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CONCEPTUALIZING CREATIVE ECONOMY

ABSTRACT

Aim: In the present papers, the authors analyse the new phenomenon in the global economy, which is creative economy. It is only since 1998, when the Ministry of Culture of Great Britain announced “the map” of creative industries in Great Britain, the world-wide professional economic literature has launched intensive studies over the entirety of creative economy, the foundation of which were cultural industries. Creative industries constitute a sharply delineated economic structure, referred to by the authors as a structural entity which yield itself to structural analysis. The aim of the paper is an attempt to define creative economy as a structural entity, which would entail certain consequences in an economic theory as well as in the practices of both domestic and global economy.

Keywords: cultural sector, creative economy, economic structural entity, structural analysis

1. INTRODUCTION

The concept of „creative economy” was first used in professional literature by John Howkins in 2001 (Howkins, 2001). John Howkins noticed that creativity *per se* is not tantamount to actions but it may become the foundation thereof when an idea is conceived or when there emerges a product that one can sell. The key moment of transition from the abstract into the reality, from an idea into its implementation in a product, is difficult to pinpoint due to the fact that creative processes proceed in a non-standard fashion! (Stachowiak & Tomczak, 2015).

In short, when an idea [a conception] transforms into a product, thereby emerges a PRODUCT. The leader of creative economy is Great Britain, which carried out the process of the so-called MAPPING of CREATIVE INDUSTRIES (1998), thus enumerating 13 relevant sectors:

- advertising,
- architecture,
- art and antiques market,

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- crafts,
- design,
- designer fashion,
- film,
- interactive leisure software, that is video games,
- music,
- performing arts,
- publishing,
- software and computer services,
- television and radio (Newbiggin, 2010).

According to Johna Newbiggin from British Council, the background of „creative economy” is derived from cultural industries which are “as old as the world” or “as old as civilization”. He writes on the subject as follows: “Digital media and the hundreds of thousands of creative enterprises that have been made possible by digital technologies are, of course, new. So are many of the goods and services that an increasingly sophisticated global market demands. But the desire to create things whose value is not purely practical – things that are beautiful; that communicate cultural value through music, drama, entertainment and the visual arts; that communicate social position through style and fashion – these desires are as old as human society. There always have been, and always will be, people with the imagination and talent to make and do these things. And there will always be people who are prepared to pay them to do it. That is the basis of the creative economy” (Newbiggin, 2010, p.23).

2. DEFINING CREATIVE ECONOMY AND ITS PROPERTIES

Creative economy combines economic values with cultural ones. What distinguishes creative economy from other sectors of business enterprises is a complex, and reaching far back into the past, cultural heritage. Historically speaking, cultural activities were generally not considered as an area of economy. These constituted the leisure activities, that is the ones that people indulge in after work. They were not taken up within professional activities. Even nowadays creative sectors constitute to a varying degree the expression of cultural rather than economic values. Apart from their “market value” (describing the manner in which market determines the prices of goods and services) and “functional value” (reflecting their respective utility), the majority of goods and services of a creative sector also have an “expressive value”. The measure of their significance for culture is not commensurable with the cost of their production or of their utility as is the case with eg. a bag by a famous designer, a blockbuster, a famous brand or a ground-breaking design. This surplus value may not be of great significance in the long run (eg. a part of clothing which is out of fashion now, an advertising slogan popular last year); or it may carry with itself a message of enormous cultural significance (eg. a book or a work of art); still, it is definitely a key distinctive feature allowing us to differentiate between creative sectors from any other branches of economy. Francois Mitterrand said that “Creations of the spirit are not just commodities; the elements of culture are not pure business” (Newbiggin, 2010, pp.15-16).

What kinds of distinctive features of creative economy can be enumerated here?

- Despite the difficulties in defining and measuring it, the phenomenon in question is a constituent of global economy of growing importance for the development of civilization,
- Drives innovations,
- Influences consumer and citizen behaviour, shaping consumption preferences,
- Has impact on the quality of life,
- Constitutes a vital element of *business to business* economy [B2B],
- Creates a social and technical infrastructure of contemporary society,
- Is a decisive factor as far as civilizational progress is concerned.

The fundamental prerequisite of the development of creative economy is respecting intellectual property right protection.

There exist a few different categories of intellectual property rights.

COPYRIGHT protects the property rights and creativity of man as expressed in texts, sounds or films. It provides the protection during the lifetime of an author and a for some period after his or her death (with the latter periods varying relative to a country). In Great Britain, copyright still holds for 70 years after the death of an author.

PATENTS guarantees to the inventors of products or processes the exclusive right to their use and exploitation for some definite time, which differs from copyright, which is automatically granted. Anybody who claims a patent must prove that his or her product or process is really unique and innovative.

TRADEMARKS protect the use of names, symbols or logo denoting a particular organization or product. They are designed to stop forgers and to prevent fraudsters from selling goods or services in someone else's name.

DESIGNS is sometimes identified as a fourth area of IP law and covers the use of distinctive shapes or designs by companies or individuals. Like trademarks, designs can be registered to give their users a measure of legal protection (Newbigin, 2010, p.33).

An effective system for managing intellectual property rights must be at the heart of the creative economy. While many countries have long-established bodies of copyright and patent law, the growth of global trade makes the agreement and enforcement of common codes and standards an urgent necessity. **WIPO**, the World Intellectual Property Organisation, is a UN agency that works in partnership with national and international bodies to establish such common standards.

World Intellectual Property Organization (WIPO) is one of 16 specialized organizations of the United Nations, headquartered in Geneva and founded 14th July 1967. This organization deals less with the protection of intellectual property rights of an individual than with the flow of goods and services between countries. The members of WIPO act for the sake of abolishing trade barriers but they reserve to themselves the right to maintain the said barriers in order to protect their own national interests. Even in the most die-hard devotees of free trade, such as USA or EU, there are such areas (eg. agriculture) that they are willing to protect from international competition. Each state wants to protect some parts of its domestic economy and culture counts as one of them. WIPO is not to be confused with WTO – the World Trade Organization, which regulates trade relations between countries and is entitled to settle rules and impose sanctions (WIPO, 2017)¹.

Certainly, functioning of creative economy has its own political background:

¹ www.wipo.int/ [30.05.2017]

- impact thereupon is exerted by spatial planning, spatial development, geographic localization and urbanization etc.
- impact thereupon is exerted by multi-culti policy,
- what is based thereupon is education, science, scientific research and the entire policy of restructuring knowledge-based economy

Creative economy breeds business and depends on business development, which means that from the perspective of the former, development takes place within a closer or more distant BUSINESS ENVIRONMENT.

Our account of the emergence and development of creative economy looks as follows:

At the beginning of XX century, the global economy was subject to globalization and can be presented as the development in three sectors.

SECTOR I "AGRICULTURE"

SECTOR II "INDUSTRY"

SECTOR III "SERVICES"

Then Sector III is further subdivided into:

SECTOR IV ICT SERVICES

SECTOR V FINANCE

SECTOR VI CULTURE AND ART

Sectors IV, V and VI need basing their development on knowledge; what is thus conceived is KNOWLEDGE-BASED ECONOMY and the following business strategies:

- RED OCEAN STRATEGY
- BLUE OCEAN STRATEGY

The European Commission in 2006 headed by Philipp Kern publishes a report on creative sector and cultural sector. Their combination gives rise to CREATIVE ECONOMY. Hence, the question whether it is creative sectors or creative economy that is broader becomes trivial since creative economy encompasses both creative sectors and cultural sectors.

3. CREATIVE ECONOMY AS A STRUCTURAL ENTITY

In figure 1 below, we presented the positioning of creative economy within domestic economy. This figure aptly demonstrates that domestic economy includes creative economy and the sectors of domestic economy that are not elements of creative economy.

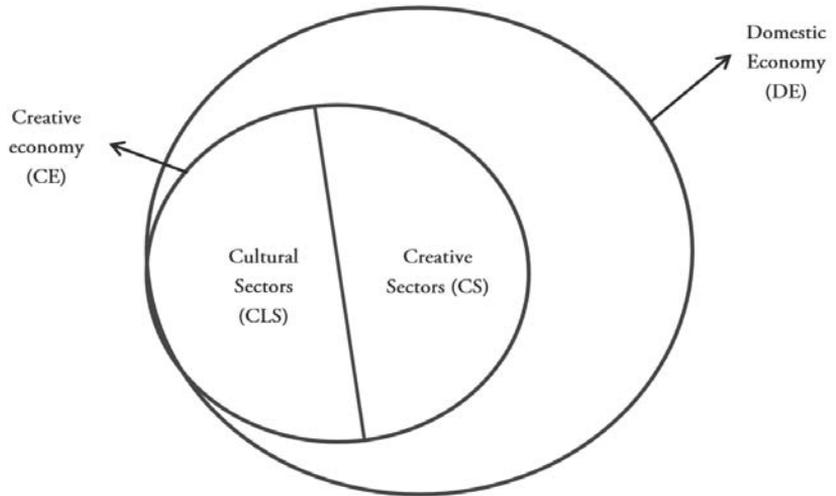
Logically speaking, creative economy could be:

- a. Organic entity (physical entity)
- b. Atomistic entity
- c. Structural entity (Watkins, 2001, pp.36-37).

ad a). Creative economy is not an organism in any of the following senses:

- In a physical or biological sense because it is not endowed with a control centre analogous to a central nervous system
- In a mental sense, because it is difficult to imagine any supraindividual material entity that would be a mental entity controlling creative economy

Fig.1. Creative economy as a structural entity



Source: own work

- In a social sense, that is in a supraindividual manner of organizing the operations referred to as creative economy
- ad b). Creative economy is not an atomistic entity because it is difficult to assume the existence of independently acting entities aiming at satisfying their respective egoistic needs and desires. Rather, creative economy is a set of “communicating vessels” and interdependent actions, the actions of B2B nature, the transformation of consumption demand into investment demand as well as a bunch of many feedbacks between creative economy and domestic economy.

Tab. 1. The conception of cultural sectors and creative sectors
The specialists of the European Commission headed by Philippe Kern (Kern European Affairs – KEA) classify “cultural sector” and “creative sector” in the following manner:

CIRCLES	SECTORS	SUBSECTORS	CHARACTERISTICS	
CORE ARTS FIELDS	Visual Arts	crafts, paintings, sculpture, photography	Cultural goods to be consumed “on the spot” Non-industrial: arts fairs, exhibitions, concerts	The cultural sector
	Performing Arts	Theatre, dance, circus, festivals		
	Heritage	Museums, libraries, archaeological sites, archives		

MEDIA	Film and video	cinemas	Copyright-based cultural goods for massive reproduction	The cultural sector
	Television and radio			
	Video games			
	music	Recorded music market		
	Books and press			
DESIGN	Fashion design, graphic design, interior design, product design		The scale of actions being industrial or single copies, disseminating products based on copyright or trademarks, the use of creativity (creative skills and creative people originating in the arts field and in the field of cultural industries) is essential to the performances of these non-cultural sectors	The creative sector

ad c). Creative economy is a structural entity subject to SELF-REGULATIONS which works on the basis of an interplay between supply and demand on particular markets and on the basis of feedback between aggregate values on the market of consumption goods, capital goods, labour, money and bonds; and finally, branches and fields from the combined cultural and creative sectors. The system of self-regulation of creative economy is limited in its functionality only by the factors of scarcity, that is various scarce resources of physical, intellectual and social capital.

While analysing creative economy as a structural entity (see, fig.1 and table 1), we can distinguish the following relations and feedbacks:

- Between creative economy (CE) and domestic economy (DE) ,
- between cultural sectors (CLS) and creative sectors (CS),
- between CLS and CS,
- between CLS and DE,
- between CS and DE,
- between the entities of CLS and entities of CS,
- between the entities internal to CLS,
- between the entities internal to CS,
- between an entity of CLS and DE,
- between an entity of CLS and CE,
- between an entity of CS and DE,
- between an entity of CS and CE.

It is a simple “listing” of relations and feedbacks pertaining to CREATIVE ECONOMY within the system of DOMESTIC ECONOMY– the resultant value being 12 such relations. It is a typical analysis of the structure, that is a structural analysis. In chemistry, structural analysis means: ”the determination of the composition of molecules of chemical compounds at the level of their constitution (constitution of a molecule), and then at the level of their configuration and conformation” (Encyklopedia PWN).

For the sake of clarity, let us elucidate the chemical terms used above:

- constitution of a molecule, is a way and order of combining atoms in a molecule of a chemical compound, abstracting from any differences stemming from their spatial

location. Molecules of the same atomic composition differing only with respect to their constitution are called *constitutional isomers (isomerism)*

- configuration [Latin *configuratio* = formation, comparison] when applied in the discourse of chemistry means ordering in space of the atoms (or a group of atoms) in a molecule of a chemical compound, with constitution of a molecule being given and allowing for differentiating between stereoisomers, the isomerism of which does not stem from different conformations.
- conformations [Latin *conformatio* = formation] when applied in the discourse of chemistry means each one out infinitely many configurations of atoms (or group of atoms) in a molecule of a chemical compound, the results of the said configuration being the emergence of stereoisomers yielding themselves to interconversion due to rotating around a single (or formally single) bond (Encyklopedia PWN).

An economist would say: a complicated substance of a chemical definition of structural analysis. It may be so; yet, that is a method of a scientific research of structural entities – in this case – of a chemical compound. Creative economy is exactly such an “imaginary chemical compound”, which we would like to thoroughly scrutinize in order to be able to answer two fundamental questions in an economic theory:

- 1) Can we, studying economic reality, abstract from feedbacks and synergies caused by the emergence or development and functioning of creative economy as well as abstract from the influence of creative economy exerted upon the quality of life and social well-being?
- 2) Will studying creative economy, eg. by dint of structural analysis help us to develop accurate predictive models, predicting future economic events?

Certainly, the answer to the former question is NO, whereas to the latter is YES, because only then will economics be science and not merely scientific reflection. Structural in economic should be – in our opinion – developed along the lines analogous to chemistry and then:

Structural analysis in economic will be: Scientific study of business entities, that is variously organized commercial law companies, civil law companies and state-owned company (public ones), operating at home and abroad, realizing mergers and transformations, acting on the basis of a mechanism of self-regulation of demand and supply in such a manner that in a domestic economy should occur an equilibrium as well as economic and social order.

Creative economy is a structural entity according to the concept of structure, as conceived of by **Claude Levi – Strauss**, who believed that: “(...) structure’ has nothing to do with empirical reality, but with models which are built up after it. In this way, a methodological principle is shaped according to which science does not deal with real objects but with the object it constructs itself” (Suchodolski, 1970, p.25).

Creative economy is precisely such a theoretical construct, such a structural entity that yields itself to structural analysis and allows for taking into consideration the effects of the study of this economy, while modifying the paradigm of mainstream economics.

This method of investigations is the proper one for answering the question of how creative economy impacts:

- Scientific-technical progress
- Civilizational progress
- The growth of social welfare
- The improvement of citizens’ quality of life.

4. THE ROLE OF THE STATE IN CREATIVE ECONOMY

At this point it should be underlined that creative economy is an innovative economy. Furthermore, our so-far analysis has demonstrated that the state possibly endorsing creative economy, the endorsement involving the shift of physical, social and intellectual capital from traditional sectors of domestic economy into creative one, would lead to the accelerated growth of GDP and thus to the increase in social welfare.

In 2013, in Great Britain the book entitled “The Entrepreneurial State: Debunking Public vs. Private Sector Myths” by Mariana Mazzucato from Essex University was released. The Polish edition of this book was released in Poznań in 2016, bearing the title “Przedsiębiorcze państwo. Obalić mit o relacji sektora publicznego i prywatnego” (Mazzucato, 2016). M. Mazzucato writes: „And this is the punchline [of the book – remark ours], when organized effectively, the State’s hand is firm but not heavy, providing the vision and the dynamic *push* (as well as some nudges – though nudges don’t get you IT revolution of the past, nor the green revolution today) to make things happen that otherwise would not have. Such actions are meant to increase the courage of private business. This requires understanding the State as neither a ‘meddler’ nor a simple ‘facilitator’ of economic growth. It is a key partner of the private sector – and often a more daring one, willing to take the risks that business won’t” (Mazzucato, 2016, p.11).

This extensive quote from M.Mazzucato’s monograph explains virtually everything. The author tries to make a synthesis of Keynesian thought (or actually: of John Maynard KEYNES himself) with a theory of innovation as advocated by Joseph SCHUMPETER. There would have been no grand innovations without active participation on the part of the State, but of the State which does not give “fish” but instead gives a “rod”. According to Mazzucata, giving „fish” always ends up with having wasted public means. This publication requires a comment:

- First, neo-classical economics has never suggested distributing public means for innovations and all the relevant professional literature holds on to this truth
- Second, neo-classical economics has been always positing something else: if social needs such as, in XIX century, railway, telephone, mines of coal and other raw materials, providing citizens with water etc. did not yield a satisfactory return on investment for the private sector, it was the State then, as an entity acting according to the constitution, attempted to satisfy those needs making appropriate public investments. Certainly, the goods in question should also encompass health care, education, central and self-government administration as well as the services provided by the police and the military. But these days, most of the needs enumerated above – apart from the services of administration, of the military and of the police – are satisfied by the private sector; or else – it is the so-called provision of merit goods, such as education, health care etc. which can be simultaneously provided by the public sector too.
- Third, the author many a time in her book underlined **that the actions undertaken by the state should always aim at increasing efficiency.** Neoclassicists has always maintained that if one wants to invest one must first SAVE. On the other hand, Keynesians spoke of investing without saving and only when an investment was made thanks to credits, one needed to save in order to repay the credit for investments.

As economic history demonstrated, those credits for investments, which Keynesians played so lightly with, reduced to nothing else but savings, domestic or foreign ones, that were “lying in wait” for locating them profitably, that is in the assets of the

highest return on investment under then economic circumstances. Briefly speaking, there are no investments without savings and if one keeps investing come-what-may without any savings to all, there must occur in an economy a state of general disequilibrium brining about economic and social turmoil, thus breaking both economic and social order.

- Fourth, the theses put forward by Mazzucato on the active role of the state in generating innovations were described in the professional literature before, when what was subject to evaluation were spendings on militarization, which oftentimes gave rise to creating new and so-far unknown technologies, later on taken advantage of in a “civil” production and thus creating new products being highly demanded and sought for by ordinary market participants. Mazzucato is right in so far as in all these cases in which the state was driving innovations, bearing the highest risk, it did not participate in the profits as much as the private sector – benefiting from state’s actions – did.

How do the theses posited by Mariana Mazzucato relate to the emergence and development of creative economy? The answer is one here! Due to state’s intervention, this part of economy will develop at a faster and faster rate because states own appropriate resources – not only financial ones – that will endorse the development of creative economy not only to increase the prestige of the state but also to satisfy social needs which keep growing and are subject to multifarious transformations, which is usually causally attributable to the process of globalization.

FRAME 1

Brussels, 6 July 2017

The European Commission

Press release

How culture and creativity change the face of a city?

The European Commission today published the first edition of the Monitor of the cities of culture and creativity. It includes the results which the cities achieve in nine categories embracing culture and creativity, contributing to the social development and economic growth as well as creating new vacancies.

The Monitor, being prepared by the Joint Research Centre of the European Commission, is supposed to help politicians and representatives of cultural and creative sectors to specify advantages and disadvantages at the level of particular cities as well as to learn from the experience of the cities of comparable characteristics. The Monitor also demonstrates that the dynamics of cultural life is strongly related to other dimensions of living in a city – ranging from social diversity to an economic situation.

Tibor Navracsics, European Commissioner for Education, Culture, Youth, Sport, responsible for the JRC, said: “*My objective is to place culture and creativity at the heart of the European pol-*

icy agenda. In times of major societal transformations and sharpening global competition between cities, we must look beyond traditional sources of growth and socio-economic well-being and explore the role of culture in vibrant, innovative and diverse cities. The Cultural and Creative Cities Monitor highlights successful European cities that have found their own ways of using the potential of culture and creativity to drive development, innovation and job creation and improve quality of life for citizens. It puts sound evidence at the disposal of policy makers to help them identify where they fare well and where further improvement is desirable.”

The Cultural and Creative Cities Monitor is the result of a research project covering 168 cities in 30 European countries. It is available as an interactive online tool to allow users to browse the selected cities as well as a wide array of quantitative and qualitative information about their performance.

It notably shows that the ‘ideal’ Cultural and Creative City in Europe would be the amalgam of the best performing cities on each indicator. This city would have the Cultural Venues & Facilities of Cork (Ireland), the Cultural Participation & Attractiveness and the Creative & Knowledge-based Jobs of Paris (France), the Intellectual Property & Innovation of Eindhoven (Netherlands), the New Jobs in Creative Sectors of Umeå (Sweden), the Human Capital & Education of Leuven (Belgium), the Openness, Tolerance & Trust of Glasgow (UK), the Local & International Connections of Utrecht (Netherlands) and the Quality of Governance of Copenhagen (Denmark). Of these eight cities, five have fewer than 500,000 inhabitants (Cork, Eindhoven, Umeå, Leuven and Utrecht).

Key findings of the research include:

- Leading cultural and creative cities: compared to other cities with a similar population, Paris, Copenhagen, Edinburgh and Eindhoven perform better than their counterparts
- Cultural, creativity and prosperity: culture and creativity contribute to higher economic growth rates, and are crucial for low-income cities
- Size is not everything: the size of a city does not determine its performance in culture and creativity, as on average small and medium-sized cities score relatively well compared to larger ones
- Capitals fly high but not highest: even if capitals are often in the lead, they are outperformed in Austria, Belgium, Italy, Germany, Poland, Spain, the Netherlands and the UK.

Background

Since the adoption of the first ‘European Agenda for Culture in a Globalising World’ (2007), culture has taken an increasingly prominent place in European Union policymaking. However, mapping cultural and creative assets and measuring their value and impact in a systematic and comparable way across Europe remains a challenge, with no shared definitions or metrics, particularly at city level.

The Joint Research Centre (JRC) of the European Commission has developed the ‘Cultural and Creative IP/17/1802 Cities Monitor’ in order to fill this information gap. The tool was built around three leading indices - cultural vibrancy, creative economy and enabling environment – organised in 9 dimensions and measured through 29 indicators ranging from the number of museums and concert halls, to employment in the cultural and creative sectors,

and from ICT patent applications to the level of trust people have towards other citizens in their city. It brings together data from a variety of public sources (such as Eurostat and the Eurobarometer) and experimental data (for example from TripAdvisor).

The Monitor is expected to be updated every two years in order to remain conceptually and statistically sound across countries, cities and time and capture cities' development.

Source: COMM-REP-WAW-TEAMEUROPE@ec.europa.eu

5. CONCLUSIONS

In frame 1, we demonstrated that in the European Commission's opinion, creative economy is highly significant not only for domestic economy as a whole but also for the development of cities, regions and spatial policies.

At the commission of the European Commission, Marc Lhermitte and Bruno Perrin from Ersten Young (Building a better working world) worked out a report on the development of creative economy in the European Union. They stated that it was already in 2012 that creative economy in the European Union yielded 4,2% of GDP of the entire Union and employed over 7 million Europeans [see: www.zaiks.org/view/296/ey_analiza_rynkow_kreatywnych.pdf]. According to our estimations, in Poland in creative economy, there are about 200 thousand people employed, which yields nearly as much as 3% of GDP. Because innovativeness of creative economy in Poland and in the world is greater than in traditional sectors of an economy, possible shifts of capital to creative economy will cause a more rapid growth of GDP as well as the increase in welfare of both an individual and of a society.

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