>1.06% of total exports</b> |
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## LATVIA

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|-------------------------------------|--|
| <b>Source:</b>                      | <i>The economic contributions of copyright-based industries in Latvia</i>  |
| <b>Approach :</b>                   | "Copyright industries"   |
| <b>Definition:</b>                  | The National Culture Policy Guidelines accept the definition approved by the World Culture Conference (Mexico, 1982). Culture in the broadest understanding of the term means the totality of all spiritual, material, intellectual and emotional features of a society or social group and alongside art and literature includes also the way of life, ways of co-existence, systems of values, traditions and views. |
| <b>Date :</b>                       | 2004   |
| <b>Turnover:</b>                    | <b>€ 0.83 billion</b>  |
| <b>Value added to national GDP:</b> | € 0.3 billion<br><b>4% of national GDP</b>   |
| <b>Workforce:</b>                   | 41 225 employees<br><b>4,4 % of total workforce</b>  |

## SWEDEN

|                                     |   |
|-------------------------------------|---|
| <b>Source:</b>                      | <i>Denmark in the culture and experience economy- 5 new steps</i> , The Danish growth strategy, Danish Ministry of Culture, Copenhagen, September 2003, 66 p. |
| <b>Approach :</b>                   | Culture and experience economy  |
| <b>Date :</b>                       | 2000-2001   |
| <b>Value added to national GDP:</b> | € 17.1 billion<br><b>9 % of national GDP</b>  |
| <b>Workforce:</b>                   | 400,000 people<br><b>10% of total workforce</b>   |

## LITHUANIA

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|-------------------------------------|--|
| <b>Source:</b>                      | <i>Evaluation of Contribution of Creative Industries to the Lithuanian Economy</i> , Dr. Starkeviciute, International Business School of Vilnius University, Vilnius, 2003.  |
| <b>Approach :</b>                   | Creative industries  |
| <b>Definition:</b>                  | Advertising, architecture, the art and antiques market, crafts, design, designer fashion, film and video, interactive leisure software, music, the performing arts, publishing, software and computer games, television and radio. |
| <b>Date :</b>                       | 2002   |
| <b>Turnover:</b>                    | <b>€0.60 billion</b> (or €0.69 billion including the state subsidies) (2.1 billion LTL or 2.4 billion LTL)   |
| <b>Value added to national GDP:</b> | €0.04 billion <sup>9</sup><br><b>0.2% of national GDP</b>  |
| <b>Workforce:</b>                   | 57,000 people<br><b>4% of total workforce</b>  |

## POLAND

|                                     |  |
|-------------------------------------|--|
| <b>Source:</b>                      | <i>The National Strategy for the Development of Culture in 2004-2013</i> , |
| <b>Date :</b>                       | 2002   |
| <b>Turnover:</b>                    | <b>€ 8.7 billion</b> (34.9 billion Polish zlotys)                          |
| <b>Value added to national GDP:</b> | € 17.3 billion<br><b>5.2% of national GDP</b>                              |

<sup>9</sup> CIA's World Fact-book 2003 figures



### **III. THE ECONOMY OF CULTURE: A SECTOR OF GROWTH**

The revenue model of the different cultural activities or businesses varies considerably. However there are significant commonalities which are also specificities of this sector:

- The products are often short lived with a high risk ratio of failures over success;
- The products are marketed for local audiences with different languages but competing with international products with global appeal. The market structure of the cultural sector and in particular of cultural industries is therefore more complex;
- The market is highly volatile, depending on fashion, trends and consumption uncertainties. Some sectors are strongly "hit driven" (cinema and music for instances);
- The sector has an important social role as a major and attractive communication tool.

#### **III.1. The economy of cultural goods and services**

**Traditional art sectors** (such as visual arts, dance, drama, opera, museums, etc.) have tended to be confined to a non-economic approach. The output of these sectors is generally referred to as "works of art" rather than "cultural goods and services". Their main function was considered as pertaining to the "enlightenment" of the people: the pleasure in enjoying the beauty of a work of art, the historical and educational value attached to it and the philosophical & political dimension they encompass. The economic value they entail is often not regarded as important. These sectors are also seen as "subsidised" sectors, public subsidies being justified by the non-economic and non-profitable nature of the works of art. And yet, their economic value is increasingly acknowledged. As it will be further demonstrated in Chapter IV of this study, the arts field is a powerful tool for local development. It is a sector of growth and a catalyst to the dynamism of creative cities. It acts as a soft location element in a local economic policy aimed at triggering the establishment of companies and talented people. It helps reinforce social integration and ensures territorial cohesion. It is a successful driver to attract tourists.

**Cultural industries** produce market and distribute cultural goods aimed at mass reproduction and mass consumption. Consumption does not take place on the spot, as for works of art: these products are aimed at being disseminated and exported. The economic dimension is here more obvious.

New technology is a powerful driving force that is increasing the economic potential of the cultural and creative sectors.

#### **III.2. The ICT revolution: Increased growth opportunities for the cultural & creative sector**

The ICT sector is central to European growth and competitiveness. It has been identified as a pillar of the European Lisbon Strategy. It accounts for 5.3% of EU GDP and 3.4% of total employment in Europe. In the period 2002-2003 it contributed to more than 25% of productivity growth responsible for more than a quarter of the total European R&D effort<sup>10</sup>.

The development of the ICT sector is heavily dependent on the availability of quality and diverse "content". Although this content is not necessarily cultural (it may be constituted of business information, government services, etc.), cultural content is an essential driver for the take-off, use, and development of ICTs.

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<sup>10</sup> Speech of Viviane Reding, Member of the European Commission responsible for Information Society and Media, *Why convergence is a motor for growth and jobs in the knowledge economy*, held at the Global Forum 2005-11-07.

The unprecedented need for cultural content to feed the digital spaces generated by the proliferation of new media can be illustrated by the following examples:

- The number of distribution channels and platforms has multiplied, thereby increasing the demand for attractive content to feed these platforms. For example, the TV sector is not constrained any more by the limited free-to-air spectrum: digital channels are blossoming on cable, satellite and the Internet.
- Digital technology has enabled the advent of new applications and rich content services such as video-on-demand, IPTV, music downloads, podcasting, etc.
- Thanks to the global reach of the Internet, the well known economics of traditional mass distribution has been supplemented by new economic models. This demand for content represents an opportunity for European industries.

However, the roll out of broadband and the digitisation of production processes will require significant investment for the creative industries to adapt, as well as changes in its management practices. Some industries (notably music) have had to go through aggressive cost restructuring programmes and are experiencing consolidation through mergers.

The main challenge continues to be how one can identify ways to create profitable growth by adopting new business models that often radically impact the traditional ways of doing business. This will also involve increased cooperation between business management and creative staff.

So far the main beneficiaries in Europe of the digital revolution have been the telecom operators acting as Internet service providers with broadband access spending rising very rapidly. This growth is largely due to the availability of free content, for example, 95% of music downloads today are unpaid for. The cinema and publishing industries are increasingly confronted with the same issue: how to monetise activities linked to digital distribution?

## **SECTION II. FROM CULTURE TO CREATIVITY**

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*“The revolutionary reality is that 1.3 kilogrammes of brain holds the key of all our futures. Competitive advantage comes from being different.*  
Kjell A. Nordström and Jonas Ridderstråle in *Funky business*, Bookhouse publishing, Stockholm, 2000

### **I. GRASPING CREATIVITY**

Creativity is a complex process of innovation, combining some or all of the following dimensions: ideas, skills, technology, management, production processes as well as culture. Creativity has the ability to benefit almost all economic sectors.

In this context, culture is not analysed as a source of final consumption (as in the case of films, books, music, cultural tourism, etc.) but as *a source of intermediate consumption in the production process*, most of the time the final products being *functional* (to the contrary of works of arts or to the output of cultural industries).

For example, culture can be used as a source of heritage, providing elements of creativity to other economic sectors – heritage is thereby continuously renewing itself. This is the case when a piece of music is “sampled” to create a new one, or when old images or famous characters of our literature are used to create multimedia artworks or entertainment.

Culture will provide specific skills, working methods and codes that will be transferred into other sectors of the economy and combined with other skills: *“creativity, imagination and the ability to adapt competencies which are developed through the Arts education are as important as the technological and scientific skills”*<sup>11</sup> UNESCO Director-General Mr Koïtchiro Matsuura recently declared.

Multiple examples can be given to illustrate the economic added-value of creativity and of its cultural components:

- Design is the perfect example. It is an activity involving the use of cultural references and education for the production of non-cultural goods and services. Design adds value (aesthetic and ergonomic value) to functional products. For example, in the automobile sector, hiring the best designers can be a determinant in the success of a car. When packaged in a designed cobalt-blue bottle, a random mineral water can reach the world’s finest restaurants’ tables:

#### **Glass design - getting the “cobalt blue bottle” to the finest restaurants around the world**

*Ty Nant* is an example of design applied to glass in the business of mineral water. The family enterprise started with a spring discovered by a farmer in Wales, in 1976. Ty Nant’s innovation has consisted in a well designed cobalt-blue bottle, which departed from traditional bottles, both in relation to its form and colour. In 1989, the small business’ brand was launched at the London Savoy, immediately winning the British glass “First Glass” Award for Design Excellence. This was the first of a long list of Design Awards. Today Ty Nant claims to be ranked first by value in the UK, with an estimated turnover of around £ 4 million. With a distribution network that spans the globe, 60% of the production is being exported, to some 30 different countries. In 2004 the company employed a total of 38 staff in Llanon (Aberystwyth) where it is based.

- Exploiting intangible assets through copyright licensing represents another way for creativity to flourish. This is particularly important for Europe which possesses a huge cultural heritage of current and past “creators”. The following example illustrates this quite well. A character belonging to the Finnish popular cultural heritage was used to develop derived products. The cultural element (i.e. the copyrighted character) was re-used in developing TV series and amusement parks in Asia and throughout the world, thereby generating considerable secondary revenues.

#### **Emerging creative business models based on creative content rights: Oy Moomin Characters Ltd**

Oy Moomin Characters Ltd ([www.moomin.fi](http://www.moomin.fi)) is a Finnish based company that owns and manages the rights to the Moomin literary works and cartoon characters created by their original brother and sister authors and artists, Tove and Lars Jansson.

The Moomin characters are particularly popular among children in the form of books and publications but the characters’ use through syndication and licensing is world wide. Particularly popular are Moomin characters in Scandinavia, Japan, Hong Kong, Taiwan, South Korea as well as in Germany, the United Kingdom and Poland to a lesser extent.

The company holds all the copyrights to the use of the cartoon characters of the deceased artists. According to the company the total value of the Moomin characters based business activities through publishing, licensing and syndication is estimated at € 1.5-2 billion in 2006. The company itself expects to reach a gross income of approximately € 2.8 million in 2006.

The Oy Moomin Characters Ltd directly employs 10 people, six of whom work in the administration department of the company while the other four are employed by the Moomin Shop in the city centre of Helsinki in Finland. The shop is dedicated to selling authorised products based on Moomin characters.

The company does not focus on production activities itself but is a holding company of copyrights. The turnover of the company is based on payments for the right to use and sell authorised Moomin character merchandise.

<sup>11</sup> UNESCO Director-General Mr Koïtchiro Matsuura, speaking at the introduction of the World Conference on Arts Education “Building Creative Capacities for the 21<sup>st</sup> Century”, convened on the initiative of UNESCO on March 6-9 2006.

The economic value of new creative content is mainly realised through the combination of existing creative content (such as images, characters, stories) and new products and services (a film, a TV series, a video game). In the case of Moomin characters, the children's books and illustrations have been used in combinations with many goods since 1950's but the syndication moved to another level when the production of the Moomin TV series by producer Dennis Livson and partly financed by TV Tokyo became very popular in Northern Europe and Japan, in particular.

In 1993 another syndication idea by the same producer was with the development of the Moomin World Theme Park in Naantali, Finland. In November 2005 the Moomin World Theme Park was ranked in the Independent on Sunday as the fourth best theme park in the world, directly after the best selected Walt Disney World Resort in Orlando, the Europe Park in Freiburg, Germany and Disneyworld Hong Kong. Moomin World is annually visited by 220,000 people. The value of creative content like Moomin characters lies mainly in the innovative combinations of goods and services where the content creates added value to other business activities outside the direct holding company.

The key challenge to the Oy Moomin Characters Ltd is that it is only recently that more commercial users and customers are acknowledging the owners' rights to the creative content protected by copyright. The use of company's characters in different materials and products without agreement of the copyright holder remains an issue.

## **II. REALISING THE LISBON STRATEGY: UNDERSTANDING THE COMPETITIVE ADVANTAGE OF CREATIVITY IN THE GLOBAL ECONOMY**

It is important to stress the importance of "creativity" in today's global economic environment as it provides for an essential resource to remain competitive.

### **II.1. The creative imperative in a post-industrialised economy to foster innovation**

Until recently, the two essential parameters of competition were price and technology. Today, consumers are flooded by a market full of products with similar prices and technical performance. A good product can easily be copied at a lower cost.

One traditional (but socially disruptive) response to increased competition, and to the downward pressure on costs, is to shift a significant share of value-added and labour-intensive production activity abroad, allowing for the production of the same products at lower costs.

Alternatively, the situation can be addressed by fostering competitiveness, growth and income within Europe, through an optimal use of "creativity". Competition triggers, in addition to techno-economic knowledge, the need for increased quality and differentiation to gain a competitive edge (as described above in the Ty Nant example of glass design). What increasingly matters today, and constitutes a distinctive competition parameter, lies in the immaterial dimension generated by creative people, skills, ideas and processes; in other terms, creativity.

The cultural sector, its entrepreneurs, its employees and artists which are the main sources of this creativity, therefore deserve closer attention.

### **II.2. The territorial dimension of culture and creativity – "glocality"**

Paradoxically, whereas creativity constitutes a response to some of the economic challenges raised by globalisation, it requires initiative and organisation at a local level. To put it another way, creativity is both global and local – hence the term "glocality". This feature of localisation is a positive aspect of creativity: not only does creativity nurture economic competitiveness but it helps retain talent (and corresponding jobs) locally.

*Talent is attracted by creative environments*

Researcher Richard Florida<sup>12</sup> argues that conventional assumptions about the relationship between investment, technology, human capital and growth are not the same as traditionally argued. He says that creative firms will increasingly *follow the talent* (which he labels “the creative class”) because creative people look for cultural amenities and because creative people and resources are more difficult to replicate. In other words, the spatial dimension and the interactions generated on a limited territory are crucial for creativity to emerge and contribute to the economy. A virtuous circle can then be nurtured, because these creative people once concentrated on a territory will create synergies and fruitful collaborations, thereby fostering further creativity.

Speaking at the Conference “*Content for Competitiveness*”, organised by the EU Austrian Presidency in Vienna in March 2006, Pr. Pekka Himanen developed the idea that a global creative economy does not mean that we transcend the limits of time and space. Quite to the contrary, if creativity has to be developed, he insisted, different elements need to be combined at the scale of a limited territory. These elements are: cultural creativity, top-level education, long-term facilitators (agencies, start-ups) as well as business activities. To illustrate his point, Pr. Himanen presented two interesting examples - “central park corner” in New York and Silicon Valley. Whereas the US produces half of the Internet content, inside the US this production is concentrated within five largest cities - New York, Los Angeles, San Francisco, Seattle, and Washington. These five cities produce half of the US content and 20% of the world’s Internet content. In New York, content is produced in the vibrant and creative area “central park corner”. This “dot” on the world map is actually responsible for the production of a significant proportion of content available throughout the globe.

There are other examples too. In Asia for example, Hong-Kong nurtures the ambition of converting itself into a “creative city”, the creative hub of Asia<sup>13</sup>. The cases of Montreal, London and Berlin will also be examined under Chapter IV.

*The territorial dimension of creativity is reinforced by the nature of cultural products and works of art*

At the core of a cultural product is its uniqueness, a combination of factors of production, tangible and intangible, that are very much dependent on the environment. New cultural “trends” are often set within a limited territory (a town, a district) generated through the interaction of the different creative talents and resources concentrated on this territory as the following examples illustrate:

- Hollywood, the Los Angeles community whose film companies produce 80% of world cinema’s box office, is of course, the most famous example. Since its beginning, Hollywood has been a community of international film makers and its trademark cinema culture is found everywhere: in the way people dress, the restaurants they go to, the parties they attend, the negative press they are exposed to, etc. It is a thorough system of interactions that makes Hollywood what it is.
- The vitality of Reykjavik as an artistic centre is also interesting. Centring around the famous pop-star Björk but well before her as well, there has historically been a community of artists in the sectors of audiovisual, music, visual art, and design. This small community lives in a relatively confined area and has developed a specific “culture” which is pervasive in all their productions and constitutes their “distinctiveness”.
- The impact of the “Filmbyen” on the success of the Danish cinema worldwide should also be recognised.

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<sup>12</sup> FLORIDA (Richard) *The Rise of the Creative Class*, 2003.

<sup>13</sup> Hong Kong Art Development Council, *Hong Kong: culture and creativity*, January 2006.

### **Filmbyen – the Danish way of “thinking collective”**

In the outskirts of Copenhagen, Filmbyen is a set of buildings from an abandoned military casern, in the countryside. Zentropa, the production company run by Lars Von Trier and Peter Aalbaeck, decided to settle there, inviting a multitude of SMEs constitutive of the new Danish cinema to join them and thereby act as a magnet. Instructors are provided with small wood huts where they can go to isolate themselves to nurture their inspiration and work on their projects. Nevertheless the overall atmosphere is that of a tightly knit community. The facility was conceived to perform the functions of a “studio”: everything is provided here from technical to distribution services. The place itself is a shooting location for many films and scenes. It welcomes selected students that are invited to work on their projects while benefiting from the advice of some of the more renowned filmmakers. These students provide the companies with upcoming talents and fresh ideas. The place could be considered a village of creativity. The different buildings are organised around small streets converging around a square. A cafeteria constitutes the meeting point where people exchange ideas and discuss their projects while having a cup of coffee. Filmbyen can be considered one of the essential hubs of Danish film creativity – where art house films that were to become international successes, such as *Dancer in the Dark*, *Festen-The Celebration*, were developed, produced and packaged.

While creativity is an essential parameter in global competition, it is fostered and nurtured by exchanges of intangible elements such as information, skills, and experiences at a local level.

The concept of creativity is considered more thoroughly in the following pages as the study attempts to comprehend both culture and creativity in measuring the impact of the economy of culture.

## DEFINING AND ASSESSING CREATIVITY

Creativity seems to have become one of these notions that erupts in the conceptual environment and grants mysterious powers. For example, car manufacturer Renault describes itself as a “creator”, the new Apple Power Mac G5 is “engineered for the creative class” and “creative task forces” are created within our governments... Creativity is increasingly referred to as a critical element to improve and boost our economy, as well as to contribute to a sustainable development.

What is creativity? To what extent does it differ from “creation”? From “innovation”? The following paragraphs aim to give some answers to these questions.

### ■ Creativity as « artistic creativity »

« Il n'est en art qu'une chose qui vaille: celle qu'on ne peut expliquer. » - Georges Braque, *Le Jour et la Nuit*.

Creativity refers to the ability to create something new. It derives from the verb “to create” initially used exclusively in relation to God and referring to making something/someone exist, *ex-nihilo*.

The term was then used to describe the activity of artistic geniuses, those who had been “gifted” by God or Mother Nature. But researchers could not simply live with divine intervention as the only explanation for creativity. They attempted to understand and rationally explain “artistic creativity”. In his seminal work on the economy of culture, “*Economics and Culture*”, David Throsby presents the example of William Duff. From an essay published in 1767 on the nature of original genius, Duff proposed three principal ingredients to explain artistic creativity: **imagination** which takes existing ideas, invents new ones, and finds new associations between them; **judgement** which regulates and controls the imagination as well as sorting out the ideas it generates; **taste** the artist's internal sensibility which arbitrates between compassionate and mean, beautiful and ugly, sensible and ridiculous.

Although some of these elements may be rationally explained (two centuries later, French sociologist Bourdieu would spend much of his research on rationally explaining the social construct of judgement and taste), “artistic creativity” cannot be

fully explained - what is referred to above as “imagination” encompasses a **non rational dimension**.

### ■ Economic creativity – « innovation »

Another approach of creativity is found in economic theories. “Economic creativity” refers here to innovation. The central reference is Schumpeter, in particular his “*Theory of Economic Development*”.

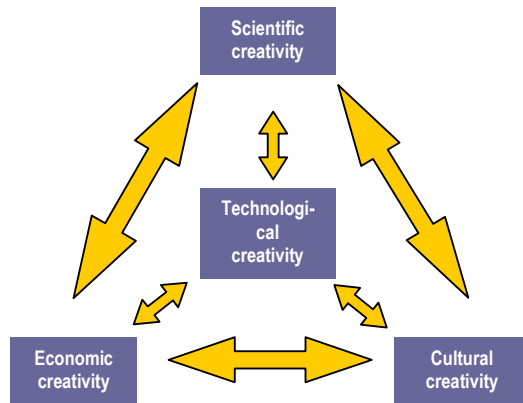
Creativity encompasses activities demanding an innovative approach such as: new combinations in organisation, business and trade; the creation of new business organisations; the opening of new markets etc. **Creativity is seen in terms of innovation, a dynamic process, considered as endogenous to the economy, and that can be rationally explained.** It is to be noted though, that according to Schumpeter, *innovation is not a condition for “artistic creativity”,* in relation to which the essential criterion is *originality in expression*.

After Schumpeter, many other economists have worked on exploring “creativity as innovation”, acknowledging its importance in creating economic value, without agreeing on how to explain it. Is creativity endogenous or external to the production process? Is it a factor of production or a production process? As a consequence, would it be better fostered by improving education, improving public investments, working on the enterprise's internal structures & management of the personnel, investing in intangible assets, etc.?

The answer is likely to be found in a combination of all these elements.

### ■ “Creativity” in today's economy

In this study on the economy of culture, “creativity” is defined in a cross-sector and multidisciplinary way, mixing elements of “artistic creativity”, “economic innovation” as well as “technological innovation”. Here creativity is considered as a **process of interactions and spill-over effects between different innovative processes**, which can be illustrated by the graph below:



As explained above, these spill-over effects often occur on a limited territory where the exchange of ideas and intangible resources is easier.

### ■ Assessing the creativity of our economies

At an international level, recognised indices were developed to measure national competitiveness and innovation, **but there is no such internationally recognised index for measuring creativity**. Nevertheless, in recent years researchers have worked on setting up “scoreboards” to measure creativity and rank the countries according to their creativity performances. Richard Florida’s is a well known example. The most sustained version of his creativity thesis is *The Rise of the Creative Class* (2003). His Creativity Index (reproduced below) represents a composite measure that provides a fuller assessment of national competitiveness in the creative age.

|            |  |
|------------|--|
| Talent     | <ul style="list-style-type: none"> <li>➢ The Euro-Creative Class Index, based on <u>creative occupations</u> as a percent of total employment;</li> <li>➢ The Human Capital Index, based on the percentage of population aged 25-64 with a <u>bachelor degree or above</u> (degrees of at least 4 years);</li> <li>➢ The Scientific Talent Index, based on the <u>number of research scientists and engineers</u> per thousand workers.</li> </ul>   |
| Technology | <ul style="list-style-type: none"> <li>➢ an R&amp;D Index based on <u>R&amp;D expenditure</u> as a percent of GDP;</li> <li>➢ an Innovation Index based on the <u>number of patent applications</u> per million population;</li> <li>➢ a High-Tech Innovation Index based on the number of <u>high technology patents</u> in fields such as biotechnology, information technology, pharmaceuticals, and aerospace per million population.</li> </ul> |
| Tolerance  | <ul style="list-style-type: none"> <li>➢ The attitude Index assesses <u>attitudes towards minorities</u>;</li> <li>➢ The Value Index measures to what degree a country reflects <u>traditional vs. modern</u> or secular values;</li> <li>➢ The Self-Expression Index captures the degree to which a nation <u>values individual rights and self expression</u>.</li> </ul>  |

Other attempts can be mentioned here as they take into account other factors to assess the creativity levels among nations.

In 2004, the Home Affairs Bureau of the Government of the Hong Kong (HK) Special Administrative Region commissioned the Centre for Cultural Policy Research of the University of HK to devise a framework for a HK Creativity Index<sup>14</sup>, intended to be used to assess and monitor the creative vitality of HK over time. The research team wanted to construct an index from an Asian perspective, noting that the institutional settings in support of innovation and creativity could be different from the developed countries in the West and that Asian “values”, defined in terms of family values, social networks, and attitudes towards self-expression, diversity, freedom, arts and culture are remarkably different, not only between developed and developing countries but also within the Asian region itself.

In Finland<sup>15</sup>, a proposal for a “Cultural Index” was released by the Ministry of Education and Culture to assess the cultural life and the involvement of the cultural sector in the information society. The composite index includes:

- A cultural life index, to measure the availability, participation and production of cultural resources;
- A general overview of the Information Society development through a variety of indicators of development of infrastructures and technology penetration;
- The situation regarding cultural sectors through indicators that measure the use of information and communication technologies in cultural institutions and organisations and media activities.

**At an EU level there is no such “creativity scoreboard”, although efforts were made to build “innovation” scoreboards. Given that that technological innovation is only one out of the multiple components of creativity, this is not sufficient.**

<sup>14</sup> *Hong Kong: culture and creativity*, Report by the Hong Kong Arts Development Council January 2006.

<sup>15</sup> *Means for Overall Assessment of Cultural Life and Measuring the Involvement of the Cultural Sector in the Information Society*, Report prepared by Robert G.Picard, Mikko Grönlund, Timo Toivonen, for the Finnish Ministry of Education and Culture, January 2003