



Publicly-funded culture and the creative industries

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Publicly-funded Culture and the Creative Industries

A new term, creative industries, has emerged ...that exploits the fuzziness of the boundaries between “creative arts” and “cultural industries”, freedom and comfort, public and private, state-owned and commercial, citizen and consumer, the political and the personal ... The core of culture [is] still creativity, but creativity [is] produced, deployed, consumed and enjoyed quite differently in post-industrial societies from the way it used to be ...ⁱ
John Hartley, *The Creative Industries*, 2006

1 Introduction

Latest predictions (from KPMG) are that the creative industries could grow by 46% in employment and 136% in output in the two decades to 2015.ⁱⁱ

Ever since the Department for Culture, Media and Sport’s Creative Industries Taskforce formulated the concept of the creative industries in 1998, creativity in general,ⁱⁱⁱ and the creative industries in particular, have generated significant interest in academia, business, the media and in policymaking.

In spite of critiques about how the creative industries are defined^{iv} and measured,^v and concerns about their seemingly erratic performance,^{vi} they remain of pressing concern. As globalisation increases pressure on primary industries, manufacturing and services, ‘creativity and innovation’, ‘the knowledge economy’, and ‘the creative industries’ (all ill-defined, different things) are perceived to be vital to our future prosperity:

- In 2004 the creative industries accounted for 8% of UK Gross Value Added, compared to 4% in 1997;
- The creative industries grew by an average of 5% p.a. between 1997 and 2004, compared to an average of 3% for the economy as a whole;
- The creative industries employ 1.8 million people in the UK, with employment in some sectors growing by 6% p.a.;
- Creative industries exports of goods and services contributed £13 billion to the balance of trade in 2004, 4.3% of total exports.^{vii}

This is one area where the UK’s competitive advantage remains – albeit under ever-increasing pressure.^{viii} Ensuring that the UK has a future as a creative nation, and that it fulfils its ambition to be ‘the World’s Creative Hub’,^{ix} therefore presents challenges, both across a broad range of traditionally defined areas such as arts, education and trade, and in new areas of enquiry such as skills development, networking, public space within cities, and the protocols of the internet.

One issue, then, is the *identification* of policy intervention in this area, but another difficulty lies in the *processes* through which policy responds. Creativity is at heart about individuals; the creative industries sector is mostly made up of small-scale and dynamic enterprises. The large institutions of government find it difficult to engage with organisations that are micro, fluid, disaggregated – in many senses ‘dis-organised’. These organisations are difficult to find and to communicate with, and they move at such a speed that the feedback loops used in traditional policy-making find it hard to keep up. The creative industries demand a fresh set of institutional questions and responses, not just the straightforward application of models that have worked at other times and in other places.

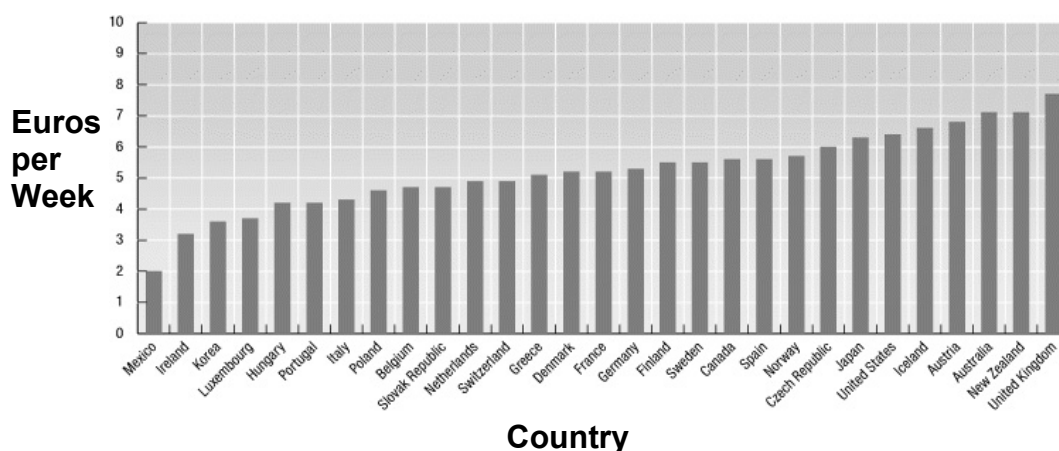
This need to grapple with both of these policy questions – what policies? and how to engage? – as well as the rise of the creative industries themselves, explains why a preoccupation with creativity is visible right across government. It extends from the Treasury, which instigated the Cox Review of *Creativity in Business* in 2005,^x to the Department of Trade and Industry, which in 2006 looked at creativity, design and business performance in its *Economics Paper No 15*; and from the DCMS which commissioned the Roberts Review, *Nurturing Creativity in Young People*, to Downing Street, where Tony Blair’s letter to the Secretary of State for Culture, Media and Sport in May 2006 said clearly: ‘I want you to give a high priority to the creative economy.’ Nowhere is the centrality of this issue more forcefully put than in the words written by the ex-Minister for the Creative Industries, Shaun Woodward MP: ‘One thing I will continue to guarantee is that the days of culture and creativity resting in the margins of Government thinking are well and truly past.’^{xi}

This paper is being written during a major investigation into creativity – the DCMS/DTI Creative Economy Programme – that aims to ‘produce the first UK Government assessment of the state of our creative economy and the creative industries within it. We will provide what we believe will be the first ever intellectual framework for the global creative economic phenomenon.’^{xii}

That wording suggests (and rightly so), that the creative industries are still, in spite of all the attention that they have received, not fully conceived, explained, narrated or understood. At a fundamental conceptual level, the creative industries’ idea veers between on the one hand being based on the creative capacities of individuals, and on the other being a categorisation of industry types. Most official definitions of the creative industries adopt the latter approach (see endnote).^{xiii}

These two perspectives – the centrality of individual creativity and the existence of whole industries – are potentially distant, but we tend to assume their connection without adequately examining how or whether it is to be made. These assumptions have a parallel in the relationship between culture and the creative industries. Is it just a coincidence that the average UK household spends more than any other country in the OECD on recreation and culture ^{xiv} and that the UK has a thriving creative economy? Or is there a correlation, maybe a dynamic of cause and effect in one direction or the other?

Table 1: Household expenditure on culture and leisure



Source: OECD Factbook 2006

The particular concern of this paper is to look at the current state of knowledge about the relationship between publicly-funded culture and the creative industries. Given the strength of the intuitive and assumed connection between the two, it should be possible to describe the mechanisms, networks and correspondences between them. Yet there is surprisingly little hard evidence. Establishing such a link would, as Professor Stuart Cunningham of Queensland University has observed, ‘reposition ... culture as a driver rather than a passenger in the knowledge economy.’ ^{xv}

The relationship between funded culture and the creative industries is sometimes simple, sometimes complex; and certainly one that is not yet adequately understood, and one where a better understanding would, as this paper concludes, offer much learning to the development of policies both for the creative industries and for the arts.

2 Economic approaches

Culture is the fountain of our ... creativity. Once we shift our view from the purely instrumental role of culture to awarding it a constructive, constitutive and creative role, we have to see development in terms that encompass cultural growth. ^{xvi}

UNESCO, *Our Creative Diversity*, 1995

The Australian economist Professor David Throsby, of Macquarie University, has provided a useful summary of current research directions in relation to the economics of what he calls the 'cultural industries', which he sees as the core of the creative industries. As a schema for understanding the multiplicity of economic approaches that can be taken to the question of the links between publicly-funded culture and the creative industries it is unrivalled, and it is therefore reproduced below, (omitting only those areas that are not relevant here, since they relate to developing countries). Matters most closely discussed in this paper have been italicised:

Macroeconomics

- *inter-industry relationships: interaction between cultural and other industries in the economy and the diffusion of creative ideas: how does it happen?*
- *cultural industries as dynamic sector in structural transformation: how significant are they?*
- political economy issues: corporate power, cultural impacts of globalisation

Microeconomics

- *value chain/value networks in cultural production*
- *role of creativity as an input in production processes*
- *emerging trends in consumption: consumers as co-creators?*

Labour economics

- earnings functions, labour supply functions, labour market participation
- *creative workers as a highly skilled, mobile, project-based labour force*
- career pathways in cultural production; entry/exit decisions; the role of risk

International economics

- agreement on definitions of cultural goods and services in trade
- role of cultural goods in multilateral and bilateral trade negotiations
- role of cultural diversity in international relations

Law and economics

- copyright in the digital age
- freedom of expression, moral rights
- contract theory and cultural production

Locational economics

- *reality of network effects*: how important are agglomeration externalities?
- *cultural industries and regional growth*: effects on employment, inward investment, tourism, etc.
- *cultural industries in urban liveability*

Cultural policy

- *relationships between economic and cultural policy*
- *value creation as a policy objective*
- *institutional design and the pursuit of cultural policy*^{xvii}

Several ideas about the economic relationship between publicly-funded culture and the creative industries are embedded in this list – the most significant being: direct transfers of product, skills and ideas; the creation of cultural ecologies in which creative industries thrive; and culture forming part of the networks and resources that underpin the creative economy.

3 Culture and creativity

We have become the world's creative hub. We have the most innovative designers and architects, the most popular museums and galleries, the biggest art market, the greatest theatres. ^{xviii}

Tony Blair, at the Tate Modern, 2007

DCMS defines the creative industries as comprising advertising, architecture, the art and antique markets, crafts, design, designer fashion, film and video, interactive leisure software, music, the performing arts, publishing software and computer services, and television and radio.

Table 2: Gross Value Added (GVA) of the Creative Industries, UK

	Advertising	Architecture	Art & Antiques	Crafts	Design	Designer Fashion	Video, Film & Photography	Music and the Visual & Performing Arts	Publishing	Software, Computer Games & Electronic Publishing	Radio & TV	TOTAL ¹
GVA at current prices (£ million)												
1997	3,400	3,100	260	n/a	n/a	280	1,900	2,700	6,500	9,800	3,500	n/a
1998	3,500	3,200	270	400	n/a	270	1,800	2,900	7,300	13,200	3,700	n/a
1999	5,500	3,200	320	n/a	n/a	300	2,100	3,100	8,000	13,900	4,600	n/a
2000	6,100	3,500	350	n/a	6,500	360	2,100	3,200	8,400	14,800	5,900	51,300
2001	5,500	3,600	390	n/a	6,700	320	1,800	3,100	8,800	16,300	6,700	53,300
2002	5,400	3,400	430	n/a	5,900	320	2,100	3,300	8,300	16,900	6,800	52,700
2003	5,200	4,000	470	n/a	5,300	330	2,400	3,600	8,600	19,800	6,200	55,700
2004	5,100	4,000	490	n/a	3,900	380	2,300	3,600	9,200	20,700	7,100	56,900
% of UK GVA												
1997	0.6%	0.5%	0.04%	n/a	n/a	0.05%	0.3%	0.5%	1.1%	1.7%	0.6%	n/a
1998	0.6%	0.5%	0.04%	0.07%	n/a	0.05%	0.3%	0.5%	1.2%	2.2%	0.6%	n/a
1999	0.9%	0.5%	0.05%	n/a	n/a	0.05%	0.3%	0.5%	1.3%	2.2%	0.7%	n/a
2000	0.9%	0.5%	0.05%	n/a	1.0%	0.05%	0.3%	0.5%	1.3%	2.3%	0.9%	7.8%
2001	0.8%	0.5%	0.06%	n/a	1.0%	0.05%	0.3%	0.5%	1.3%	2.4%	1.0%	7.8%
2002	0.8%	0.5%	0.06%	n/a	0.8%	0.05%	0.3%	0.5%	1.2%	2.4%	1.0%	7.5%
2003	0.7%	0.5%	0.06%	n/a	0.7%	0.05%	0.3%	0.5%	1.2%	2.7%	0.9%	7.7%
2004	0.7%	0.5%	0.06%	n/a	0.5%	0.05%	0.3%	0.5%	1.2%	2.7%	0.9%	7.3%

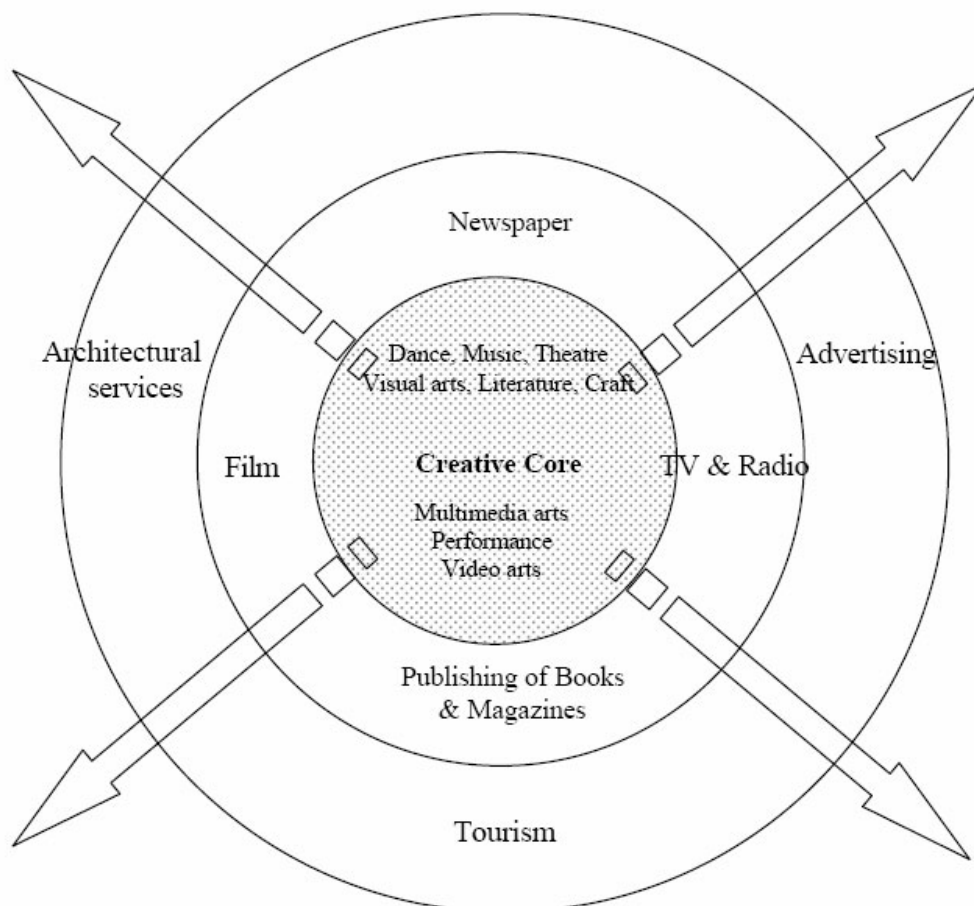
¹ Total excludes Crafts as figures are not available for every year.

Source: Annual Business Inquiry, Office for National Statistics

Clearly, this definition includes parts of the publicly-funded sector (such as the not-for-profit performing arts), although it also leaves parts of the subsidised sector out (such as museums and individual visual artists).

Some commentators see artistic and cultural activities as quintessential examples of creativity. Richard Florida for example in *The Rise of the Creative Class* ^{xix} calls them 'super-creativity.' Another model visualises artistic activity at the centre of a 'target', with the creative industries surrounding them:

Figure 1: The creative industries



Source: Dr Masayuki Sasaki
Professor of Urban & Cultural Economics
Osaka City University
Graduate School for Creative Cities ^{xx}

More broadly, policy statements often move seamlessly between talking about culture and the creative industries: Tony Blair's speech 'Culture and Creativity in 2007', delivered at the Tate Modern in March, is especially noteworthy in this regard.

But there is a different view. In a broadside called *The Creativity Gap*, the academic James Heartfield sees 'the subsidised cultural sector' and 'the profit-making, creative components of the British economy' as 'two very different things'. ^{xxi}

These contrasting ideas about the relationship between ‘culture and creativity’ or ‘art and commerce’ reflect the fact that we are heirs to two intellectual traditions. Go back to the 18th century, and creative skills and economic endeavour were seamless – hence the establishment (in 1754), not of the Royal Society of Arts, as it is commonly referred to these days, but the Royal Society for the Encouragement of Arts, Manufactures and Commerce. In this sense, the creative industries are an Enlightenment idea. The union of art, design, craft, manufacture and commerce was never lost: it is there in the Great Exhibition of 1851, in the establishment of the V&A (which started life as the Museum of Manufactures), in the writings of William Morris and in the postwar ‘Britain Can Make It’ exhibition. But during the 19th century the ‘fine arts’ became increasingly divorced from industry: they were seen as separate spheres, as in Walter Pater’s famous dictum, ‘Arts for Arts’ sake’.

John Hartley, a leading commentator on the creative industries, puts it like this: ‘creative arts were a form of Veblenesque conspicuous waste; cultural industries a form of commercial exploitation. Never the twain could meet, because one side was “honorific” and the other “utilitarian” at best.’^{xxii}

The reality is that little work has been done to probe how the relationships between publicly-funded culture and the creative industries function. Moreover, as the creative industries have matured and offered a sustainable income to a greater number of people, we are confronted by a new situation in which individual expression, less structured work patterns and heterogeneous social values are no longer incompatible with the expectations that surround earning a living. As this takes root, we should expect the relationship between culture and creativity to be neither as straightforwardly connected as the lumping together of ‘the arts, creativity and innovation,’^{xxiii} nor as divided as Heartfield’s ‘two very different things.’

What is clear is that in a digitised and globalised world the relationship between culture and creativity has become more complex, and in many ways potentially more economically as well as culturally fruitful. Greater numbers of people are engaging with the *content* and *spaces* of publicly-funded culture,^{xxiv} while the working lives of greater numbers of people are taking on the *characteristics* and *processes* of cultural practitioners. More of us are working in ways that have long been common in the arts, encompassing not only flexible, freelance, and part-time work, but also working within conventional organisations in new ways, such as being part of ad-hoc teams and temporary associations to achieve particular aims or projects.

This paper takes a first step in addressing the relationships between the creative industries and publicly-funded culture, by suggesting a typology of interactions. This will demonstrate how some of the expectations and models that we bring to the creative industries from other areas are not, in fact, those that will best equip us to understand the new dynamics that are emerging. A conceptual framework is needed that begins to articulate the relationship between the creative industries and publicly-funded culture, one that can help answer questions about where evidence concerning that relationship exists, and where more evidence is needed.

Briefly put, a number of hypotheses can be put forward for the publicly-subsidised cultural sector, to the effect that it:

- can help to theorise the creative industries;
- is embedded in networks that interweave with the creative industries;
- displays direct linkages with commercial culture and the wider creative industries (sometimes called 'spillover');
- develops human capital skills that are applicable across a wider field, into the creative industries and beyond;
- encompasses models of individual practice that can be applied in the creative industries and beyond;
- includes organisational models and practices that can be used in the creative industries;
- is a vital part of the infrastructure of cities, where creative industries are generally concentrated;
- operates as an attractor for the location of creative individuals and businesses;
- provides spaces and places for the development of creative industries' networks and serendipitous exchanges;
- has outputs that become the stimulus, and sometimes the inputs, for the creativity of others.

4 How the creative economy is changing

For the UK to operate as a high growth, competitive, global leader in the creative economy, the development of a highly connected fabric of cultural and creative infrastructure is required.^{xxv}

Infrastructure working group of the Creative Economy Programme, 2006

An understanding of the changing context within which creative activity generates wealth is essential if we are to appreciate the role of publicly-funded culture as part of the mix.

The first assumption that needs to be challenged is the idea that the 'knowledge transfer' model – that is, a linear progression from artistic R&D to profitable exploitation in the creative industries marketplace – provides an adequate account of reality. There are cases (see section 5) where this simple model works, but as the Warden of Goldsmiths College, Professor Geoffrey Crossick has pointed out 'a great deal of damage is done by trying to understand the ways in which research and knowledge (in the arts and creative industries) are constituted on the one hand, and how that knowledge becomes available and used by business on the other, by seeking to force it into the knowledge transfer model constructed by science and technology.'^{xxvi}

A more sophisticated approach will involve looking not only at how the markets for creative industries' outputs function, but how people involved in making a living from their creative endeavours navigate the world of opportunity in which they find themselves.

How markets are changing

New technology has changed the way that markets function. The old model was one where a creative idea was monetised by passing through the hands of a gatekeeper, whose powers of distribution and ability to control access to the market for the product were crucial to the creation of value.

Examples include:

- Music: The Beatles created the product, the Cavern Club provided opportunities for live performances, records were copyrighted by major record labels, and physical discs were sold in high-street shops where there was limited space for stock. At every point, distribution was limited both by physical capacity and through the decisions of those who stood between producer and consumer.

- Advertising: A limited number of terrestrial channels had a monopoly on TV advertising. Agencies created advertising content, but made money not from that, but through taking a 15% cut of media spend. Agencies guarded the mystique of their 'creatives' and interposed barriers of access between them and the agency clients.
- Film: Consumers' only access to film was through a visit to the cinema, where distributors exercised tight control over what was shown, restricting mainstream distribution to a small proportion of films produced. To reach an audience, film producers had to pass through checks of censorship, local authority licensing and the commercial judgement of large corporations.

In spite of the fact that the UK is home to large multinational distributors who are significant global players (such as EMI and WPP), as a nation we have significantly failed to become a dominant global force of ownership in *distribution* in any of the creative industries (the games distributor Eidos was bought by the US company SCI in 2006).^{xxvii} Instead of controlling the 'gatekeeper' end of the spectrum, the UK has developed mainly as a *generator and producer* of creativity, providing creative content, technical skills, education and to some degree finance. The consolidation of distribution into ever fewer hands, through mergers and acquisitions during the last decade, is one reason why the UK's creative industries have changed shape. For example, design, gaming, film, TV and advertising all appear to have shrunk, in some cases dramatically, in the first five years of this century, for different reasons of market adjustment in different sectors.^{xxviii} Yet while design sector turnover fell by 31% during the four years following 2000, the number of very small design agencies rose by 70% to 2,470.^{xxix} Rather than growing into large-scale enterprises, there seems to be a proliferation of micro-enterprises, sole traders and freelancers.

Such a change is presumably a reaction to market forces. Changes in the way the market works explain not only these organisational developments within the sector, but also account for the extreme pressure that large-scale gatekeepers (who used to exercise complete control over distribution) now find themselves under:

- Music: The band Enter Shikari, entered the UK album charts at No 4 in March 2007 without a record deal. They distribute their product online and through live performances. HMV lost its Chief Executive after a severe fall in sales caused by new competition from the internet. Online sales (where there are no limits to carrying stock) and illegal downloads are both proliferating. Intellectual property is increasingly difficult to control and hence to monetise.

- Advertising: Agencies have reduced their commissions to 8% of media spend as less and less advertising is directed at TV. Young people especially are switching off their TVs and switching on their computers, and in any case, traditional TV now has hundreds of channels not just four. The advertising jam is spread ever more thinly across proliferating new media and platforms. Marketing is becoming more focussed on individual need, with consumers co-creating their own worlds through individual design choices and bespoke solutions.
- Film: While the big cinema experience remains popular, whole new markets have emerged for fringe and niche products. Film makers are now able to get their creations in front of audiences via direct downloads, bypassing censorship as well as commercial gatekeepers. 'Amateur' producers now have access to cheap and easy-to-use technology, and, just as important, they can now connect with an audience through free global communication routes such as YouTube and MySpace.

In all these cases (and in others such as games) the market is both concentrating, with big-budget, high-production-quality offerings through traditional channels (think Coldplay, *The West Wing* and Harry Potter), and diffusing, with a proliferation of new bands, homemade videos, and citizens' news sites (think Captain Phoenix, bebo.com and ohmynews.com).

The implication of this is that we need to re-think what 'growth' means, as well as scrutinising the presumed virtues of the conventional growth model. Small companies often innovate quickly and originally, creating new markets in ways that cumbersome multinationals, with conventional structures of management and bureaucracy cannot. Time and again, innovation starts on a small scale, in spite of the massive resources available to large businesses. Hoover did not invent the Dyson, IBM failed to spot opportunities exploited by Microsoft and Apple; mountain bikes were not the brainchild of Raleigh or any other bicycle manufacturer. Small-scale producers can now proliferate and flourish beyond the bounds of the single-channel distribution model.

There now exists – and it is an exceptionally recent phenomenon, less than a decade old – a greater variety of means of distribution, each with different value characteristics:

Figure 2

Arts		Commerce		
Unique		Limited edition		Infinitely replicable
Live music at a small venue	Live music at a festival	Vinyl	CD	Podcast
Painting	Print	Book illustration	DVD	MySpace YouTube MP3 or jpeg file
Costly				Free

These changes in how the world works mean that people entering the creative marketplace have adopted new strategies.

If the conventional model – which is still valid, as we shall see – looks like this:

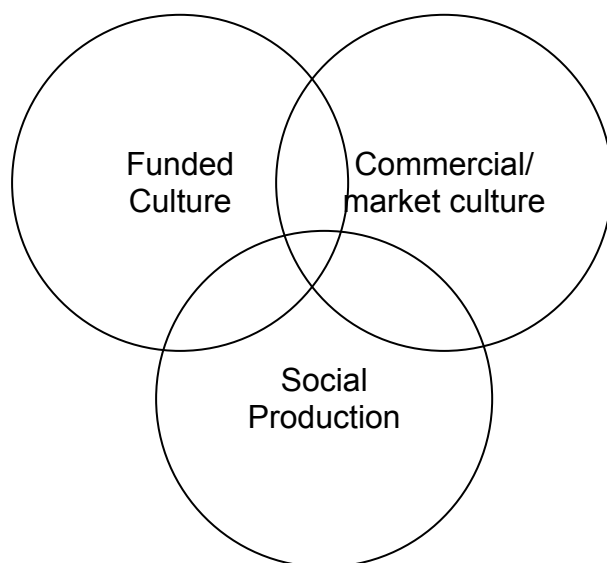
Figure 3

Arts		Commerce
R&D	Commercialisation	Extrapolation
Subsidised culture Education Training	Commercial culture	Wider commerce
National Theatre	West End Theatre	Film

then the economic policy issue, and the question for individuals and companies seeking economic rewards, is how to move activity from left to right, gaining momentum all the way.

But an additional factor has now entered the frame:

Figure 4



Source: John Holden, Demos

The crucial new element is the explosion in social production enabled by the web and the changed expectations that it has created in the market. We must no longer think that the motivations and spaces for action for creative producers fall *either* into a subsidised culture *or* into the commercial sphere. As examples given later will show, there has always been much to-ing and fro-ing between subsidised and commercial culture, to such a degree that they should be seen as symbiotic and not as separate. But there has been a big change. In the last five years, the web has opened up an entirely new set of possibilities for *both* culture *and* the creative industries:

- In 2000, Jay Jopling's *Fig-1* was innovatory in its use of the web to exhibit the work of 50 artists in 50 weeks; now in 2007 initiatives like *steve.museum*, MoMA's podcasts and the Tate's Turner Prize shows have opened curation to the public.
- From its first screening in 1964 through to the early 2000s, *Top of the Pops* was the pinnacle to which musicians aspired; by 2006, the Arctic Monkeys and others changed the music scene for ever by using the internet to drive sales. *Top of the Pops*, which for years was the ground-breaker for each new generation, suddenly seemed very old indeed and, in 2006, was broadcast for the last time.

Creative production now navigates three territories, not two. Publicly-funded culture and online social spaces both feed commercial activity. Both social production and funded culture, which themselves overlap, are experimental spaces and testing grounds, but in different ways – you can't do a live

performance on YouTube, you can't get global feedback in a studio theatre – but how they integrate and interact is not yet well understood. The policy implications for publicly-funded culture in relation to new types of real and virtual social space need to be interrogated and developed.

One effect of this change from a public/commercial model to an integrated public/commercial/social model has been to alter working practices, career paths and business strategies for individuals and organisations.

In this new model, the binary divisions of public/private, individual/global, amateur/professional, subsidised/commercial, niche/general and work/leisure are increasingly unrecognisable. Not surprisingly, all sorts of hybrids are emerging:

- In 2006, both Beck's Beer and Arts Council England commissioned artists to make limited editions – the former to create a label for a bottle, the latter to design Oyster-card holders
- Arts Council England, Mann Booker and Orange all sponsor literary competitions
- Culture Online, ^{xxx} (the DCMS sponsored initiative to encourage web-based cultural projects) did not give grants, it commissioned work
- Razorlight played free at Live8, but played Wembley Arena at £65 a ticket. The band gives away music on MySpace, sells ringtones direct from its own website, and has a record deal with a distributor to sell CDs on the high street and online. Classically trained musicians and orchestra members have played on some of their tracks
- The BBC and other broadcasters use not only professionally produced photos and footage, but material sent in by the public from mobile phones and digital cameras
- As chronicled in Chris Anderson's *The Long Tail*, Amazon's homepage lists the bestsellers, but its market is driven by the vast number of niche interests. Amazon has provided a means by which previously specialist interests have gained a global market presence

As new talent emerges, people are becoming increasingly savvy about mixing their motives as well as their platforms.

All of this means that the connections between publicly-funded culture and the creative industries are becoming more complex and interesting. But this should not make us lose sight of the fact in some instances, the relationship can be direct and relatively simple.

5 Simple connections

Being trained in the theatre is a necessity. The health of our film industry depends on the health of our theatre.

Oscar-winning actor Dame Judi Dench, *Financial Times*, 2007

Public funding of culture feeds through into economic activity in the creative industries in a number of direct ways:

- 1 Some **publicly-funded cultural activities themselves form part of the creative industries**, and thus directly feature in statistics relating to the creative industries.

Lift New Parliament

The Lift New Parliament is an example of public funding enabling commissioning opportunities between the subsidised arts and the creative industries. In 2006 the London International Festival of Theatre (Lift) together with the Architecture Foundation launched an international competition to design a flexible meeting and performance space for artists and audiences.

The competition for the design and fit-out of the £400k project, funded through Arts Council England and the Paul Hamlyn Foundation, was open to architects, designers, artists, product designers, portable space designers and/or any other disciplines. The brief was to suggest an inspiring and innovative yet realistic design for this temporary and flexible structure.

- 2 Activities within **publicly-funded culture provide direct employment** to commercial organisations in the creative industries (and beyond). For example, new buildings such as Brighton Library, The Lowry and The Sage Gateshead provided commissions for builders, helping those builders not only financially but in terms of their own professional development.
- 3 **Public agencies fund, commission and facilitate work within the creative industries**. Examples include the Regional Screen Agencies advising film companies on locations, Arts Council England funding publications, and Culture Online commissioning web-based projects from web designers.

- 4 The **sybiotic relationship between the public and private sectors** in the world of the visual arts is well established and documented. The Frieze Art Fair in London last year generated £30 million of sales in a single week and was supported by Arts Council England. In Germany, the economist Willy Bongard has been compiling the KunstKompass ratings since 1970: 'These are published annually in the German business magazine *Capital*, and assess artists' rankings, their fame and market value on the basis of a series of indicators. These include the presence of their work in ... public collections, acquisition by large museums, participation in major fairs and biennale exhibitions ... and so on'.^{xxxii}
- 5 Actors, writers and theatre/film Directors, including Dame Helen Mirren, Dame Judi Dench, Stephen Frears and Nicholas Hytner have all emphasised the **direct connection between the subsidised theatre and successful film**. Judi Dench said that 'Being trained in the theatre is a necessity.' Stephen Frears, Director of the Oscar-winning film *The Queen* added, 'If you look at *The Queen* it is a theatre cast. All of them have been at the National in the last three or four years. The fact is they would not be Oscar nominees today if it hadn't been for their experience in the theatre.'^{xxxiii} The economic contribution of London's West End theatres is estimated to be around £1 billion per year through direct and indirect generation of income. In 2004, West End ticket sales were estimated to generate £450 million per year.^{xxxiii}

Sam Mendes

Sam Mendes is an example of an individual who has made the transition from publicly-funded culture to the creative industries. Developing his career first in the theatre, Mendes has gone on to attract critical acclaim for his work in film.

Mendes started his career at Chichester Festival Theatre. Attracting attention with his adaptation of Chekov's *The Cherry Orchard*, starring Judi Dench, his reputation soon led to him directing plays for the Royal Shakespeare Company and the National Theatre. In 1992 he was appointed Artistic Director of the publicly-funded Donmar Warehouse, overseeing the redesign of the theatre and reopening it as an independent producing house.

It was his production of *Cabaret* that was to see him attract Hollywood attention. Recognised for his talent as a Director and for 'his cinematic vision',^{xxxiv} Mendes was invited to direct *American Beauty* for Steven Spielberg's DreamWorks Company; a film that went on to win five Academy Awards and an Oscar for Best Director.

Mendes has not moved away from the London Theatre scene – he continues to oversee the management of the Donmar Warehouse as a member of the Board of Directors – and has returned to theatre directing.

- 6 Public funds can provide the **seed-money and the spaces for emerging talent**. The rock star Sting was able to buy his first equipment because of a local authority grant, and first played in a local authority venue. The financial return on that tiny investment (which he more than repaid directly back to the venue) must represent one of the highest reward-to-risk ratios in history.

- 7 Publicly-funded theatre provides a **locus for experiment that sometimes translates directly into commercial culture.**^{xxxv} *The History Boys* began life as a play at the National Theatre. It transferred to a commercial West End Theatre and was then made into a film. *The Madness of King George* also went from the stage of the National Theatre to film success. *Les Misérables*, one of the longest-running West End shows, was originally a Royal Shakespeare Company production. Rosemary Squire, Executive Director of the Ambassador Theatre Group, says that ‘London is becoming something of a boom town due, in no small part, to its lively arts scene, the envy of cities around the world. This vitality is fed by public/private partnership.’^{xxxvi} John Hartley sees this type of publicly-funded R&D as essential, because the creative industries ‘require a new mix of public and private partnership. Economic success stories such as Silicon Valley and the creative industries in London are always accompanied by the substantial involvement of universities and government agencies, which take up some of the burden of pre-competitive R&D, and provide a milieu in which creative clusters can flourish.’^{xxxvii}
- 8 People who spend much of their working lives in publicly-funded culture are **employed ad-hoc in the wider creative industries.** One example is orchestral players playing on film and advertising soundtracks and with pop and rock musicians.
- 9 Museums and galleries (which are not themselves included within DCMS’s definition of the creative industries), are a **hugely important resource for designers, inventors and scientists.** The V&A alone has aided the development of products in home furnishings, children’s clothing, toys and lighting, and has assisted film and TV makers, radio producers and biographers. Scientists have used museum resources in the development of products from adhesives to vaccines. A number of museums, including the National Museum of Science and Industry and the Natural History Museum have established consulting services specifically engaged in adding value in this way.
- 10 **Cultural organisations create markets for the creative industries.** On a modest (but for the producers important) scale, shops inside arts centres and museums act as retail outlets for craft work and small-scale publishing. On a much larger stage, whole industries are assisted. A report written by academic staff at the London School of Economics comments that ‘One of the clearest examples of this inter-relationship between culture and industry is the V&A’s key role in raising the profile (of), and interest in, contemporary fashion.’^{xxxviii}

- 11 **Publicly-funded cultural organisations act as brokers**, bringing together practitioners from different sectors, so helping to develop their networks and their practice. Sometimes this brokerage role occurs in a physical space – such as the Watershed in Bristol, sometimes it is virtual, as with Culture Online.
- 12 **Publicly-funded cultural organisations act as a source of legitimacy for emerging creative talent, and also for creative industries' products.** For example, Dyson products are not only stocked in shops in 22 countries, but are also displayed at the Science Museum, the Design Museum, the V&A and in museums internationally, adding to their status as design objects as well as functional items.
- 13 **The creative industries need a memory resource.** Small businesses are notoriously poor at preserving records. There may soon be a 'heritage deficit' in the creative industries. When everything from computer games to fashion gains retro appeal, archives will become a valuable economic resource. Museums, archives, libraries and others do an important job in preserving physical and digital material.
- 14 **Publicly-funded organisations have education departments.** The education teams of galleries and other institutions, like orchestras and theatres, work to help young people learn about different cultural and creative forms, generating interest, enthusiasm and – eventually – a more creative workforce for the future (see section 7).
- 15 Arts Centres and museums provide **spaces for networking.** On the last Friday of every month, the V&A holds special events where creative industries' professionals and students predominate. Up and down the country, from the ICA to the Spectrum Arts Centre in Inverness, arts spaces provide cafes, bars, performance spaces, exhibition spaces, equipment rooms, rehearsal spaces, recording studios and projection rooms where creatives gather and flourish.

Watershed Media Centre, Bristol

Watershed Media Centre is an exciting example of an organisation successfully nurturing innovation in the creative industries. It is the home for creative networking in Bristol, and is funded by, among others, Arts Council England and South West screen. The Media Centre has recently received £6.4m worth of investment from the South West of England Regional Development Agency (SWRDA) to help support the creative media sector in Bristol.

The Watershed Media Centre is already home to a significant creative cluster that includes Watershed Media Centre, Futurelab, The River, Arts Matrix and UWE eMedia business incubation units, contributing to the 12% growth Bristol has seen over the past four years in the city's creative business workforce.

6 Complex ecologies

In addition to tracing direct and relatively simple links between publicly-funded culture and the creative industries, it is apparent that both form part of a wider economic ecology where the two are mutually supportive, beneficial and enriching. This can be looked at in four major ways:

- Publicly-funded culture acting as an attractor for creative businesses
- Public culture as an essential element in the life of creative cities and creative communities
- Public culture as a resource for, and a shaper of, creative workers and citizens
- Public culture as a model for practices and organisational forms within the creative economy

Richard Florida's thesis, in his influential work *The Rise of the Creative Class*,^{xxxix} will be familiar to many. Briefly put, his argument in relation to the cultural sector is that businesses, and particularly creative businesses, are attracted to places with a rich cultural life and that have an attitude of tolerance. The phenomenon was observable as long ago as the 1950s, when Ford Motor Company decided against building a car plant in Tampa, Florida after the townspeople voted against building a public library.^{xl} Ford concluded that such dullards would not make a good workforce.

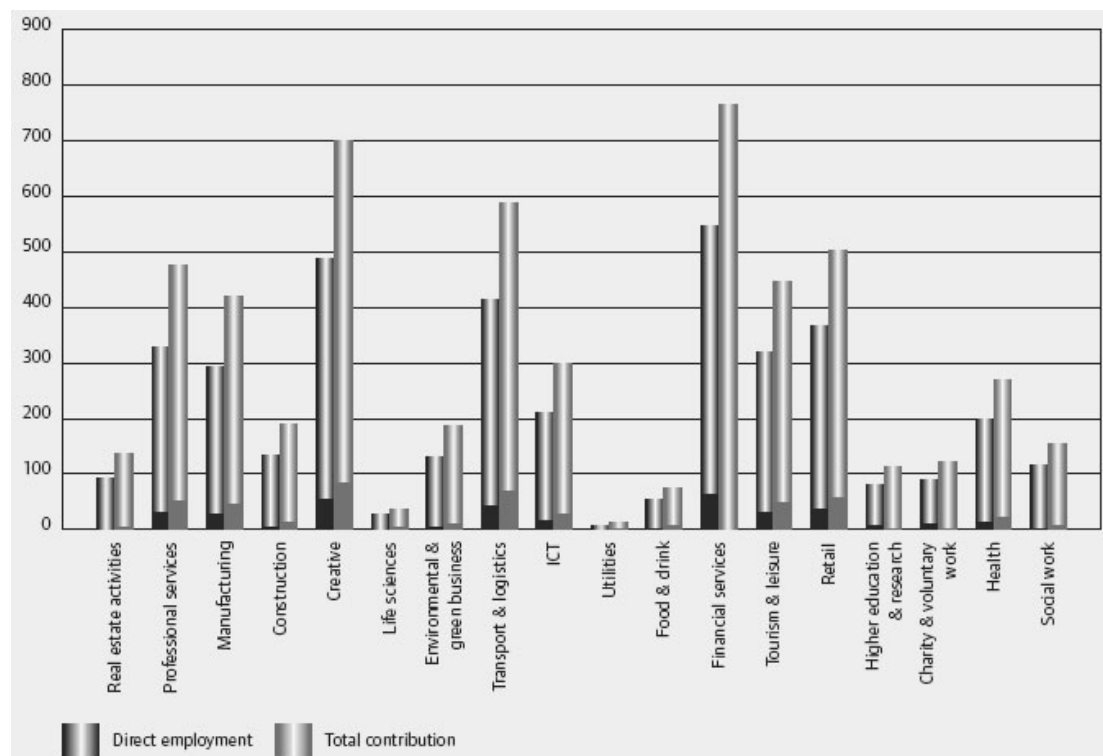
Florida's thesis is explored in detail in his own publications, and there is a wealth of literature on the subject of how the cultural life of cities is intimately tied up with those cities' creative prosperity.

One of the most interesting and well-developed essays is Charles Landry's 'London as a Creative City', originally published in 2001, where he describes London's cultural life, and draws attention to the seamless nature of commercial, publicly funded, and socially produced culture: 'An array of studies on London have shown that London is a city of world status in cultural terms. It has a diversified, sophisticated and internationally oriented cultural-industries structure that nurtures and supports a wealth of local and international artistic activity – commercial, subsidised and voluntary. Importantly this hive of activity creates the buzz, vibrancy and sub-cultures that make London attractive and contribute to its standing as a world city economically, socially and culturally.'^{xli}

In parallel, Stuart Cunningham says this about London's creative industries: 'London has built one of the most rigorous evidence bases for the importance of the creative industries. It shows that creative industries are second only to business services in driving the London economy. The industry represents the

second largest sector employer, with 600,000 people working either directly in creative industries or in creative occupations in other industries.’^{xlii}

Table 3: Sector contribution to the London economy (2000)



Source: Experian Business Strategies/KPMG

The recent upsurge in London’s global standing (it is currently widely seen as the world’s leading city,^{xliii} even *New York* magazine agrees)^{xliii}, is heavily dependent on its cultural standing. London is the centre of the UK’s creative industries as well as its cultural capital, with 40% of the jobs in the UK’s creative industries, and 29% of jobs in the UK creative sector as a whole. The creative sector is a major driver of the city’s growth and is growing faster than any major industry except Financial and Business Services, accounting for between a fifth and a quarter of job growth in London between 1995 and 2001. One in seven of London’s jobs is in the creative sector.^{xliii}

The growth in the creative industries in London has been happening at the same time as:

- free entry to the National Museums,
- a successful effort on the part of the Mayor’s Office and Arts Council, London to stage a large number of free events

- the improvement and enhancement of public spaces through commissioning public art
- the rapid take-up of broadband in schools, public libraries and households

This is not to suggest a simplistic cause-and-effect relationship. But it does indicate that the creative industries and publicly-funded culture share mutual interests, and perhaps that they are good for each other, and grow together.

The last decade has also seen the transformation of the cultural sector's infrastructure across the entire country, with new landmark buildings like Norwich library and Walsall's New Art Gallery.

It is important to understand the role of *public* culture in creating vibrant cities and attractive settings for creative and other businesses. One major reason why London is now outstripping New York is that public funding of culture in the city enables a much broader range of artistic and cultural experimentation. In terms of tickets sold, Broadway and the West End are roughly on a par, but Broadway theatre is not as varied or interesting as London theatre.^{xlvi} There is an argument, which warrants more study, that public funding tends to keep standards higher in commercial culture, not only because it develops the skills of those involved, but because it provides space for innovation and risk-taking. In the UK the BBC has provided competitive pressure to keep broadcasting standards high. It has driven technological change, training and artistic innovation, that have fed into all aspects of cultural life in both the commercial and non-profit sectors.

One aspect of culture in cities that has not received adequate attention in the context of cultural policy is the existence of small-scale, independent retail and catering. Cities get their vibrancy from variety and difference, by giving space to the quirky and eccentric. Policy generally divides the world into the publicly funded and the commercial, but the cityscape is powerfully affected by the *types* of commercial businesses that flourish: we are all aware of the difference between the dull homogeneity of the cloned High Street and the pleasure and interest of small retail shops and cafés. More work needs to be done on the role of publicly-funded cultural organisations as anchors for independent retail (as opposed to retail *tout court*, or business more generally), both within their own buildings and in surrounding areas.

Another aspect of the creative industries that is shared by publicly-funded culture is their emphasis on local distinctiveness as well as global reach. When the creative industries became a global phenomenon, 'Costs of access for new entrants were not prohibitive ... and anyone could play, allowing marginal individuals, regions and countries to hitch their locality to the world

economy. In this context, locally specific skills, ideas, and heritage were valuable means to stand out ... and there were new opportunities for local culture and enterprise, including music, indigenous arts, or locally based craft skills to support global industries...^{xlvii}

This is why publicly-funded culture has had such a big role to play in the development of the creative industries in the regions, the most obvious example being the renaissance of Newcastle/Gateshead anchored by The Sage Gateshead, *Angel of the North* and BALTIC. It is also why funding for the many museums, libraries, archives, music centres and other small, but significant organisations that are the fabric of our senses of locality and identity are so important. Looked at using the old, business-based tools of econometrics and Gross Value Added, their input might seem minimal, but viewed with a more sophisticated understanding of the texture of cities, and how the creative and cultural sectors work, their role is vital.

7 Creative lives

Creativity is an input not an output ... People apply their individual talent to the creation of something else ... The creative industries cannot be identified at the level of the organisation.^{xlviii}

John Hartley, *The Creative Industries*, 2006

Individual creativity rests on a set of enabling factors – a complex mix of originality, persistence, knowledge and motivation.^{xlix} The creative process encompasses:

- Cognition – the ability to frame questions and define problems; to make connections between the problem and its solutions; to respond to stimulus; the mental capacity to abstract from the concrete and extract general principles from particular occurrences; the readiness to be open to the subconscious.
- Knowledge – in creative problem-solving or invention, knowledge content must be contextualised, linked and applied. Those processes need stimuli to encourage imagination, enquiry and curiosity.
- Attitudes – creative people display a set of attitudes that enables them to apply their knowledge in innovative ways. They have a willingness to experiment, to take risks and ask questions. They tend to be happy with complexity and paradox, and are confident enough to challenge the status quo and established ways of doing things. They see learning as incremental.
- Articulation and communication – creative enterprise is manifest ultimately in products and experiences. In turn, creativity is defined by an audience, one that may or may not be engaged through commercial markets. An individual's creativity is powerfully motivated by audience reaction, and in particular the level of peer-group esteem, and is damaged by peer negativity.

There is evidence from Creative Partnerships (an initiative jointly funded by DCMS and the Department for Education and Skills, that links schools with creative professionals on a programmatic basis over long periods) and elsewhere that involvement with the creative arts helps build the creative individuals of the future. The OFSTED report into Creative Partnerships, *Creative Partnerships: initiative and impact*, says that 'Pupils benefited from working alongside creative practitioners such as writers, designers, entrepreneurs, artists and performers which enhanced motivation and encouraged high aspirations.' Indeed, other analysis demonstrates that young people not only learn more about a given creative field through such collaboration, but also learn skills that will be vital as they grow up in an economy in which creativity is prized.¹

What is missing from the current literature on professional creativity more generally is a convincing analysis and understanding of how the characteristics and the development of creative people, and their economic activity in the creative economy, can cohere with institutional policies. While being hailed as a success story ('growing at twice the rate of the rest of the economy', etc.), the creative industries are regularly criticised for their lack of conformity to traditional business models. 'Many lack the strategic skills necessary for high and sustained growth ... Only 35% of creative businesses have specific financial goals for the future, and less than two-thirds of those that do include these goals in a formal business plan', says NESTA, the National Endowment for Science, Technology and the Arts.ⁱⁱ

One reaction to this state of affairs is to assume that 'the purpose of creative business is to harness and exploit creativity in a commercial context and for commercial ends.'ⁱⁱⁱ But the reality is that financial aims, and traditional business goals and practices, do not form an adequate narrative of how the creative industries function.

In a 2004 survey, 90% of TV and film producers in the North East felt 'uncomfortable' expressing their goals in commercial terms, and 18% of small enterprises in the music industry say they are 'not about making money'.^{liii} That does not mean that these enterprises are failing, that they are *not* making money, or that they are 'inefficient.'

What it *does* imply is that policy will be successful only when it works with the grain of people's lives, their work patterns, creative development and the variety of their aspirations, motivations and needs. At present much effort is travelling in the opposite direction. The Regional Development Agencies, for example, suggest (in a draft response to the Creative Economy Programme) that the creative industries must change to meet the needs of policy objectives rather than the other way round: 'It is well known that sometimes the characteristics of businesses in this sector can hold back their economic development and that to achieve the Creative Economy Programme's objectives will require the private and public sectors to develop a hard commercial focus.'^{liv}

In reality, people working creatively appear to adopt a highly sophisticated method of working in different spheres to different ends. They may have a 'hard commercial edge' in one context, but require an emotional or aesthetic return on their investment in other circumstances.

Studies investigating the detail of how people work reveal that they flow freely between sectors that policy often treats as separate realms. A recent US report^{lv} based on detailed and extensive research looked at how artists (writers, musicians, visual and performing artists) move between the commercial, non-profit and community sectors: 'The borders between sectors appeared heavily guarded by mindsets as well as gatekeepers, and difficult for artists to cross. But we found the results (of the research) rather astounding. Artists move among sectors far more fluidly than we had thought ... They report that each sector provides distinctive channels and support for artistic development.'^{lvi}

Where creative workers see their own lives as integrated, policy tends to divide their activities. Creative workers also see less of a division between personal and work lives. Culture no longer equals leisure, or time out – culture is one of the inputs to work, a constant source of stimulation, even when people are not conscious of it.

Publicly-funded culture has much to contribute to the creative process and to the development of the creative industries workforce because there are numerous points of correlation with the list of cognitive, knowledge, and attitudinal factors discussed above:

Stimulation: There are many examples of cultural artefacts or experiences acting as a spur to further creativity. These include Ian Brown of the Stone Roses writing a song after seeing an exhibit at the Natural History Museum, hip-hop artists sampling classical composers, Vivienne Westwood being inspired by the painter François Boucher, and advertising posters borrowing from conceptual art.

Knowledge and skills: In the creative industries skills can become outdated very quickly. Some old skills with niche markets need to be kept alive – the Watershed in Bristol trains projectionists for example – while a range of publicly-funded arts organisations help develop all sorts of skills from lighting and sound technicians who may then work in the commercial sphere, to artists who become software developers.

Peer group and audiences: Aspiring creatives need audiences. Publicly-funded cultural organisations provide platforms for new performers and artists. Arts Council England funded a short story competition in the periodical *Prospect* that gave a new stage to writers. Film festivals such as Animex in the North East, supported by Northern Film and Media, showcase new work.

Risk taking: Public-sector agencies can shoulder some of the risks for emerging creative professionals. East Midland's Media, for example, arranges Venture Capital funding for games development.

Spaces, places and conditions for networking are vital for the development of the creative industries. In the cultural world, 'the dominant tradition, which focuses on the individual artists and his/her work, fails to see the creation of the arts as a network of cooperation among many.'^{lvii} Similarly, in the creative industries, much attention is given to the individual entrepreneur. In fact in both cases, team working, networking, peer competition and co-operation are all vital. In *Surfing the Long Wave*,^{lviii} Kate Oakley and Charles Leadbeater have shown how creative industries' companies are rarely the invention of a single individual, but depend on teams and networks to thrive: 'Entrepreneurship should be seen as a process, driven by teams of people and involving collaboration across organisations and between sectors...'^{lix}

8 Conclusion

A country like Britain today survives and prospers by the talent and ability of its people. Human capital is key. The more it is developed, the better we are. Modern goods and services require high value added input. Some of it comes from technology or financial capital – both instantly transferable. Much of it comes from people – their ability to innovate, to think anew, to be creative. Such people are broad-minded: they thrive on curiosity about the next idea; they welcome the challenge of an open world. Such breadth of mind is enormously enhanced by interaction with art and culture.
Tony Blair, at the Tate Modern, 2007

This paper has explored the relationship between publicly-funded culture and the creative industries. It has characterised the relationship as in some ways straightforward, in some ways complex, and as dynamic. It is clear that there is much more work to be done on this subject. This is not a field rich in data, nor one where a complete, settled and generally agreed typology of interactions exists. But the paper has stressed that, in thinking about the relationship between culture and the creative industries – which is a relationship between structures, institutions and fields of policy as much as anything else – we need to hold on to the realisation that creativity is generated by people. This may seem an obvious point, but it is worth making, because, in the world of policy, the ‘creative’ and the ‘industry’ parts of creative industries rarely meet. They *do* meet at the pinnacle of policy, as demonstrated by Tony Blair’s speech quoted above.

But once policy is taken to a more operational level, the two are divided. In economic policy individual creative input is often taken for granted. For example, the Regional Development Agencies’ draft working paper for the DCMS Economy Programme^{ix} lists ‘five strands which describe where current effort is focused.’ None of the five relates to creativity, and while skills development is there as a priority, the three types of skill cited are business skills, employee skills and knowledge transfer, not creative skills. Economic policy concentrates on the ‘industry’ part of the creative industries rather than the ‘creative’ part, but, as John Hartley says, ‘The creative industries ... don’t present themselves for analysis in a way that fits with the accepted understandings of manufacturing industry.’^{lxi}

Cultural policy, naturally enough, concentrates on the creative part. It encompasses the nurturing of a new creative generation with creative partnerships and arts in education. It looks to enable creative endeavour and provide the infrastructure and money to make it happen. But it does not take a great deal of interest in the monetisation or commercialisation of that creativity, beyond helping individual makers and artists find a market.

This division of labour is both understandable and structurally embedded, not least in central government, where there is one Minister for Culture, and another for the creative industries. Thankfully, the realisation of culture's importance to the creative economy and vice versa is beginning to be recognised.

The DTI, for example, says that 'Factors that influence creativity beyond a firm's direct control include culture and place, formal education, and competition and regulation ... Recent years have also seen a new emphasis on the role of culture in attracting a creative workforce.'^{lxii} What is missing from this list is the *informal*; the important but difficult-to-grasp connections and networks, the subtle cultural ecologies, that make Britain a creative industries powerhouse.

The challenge for both economic and cultural policy, and the organisations that are responsible for their formulation and implementation, is to come up with an effective response to the complexity and mutuality of the cultural and creative industries. Viewed from one perspective, creative industry development is primarily about helping to drive product into a paying global market, and is focussed on the commercial development of organisations and products. Assistance comes in the shape of investment and finding routes to markets. Viewed from another perspective, culture is primarily about providing grants for the free flow of artistic creation, and nurturing audiences, with considerations of monetisation or 'economic impact' as secondary, or absent.

Much more work needs to be done to understand how policy can best enable *both* types of endeavour, which are not in opposition, but are often mutually supportive, and often found together in the lives of people working across the creative industries. Some professionals and organisations may operate only at one end of the spectrum, but many operate in a complex manner, across a range that encompasses both.

This is not an argument to turn culture into – borrowing a phrase from the 1980s – the 'handmaiden of business', albeit funky new creative business instead of old-style manufacturing. It *is* an argument to look afresh at the complexity of the economic connections between culture and the creative industries. We need to move away from an understanding of the economic relationship as a straight, linear movement, and to recognise how changes in markets, working practices and individual lives demand fresh understandings. A new perspective would see how creative industries' professionals relate to publicly-funded culture – its spaces, places, resources, and products – as part of the raw materials from which their new creative outputs are forged.

Creative people need an infrastructure that develops their practice. There is huge potential for cultural institutions to become genuinely relevant contemporary spaces for connection, by developing dynamic practice and relationships that go beyond their current categories.

The connections and economic linkages between publicly-funded culture and the creative industries are not yet well understood. But it is clear that, if the UK is to remain 'the world's creative hub', we need to improve that understanding.

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