

CULTURE, CREATIVITY AND ECONOMY – CULTURE AS A DETERMINANT OF ECONOMIC DEVELOPMENT

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Introduction

In the world of growing competition, the need to use all possible resources to gain advantage is the fundamental principle of all economic activities at the global, macro and micro levels. At the end of the 20th century, culture – for long time a forsaken and undervalued capital – attracted attention of economists, political decision-makers and global institutions to become distinguished as a vital element of socio-economic development agenda. How can the undefined realm of values, shared ideas, beliefs, moral, legal, aesthetic and intellectual standards of culture enter the specific world of indexes, models, measures, and deficiency of economics? What is the role culture plays what is its contribution to the economic development of nations? The paper aims to delineate the fundamental elements of the relationship.

Culture, creativity and economy – a theoretical outline

Power of culture to affect human behavior and choices was noted by economists and institutions early in the 21st century. *Cultural matters are integral parts of the lives we lead. If development can be seen as enhancement of our living standards, then efforts geared to development can hardly ignore the world of culture [...] cultural conditions can exert a strong influence on human behaviour, and through that can affect economic choices and business decisions, as well as social and political behaviour* [Sen 2000 p. 1-2]. This view was verified at the institutional level by United Cities and Local Governments (UCLG).⁴ Culture with its overwhelming power to determine human behavior including relationships at the inter- (among people themselves) and intra-human levels (between people and the world around them, with a particular reference to the natural environment) gained recognition as indispensable element of creativity, knowledge and heritage which all have a direct impact upon civilizational development [UCLG 2013 p. 1]. Furthermore, the role of culture as an important building block of world's diversity nurturing human affluence, values, choices and opportunities and thus

⁴ UCLG is the largest world organization of sub-national governments (local, regional governments and their national associations) with membership of over 240,000 in over 140 UN Member States. Its mission is to *represent and defend the interests of local and regional governments on the world stage* and to be a *united voice and world advocate of democratic local self-government* who represents over 5 billion people and 70% of the world's population [UCLG 2018 p.2]. In 2002–2004, UCLG developed and organized *Culture 21*, a program for cultural governance, whose main premise was to add culture as a fourth conceptual pillar of sustainable development to supplement the historical three pillars, i.e. environment, social inclusion, and economics.

making a critical contribution to sustainable development was recognized by UNESCO [2005b]. To emphasize its significance for socio-economic development, culture was identified as the *fourth pillar of sustainable development* by a number of authors and institutions [*inter alia* Hawkes 2001; Runnalls 2007; UCLG 2010], while UNESCO officially declared that *culture drives sustainable development* [2012 p. 3].

Once culture gained recognition and made its way to the fore of the socio-political agenda, it manifested its influence within the economic sphere in various ways. As Janikowski [2009] suggests inclusion of culture into sustainable development is observed in three key dimensions:

- *culture as the development objective*: governments effectively promote culture as it generates income and employment, boosts economic growth, increases social cohesion, regional and local development;
- *culture as a means of development* gives means to alleviate poverty and improve the standard of living. Cultural heritage, cultural and creative industries, sustainable cultural tourism, and cultural infrastructure can serve as strategic tools for revenue generation, particularly in developing countries given their often-rich cultural heritage and substantial labor force;
- *culture as a development determinant*: in this view, culture and its various elements (e.g. level of trust, religion, tradition, competition, cooperation, law obedience, entrepreneurship, etc.) determine the direction and rate of development. A number of typologies have originated [*inter alia* Hofstede 1991; Trompenaars, Hampden-Turner 1998; Grondona 2000; Harrison 2006, 2013; Inglehart and Welzel 2015] to identify sets of prevalent distinctive characteristics within national/regional cultures which either stimulate or inhibit development of a given economy; consequently, they become an intrinsic *software of the mind* [Hofstede 1991] determining development of a culture/country.

In this short review of terms, undoubtedly the most ambiguous is *cultural economics*. The confusion derives from the fact that the notion is used to denote either:

- study of the relation of culture – shared beliefs and preferences – to economic outcomes. The most central questions concern whether/how much culture matters to economic outcomes and its relation to institutions. This understanding of cultural economics has its roots in institutional and behavioral economics. It examines how values embedded in beliefs, religion, social identity, ideology, trust, etc. affect decision-making, management and valuation of assets, hence, determine economic behavior. In this sense, cultural economics is the closest in meaning to the above mentioned *culture-as-a-development-determinant* perception of culture.⁵

⁵ Among the most prominent authors advocating this view, apart from the above cited, are Luigi Guiso, Paola Sapienza and Luigi Zingales [2006], David Landes [1998], Lawrence Harrison and Samuel Huntington [2000], Guido Tabellini [2008], George Akerlof and Rachel Kranton [2000], Partha Dasgupta [2008].

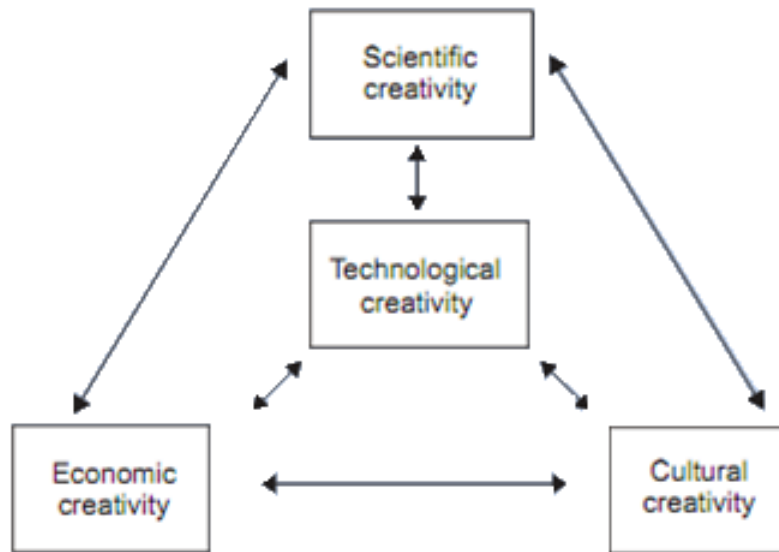
- study of the economics of creation, distribution, and the consumption of the of works of art, literature and other creative/cultural products. It is concerned with a notion of *arts* which is applied to visual arts (e.g., painting), performing arts (music, theatre, dance), cultural industry (cinema, television programs, book and periodical publishing and music publishing) and cultural institutions (museums, libraries, historic buildings). This understanding of cultural economics applies economic analysis to the creative and performing arts, the heritage and cultural industries, in both the public and private sectors. It is concerned with the economic organization of the cultural sector and with the behavior of producers, consumers and governments in that sector. The subject includes a variety of approaches, mainstream and radical, neoclassical, welfare economics, public policy and institutional economics and it also adopts interdisciplinary analysis connected to these topics [ACEI 2018]. In this sense, it is also referred to as *economics of the arts and literature*.⁶

It is, however, the latter perception of cultural economics which can be used to further the understanding of the dynamics of creativity, its role in economy as to account for a multitude of aspects and mutual interactions between cultural policies and technological and trade policies [UNDP 2008 p.11]. In these circumstances, at the core of the all considerations concerning culture and its part in economic development is the idea of *creativity*. A fundamental characteristics of creativity is its dual nature: it is considered both an attribute of people as well as a process by which original ideas are generated. Even so, we are able to articulate characteristics of creativity in different areas of human effort [UNDP 2008 p. 9-10]. Thus, we can observe (*cf.* Picture 1):

- artistic creativity* which involves imagination and a capacity to generate original ideas and novel ways of interpreting the world, expressed in text, sound and image;
- scientific creativity* which involves curiosity and a willingness to experiment and make new connections in problem-solving; and;
- economic creativity* which is a dynamic process leading towards innovation in technology, business practices, marketing, etc., and is closely linked to gaining competitive advantages in the economy.
- technological creativity* which is interrelated to a various extent with all the above.

⁶ The most outstanding authors whose works further this perception of cultural economics are among others: William Baumol and William Bowen (1966), Mark Blaug 2001, David Throsby (2001), Ruth Towse (2003), Bruno Frey (2003), and Victor Ginsburg (2001).

Picture 1. Creativity in today's economy



Source: KEA (2006 p. 42)

In this context, the *process* perception of creativity is primarily emphasized. This view is present in the KEA European Affairs definition [2006 p. 41-42], which defines creativity as *a process of interaction and spill-over effects between different innovative processes, which often take place on a limited territory where the exchange of ideas and intangible resources is easier.*

As globalization and convergence of economic, technological, legal and cultural standards have significantly affected our way of living, so have the patterns of cultural production, consumption and trade. As the United Nations *Creative Economy Report* [UNDP 2008 p. iii] observes, ... *the interface among creativity, culture, economics and technology, as expressed in the ability to create and circulate intellectual capital, has the potential to generate income, jobs and export earnings while at the same time promoting social inclusion, cultural diversity and human development.* To emphasize this interplay of human creativity, ideas, intellectual property, knowledge and technology and their impact on the socio-economic development a term *creative economy* has emerged⁷ (elsewhere defined as *the segment of the economy driven by human innovation and creativity*⁸). It embraces economic, cultural and social aspects of development which come into interaction with technology, intellectual property and tourism objectives [UNDP 2008 p. 4]. This new and evolving concept draws attention to the exceptional ability of the emerging creative economy to stimulate economic growth, employment, trade, innovation and social cohesion both in most advanced and developing countries [*ibid.* p. iii]. At the heart of creative economy there are the *creative industries* which refer to the *cycles of creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs* [*ibid.* p.

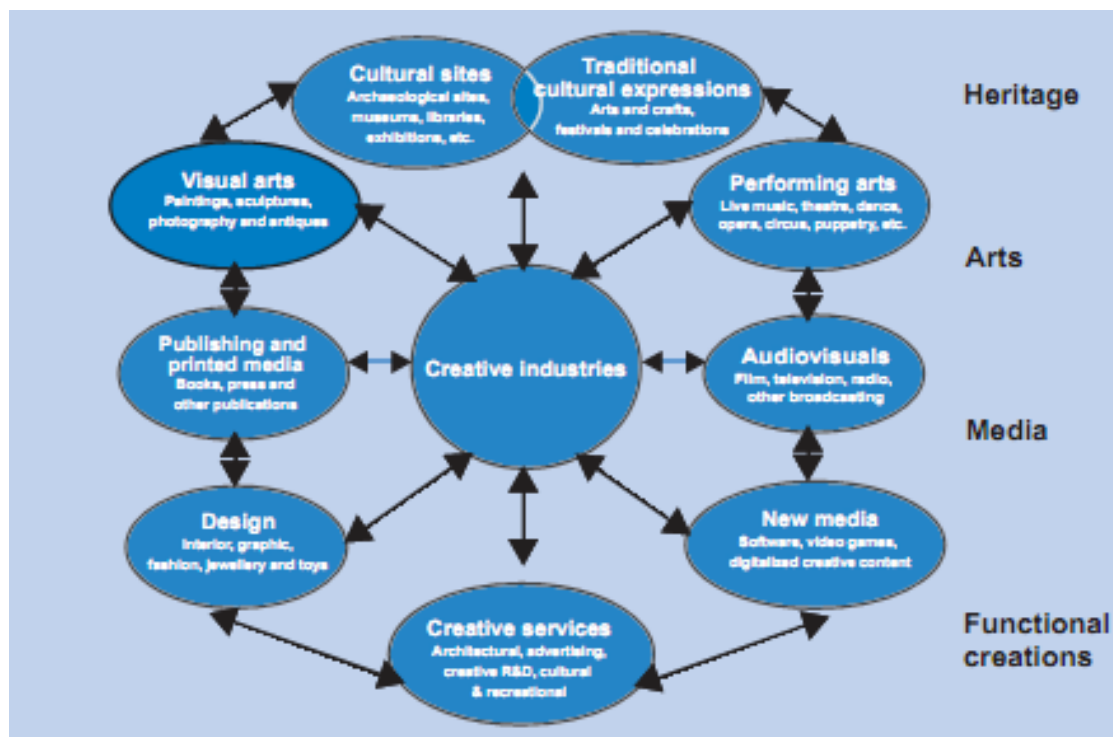
⁷ It was popularized in 2001 by the British writer and media manager John Howkins, who applied it to 15 industries extending from the arts to science and technology [UNDP 2013 p. 19].

⁸ *Creative Economy Strategy For the District of Columbia* 2014 p. 9.

4]. The term has broadened the scope of *cultural industries*⁹ beyond the arts and has marked a shift in approach to potential commercial activities that until recently were regarded purely or predominantly in non-economic terms.

The idea of *creative industries* introduced at the UNCTAD Conference in Sao Paulo, in 2004. An important step in understanding the idea was to introduce a new classification which would facilitate and provide consistency in quantitative and qualitative analysis of cultural activities. According to this categorization, the creative industries consist of four groups, with regard to their distinct characteristics. These groups, which are heritage, arts, media and functional creations, are demonstrated in Picture 2 [UNDP, 2008 p.13].

Picture 2. UNCTAD classification of creative industries



Source: UNDP, 2008 p.14.

On the basis of the above definitions adopted by the United Nations, another term was built, i.e. *cultural and creative industries* (CCI). They refer to those parts of the modern economy where culture is produced and distributed through industrial means, applying the creativity of individuals and groups to the generation of original cultural product, which may have commercial value either through direct sale to consumers or as intellectual property [Flew 2017]. Cultural and creative industries

⁹ As defined by the UNESCO [2000 p. 11-12], the cultural industries are regarded as those industries that *combine the creation, production and commercialisation of contents which are intangible and cultural in nature*. Moreover, *cultural industries add value to contents and generate values for individuals and societies. They are knowledge and labour-intensive, create employment and wealth, nurture creativity (...) and foster innovation in production and commercialization processes*. At the same time, they are *central in promoting and maintaining cultural diversity and in ensuring democratic access to culture*. It is precisely this dual nature – both cultural and economic – that gives the cultural industries a unique profile.

are placed as a viable alternative to traditional manufacturing industries and meant to pool together the arts, media, and design sectors.

Assessing the role of culture in economy – quantitative analysis

Cultural production and culture-related industries have a significant impact upon the global economy. The following facts selected from the report published by Ernst & Young [Lhermitte, Perrin and Blanc 2015] show the range of the impact cultural and creative industries play (all global data refers to 2013):

- CCI generate US\$2,250 billion of revenues worldwide which is higher than those of telecom services, i.e. US\$1,570 billion globally, and India's GDP (US\$1,900 billion). The highest overall revenue is earned by television (US\$477 billion), visual arts (US\$391 billion), and newspapers and magazines (US\$354 billion);
- as for employment, CCI provide jobs to 29.5 million people worldwide and thus employ 1% of the world's active population. The top three employer sectors are visual arts (6.73 million), books (3.67 million) and music (3.98 million);
- as for regional distribution, the CCI generate the highest nominal revenue in Asia-Pacific (APAC): US\$743 billion of revenues, which makes 33% of the global CCI sales, and 12.7 million jobs accounting for 43% of CCI jobs worldwide. In APAC, this sector of economy yields 3% of the regional GDP, whereas in the North America it attains the highest share of GDP (3.3%) in the world;
- the most enthusiastic consumers of digital cultural goods are the North American residents (47% of global sales, i.e. US\$30.6 billion), followed by Asians (25% and US\$16.1 billion) and Europeans (23%, US\$15.4 billion). The discrepancies reflect not only differences in digital equipment and infrastructure availability but also indicate different consumption patterns.

Interesting CCI trends can be observed with reference to another report published by Eurostat (2016) concerning the European Union countries. Some of these trends have been confirmed by previous E&Y report. Among the most evident are (all the data refer to 2014, unless stated otherwise):

- 6.3 million people in the EU work in a cultural sector or occupation which makes 2.9 % of the total number of the employed. There was a slight increase (4%) in cultural jobs between 2011 and 2014. The highest share of cultural jobs was noted in Luxemburg (5.2%) and lowest in Romania (1.1%);
- in the period 2008-2010, cultural employment in Europe was more stable compared to the total employment: in cultural sector, employment rose at an annual average of 0.7% compared to the decline of -1.4% in total employment;
- cultural jobs are held predominantly by people with tertiary education: nearly 60% of people working in culture in the EU have tertiary education and this was nearly twice as much as in the total employment (33%);
- in 2013, cultural production enterprises made up 6.4 % (675,000) of all enterprises in total business economy services (excluding trade and financial

and insurance activities) and employed nearly 2.2 million people; the sector turnover (the total value of market sales of goods and services) was about EU€300 billion, which represented 5.3% of the turnover of total services;

- as for household cultural expenditure, 3.6% of mean consumption expenditure by EU households was spent on cultural goods and services: Denmark households topped with 5.6%, whereas Bulgaria accounted for the lowest share of expenditure (1.7%): the highest share (23%) of EU private expenditure on culture was spent on television and radio fees, the lowest were spent on musical instruments and museums, libraries and zoological gardens (each 1.2%) and on repair of audio-visual, photographic and information processing equipment (1.1%).

The above data reveals the significance of cultural and creative industries for economy at the global, international and national levels. In all cases, the cited data prove that cultural sector is one of the major drivers of economies and most rapidly growing sectors worldwide. The EU cultural sectors proved to be more resilient in terms of employment in times of crisis than others. All in all, cultural and creative industries provide for 1% employment of the world's active population. The data shows that the most vibrant global region in terms of sales in cultural trade is Asia-Pacific, whereas the keenest users of digital cultural products are to be found in the North America, Asia and Europe, which corresponds both to availability to digital equipment and infrastructure, and consumption patterns. All these features not only demonstrate the significance of cultural and creative production to the global and national economies but make a important development suggestions for economic and political decision makers.

Conclusion

Culture has made its way to the forefront of economic policy and become an important element of economic revival and development programs. Production of culture-related goods and services or culture and creative industries, or else, cultural sector has proven to be a driver of economies in both developed and developing countries. It generates income, provides jobs and plays an important part in international exchange. This view of culture as a generator and contributor to economic development, however sound, important and desirable from the *competitive advantage* point of view, it cannot surpass the role of culture in the process of creation and preservation of a system of common national/regional values like identity, tradition, hard work, trust, thrift, perseverance, rationality, etc. Cultural products in various forms and representations, be it artwork, musical performances, literature, film and television programs, and video games, come to express these values in more direct, and conscious, or indirect and subconscious ways. Their so called *production* is a process inextricably linked to creativity and originality, and it must represent *inherent* and *genuine* values of their perpetrator to be meaningful. It is these values that make people distinct and the world such a fascinating place to live in. After all, values, not profit, is the bottom line to a fulfilling living.

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