

Cultural Policies of Creative Clusters: A Short Review

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Abstract

The concept of creative clusters generates an active public discussion in today's world. It takes place into two levels - academic and practical. Thus, this paper is a short review of the cultural policies of creative clusters. It is oriented to show the role of clusters in overall economic development and to provide some policy implications. The key issues include whether creative clusters are efficient to foster creativity and innovation in cultural industries or not, in addition to the need of public policy intervention. Furthermore, it considers the scope and scale of creative clusters with providing various reasons for assessing their efficiency in different aspects.

Keywords: Creative Clusters, Creative Industries, Cultural Districts, Cultural Policies, Regional Development

Introduction

In recent years the interest towards creative industries and their prospective role have been growing significantly. Changing economy is raising the importance of some sectors of the economy, mainly creative industries, which are considered as key growing factors. In government cultural policy, there is an apparent boom of cultural industries at an international, national and local level. This raises questions about defining boundaries between culture and economics. It is essential to analyze relationships between cultural policy and cultural industries. In the respect of analyzing government initiatives formulated as policies of creative industries. There are varieties of the ways in which cultural policy affects cultural industries. Evidence advocates that many businesses benefit from locating in clusters. Thus, policymakers have a special focus on creative clusters, what they are, define advantages and disadvantages, as well as assess the role of public policy in creating and formulating clusters.

Creative industries are specified by the trend of concentration in space (Cooke et al. 2007; Florida 2008; Cooke and Lazzereti 2008; Boix et al. 2012) giving the room to more intensive locations such as creative clusters. The accurate value of clusters as drivers of innovation policy has become better identified recently. Policy makers around the world support clusters as a strategy for economic development and prosperity. They are identified as geographic concentrations of companies and associated institutions that strengthen each other through competition and collaboration. Moreover, they are considered to be effective towards the stimulation of the innovation, knowledge economy, ecosystem and etc.

Definition and Emergence of Creative Clusters

The idea of creative clusters or creative cities emerged in the mid-1990s as an avant-garde cultural policy. It had an aim of policy reorientation in a 'creative turn'. The term 'creative' "would be a way

of turning art into life - a new way of thinking, as well as a modus operandi of policy makers, urban planners, city officials, and even industrialists." (Vickery, 2011) Concept of creative cities was initiated in 1980s by Charles Landry and Comedia. The idea was expressed in a policy friendly language with the cases how policymakers can make strategic conditions possible for renovating urban environment.

Current literature of creative agglomeration pays much attention to creative districts. Zhao and Qi (2012) illustrate that clusters are the main development attributes of cultural industries, whereas creative clusters are acknowledged as potential engines to regenerate urban economy. Stern and Seifert (2010) refer creative clusters to "geographical concentrations of cultural good and services", where neighbourhood has a broad range of creative assets for attracting business, cultural participants and therefore artists in order to concentrate in urban areas. Therefore, it advocates the statement that urban economic development is deeply interlinked with culture and arts (Ginsburgh, Throsby, 2006).

At present, we definitely have lots of impressive creative 'dots', like components of the cities and many of them are the product of policy initiatives. Some of the successful creative clusters in the region of European Union are Paris and London (so called "cluster clouds", distributed in the middle parts of the cities, as well as in sub-centers, shaping dense clouds), also Barcelona and Emilia-Romagna clusters (which create hubs focused on the formation of central parts of the city).

Role of Clusters in Economic Development

Economic benefits derived from creative clusters are increasing

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recently. Competitiveness of the regions is more and more determined by the innovation activities of the sectors or industries. Thus, both regional and national competitiveness play a central role and are major topics for economic policies worldwide. Innovative firms are known as fast growing and are considered as surviving ones during a recession. One of the positive aspects in this regard is that production of innovation is able to create knowledge spill-over which allow firms to take an advantage from the initial innovation in the matter of increasing productivity. The goal of policy makers is to achieve economic growth based on innovation and knowledge factors, which cause increased employment and economic and social consistency in the country.

It is important to mention that the fundamental part of Europe's 2020 strategy is to invest into innovation and research activities, integrating these two approaches together, so that to maximize potential of research and innovation on a regional, national and EU level. European Commission stated out that the key factor for innovation policies would be 'smart specialization'. Smart Specialization Strategy "aims at developing world class excellence clusters and providing arenas for related variety and cross sectoral links which drive specialized technological diversification aiming at increased connectivity between regions." (European Commission, Joint Research Center) In addition, European Commissions' innovation strategy points out that "Clusters and networks improve industrial competitiveness and innovation by bringing together resources and expertise, promoting cooperation among business, public authorities and universities." (European Commission)

Creative clusters are significant tools for policy makers. Thus, supporting them is considered as a promising tool for national policy-makers who are willing to enhance innovation capacities and stimulate economic growth and development.

Local Economic Impact

Creative clusters attract huge attention as the new drivers for economic development. Clusters have an influence on domestic economy with number of stages. Some of the important influences come on industrial design works of art, product differentiation and innovation. Creative clusters create original knowledge, products and services. The economic value of them is effectively used in manufacturing and service industry. Therefore, in the case of cultural product becomes a commercial product, the value increases by a number of folds. The possibilities of creative products and services to be utilized in other sectors are keys to attain the competitive advantage. Furthermore, clusters promote competitions and cooperation within sectors. Firms which are located near to each other benefit from a common pool of labor force, knowledge and information and etc. The main point about successfulness of clusters lies in the notion of collective efficiency, which are joint actions and benefits created by proximity. Thus, it leads to increased productivity and efficiency. In the case of small firms, clusters are even more beneficial. In the case of clustering for small firms, they take an advantage from being together with giant companies and try to gain a competitive advantage derived by acquiring efficiency gains that they may not manage on their own.

In the case of cities, which host considerable amount of creative industries, benefits are huge. Generally, they have the most high-paying and entry - level jobs. In this respect, those jobs are considered as advantageous since they provide relatively satisfying and interesting working environment for their employees. In addition, one of the strong advantages is that they provide technological innovation, as well as sharing information which are strong assurances of sustainable growth and development. As cultural industries concentrate in a cluster, there emerge more and more start-ups, since the barriers to entry are seen lower than elsewhere. Besides, high concentration generates opportunities which help to attract best talents with the fresh ideas and

appropriate skills for the developing of cultural sectors.

It is obvious that clusters have a direct impact in terms of GDP contribution, employment opportunities and etc. As a whole, these direct contributions of creative sectors on the economic performance are increasing. Moreover, direct impact is also seen when sectors work within a production chain, such as the sectors of design and marketing. This is called a 'welfare creation' effect. But sometimes creative clusters have an indirect impact on the local economy. It occurs when culture-based creative segments have an influence on other fractions of social and mainly economic life. Usually it happens when local heritage catches the attention of foreign visitors who additionally stimulate the tourism sector. Moreover, they also lead the other sectors to take an advantage from it, such as catering service and other related services. Richard Florida noted that creative districts are able to renovate the whole city economies on a remarkable scale. Besides, creativity is considered as an urban phenomenon.

In general, without measurement tools it is difficult to analyze all the effects that creative sectors create. Nonetheless, these effects include:

- Knowledge spillovers, which means that companies benefit from fresh ideas and innovation processes done by other firms around the cluster. This can be the case of R&D activities too.
- Product spillover, in which the demand for the product done by the company increases because of the product development of another company.
- Network spillover, where companies are able to gain benefits from other companies located nearby.
- Training spillover, in case of labor trained in one industry moves to another.
- Artistic spillovers, when the innovative work of a firm of an artist advances the art form that leads to benefits other firms and artist too.

All these factors are the means for economic efficiency, as they have an impact on economic performance in terms of gaining advantage from clustering, as well as conducting innovational activities connected with growth and development of the sectors.

Cultural Policies

The rise of cultural industries helped to form cultural policy as an absent presence. Cultural industries were very different from others, thus cultural policies reacted to them in a divergent way. While cultural industries have got recognition in the policy circles, very few actual policies have been established at the local level. Most important and essential exception was the notion of creative clusters. In the period of 1990s, the notion of creativity made a significant comeback in the cultural policies. The perception of 'creative city' generated from 'cultural quarter' policy. The initiative of creative clusters continued to be popular in the period of 2000s as well. According to Hans Mommaas (2004) there are number of discourses which had a tendency to be combined together with policy discussions about the benefits of creative clusters. (Mommaas, 2004) However, he also distinguishes the cases which are in a risk of contradicting one another. These cases comprise place-making, motivating entrepreneurial approaches to the culture and arts, stimulating creativity and innovation, encouraging democracy and diversity. He also indicates that whereas some clustering approaches are limited to artistic and cultural activities, others integrate many different leisure and entertainment elements.

Early scholars in this sector (Florida 2002, Howkins 2001) mentioned that "creative economy" functions differently from any traditional economy and thus requires special policies to support and sustain these fields. "The nature of clustering does differ depending on the specific activities under consideration". (Kong, 2009) Nevertheless, they are commonly treated as a division of business clusters and policy-makers use of the same economic analysis and policy implementations as other sectors. Some researches claimed that creative industries have a high need to cluster for the generation of tacit knowledge. As reported by O'Connor (2004), tacit knowledge is attached to

specific place and creative clusters rely on learning by doing activities, as well as on the skills which are diffused all the way through particular connected networks.

However, in the creative cluster policies, innovation programs play an important role for development. It is a complex set of agents, institutions and policies which support technological advance of the creative industry. More precisely, this system includes nation's intellectual property protection, universities and all research laboratories. For the innovative output generated by creative clusters, it is important to have a reasonable amount of R&D spending, effective IP protection, be open to competition and have a rational amount of spending on the higher education.

The promotion of the development of creative clusters is proved to be an efficient way for arranging creative sectors. Evolution of clusters leads to the creation of harmony within different sectors of creative industries. It identifies the needs of a sector and the sphere for policy development. Clusters also help to attract investments for the creation of necessary environment in order to promote growth and development of a creative sector.

Measuring Efficiency of Creative Clusters

An assessment of creative industries and especially clusters is a key condition for both developing and developed world. Creative economy is enlarging and developing rapidly since it is becoming more incorporated with other branches of economy.

Creative cities need to build a strong institutional and political mechanism which feeds creativity and innovation in the clusters. Innovation capacity by its own cannot be sufficient for the growth and development of creative clusters. The community around clusters should be able to absorb novelty and innovation generated by clusters. In this aspect, local culture has to be encouraging of experimentation. Shared experience of prosperous creative clusters confirms that there are several important factors in formation of creative cities. Some of the factors are connected to the national innovation system. For example, excellent university research, viable linkages, as well as accessibility of venture capital. Other factors are related to the public policies, multiplicity and quality of a place itself and etc. There is no certain evidence in the literature which advocates that any of the features is more central than the others.

In order to establish and maintain an efficient and successful creative cluster, there should be accomplished several points. First of all, access to the finance is one of the main issues in this respect. Creative clusters are able to have an awareness of how to access finance. Thus the financing society has greater perceptiveness towards creative sectors if they choose to invest in them. As a result, creative sector will be granted with a wide sort of financing opportunities, so that the firms will be able to grow at a new level. However, in creative sectors for some reasons there is a problem of having an access to finance. In most cases, models of creative businesses are not clearly understood by investors because of the lack of data. In this case, there are three main players for accessing the finance. They are creative industries themselves, government and financial sector. Access for finance can be achieved effectively if all these players work in a cooperative way.

Secondly, general skills and education play important roles as well in developing an efficient creative cluster. To have an education and career perspectives that inspires creative generation is an essential case. Employer investments and skills development means better opportunities for the society and leads to develop a successful creative class. Success measures in this aspect can be the increased share of participants in the subjects related to creative industries, increased employment for the graduates of creative sectors, as well as higher proportion of creative companies offering training programs. Creative firms often have a shortage of supply of candidates who are appropriate for their field. In such case, those firms can recognize the significance of research and

innovation activities and build a successful relation with research labs and universities. In this context, they will be able to create a knowledge exchange between them.

Thirdly, the case of intellectual property should also be considered as an efficiency measure for creative clusters. This means a better understanding of the significance of IP rights, support copyright activities and promote licensing. Success measures can be the decreased level of illegal consuming of creative goods and services and copyright infringement policies. Thus, contribution of creative sectors in the economy could be raised at some extent. It is quite essential that the government considers the issues of IP rights, including an influence of public procurement and the ability for firms to keep IP in contracts with public organizations.

However, there are several risk factors related to the successful development of creative clusters. While clustering can promote innovation and competitiveness, it can also generate some risks that can reduce competitiveness. According to *The Cluster Policies Whitebook* these risks include vulnerability, which means that specialization can raise the vulnerability of a region; lock-in effect, meaning that the reliance on tacit knowledge with neglecting external connections may cause lock-in effect; decrease competitive pressure, noting that the cooperation can lead to reduction of competitive pressure and thus reduce the innovation; self-sufficiency syndrome, meaning that clusters may fail to be aware of changing trends, they may hinder adjustment with the learning collected through previous accomplishment periods; and finally, inherent decline, since effective clusters will have high factor costs, the region may experience property prices to be increased significantly. (Andersson, 2004)

Public Policy

The role of government is very essential for establishment of national policies which are able to feed creative industries and lead to their efficient development. This means that they should be able to generate effective mechanisms and put in place in order to articulate policies for stimulating creative sector and thus innovation activities.

Creative goods and services are unique and special, because they comprise of cultural meanings. They are able to express cultural identity at some levels. In the case of national level, government plays a role of facilitator. Policymakers have to create a special climate and required infrastructure to encourage supportive domestic policies. The most creative cluster initiatives are depended on the funding from a public sector. However, this dependency may decrease time to time. Government provide with a broader vision and objectives than the private sector does. Thus, government's position makes it possible to bring leadership and legitimacy. The way how public authorities organize their goals and responsibilities matter for outcomes as well. Especially, this is a case for innovation.

The success of creative cluster policies is depended on the extent at which those policies succeed in accomplishing the needs of the clusters. Moreover, for the efficient achievement of the policies related to creative clusters, it is important to have a financial sustainability in a long term, since it opens some future perspectives for the better development of cultural sectors.

Policy Implications

As mentioned above, creative industries and especially clusters are becoming more important driver of economic development nowadays. They bring fresh and new ideas to the economy. Creative industries are able to shape customers requirements better than any other sectors of the economy. The huge capacity of innovation activities are seen to be an essential element for the com-

petitiveness and the long-term strength of entire economy. In this regard, regional authorities can play a significant role as facilitators and catalysts of such clusters in order to boost their competitiveness (European Competitiveness Report, 2010). In order to unlock all potential of creative industries and mainly clusters, should be embarked upon national and regional policies. Moreover, the relationship and cooperation between the government and industries are quite an important one, thus it is considered very fundamental for the development and efficiency of creative industries.

In order to support and expand creative industries, one should take into considerations several policy approaches:

- Infrastructure. Availability of production spaces, transport and tourism infrastructure of a place
- Governance. Policy initiatives and strategies for engaging creative industries in various of policy areas
- Markets. Since creative industries operate in rapidly changing markets, uncertainty of demand plays a big role in the sector. Thus, markets are important to connect creative industries and other related means of consumption with each other, creating the image of a city.

It is often mentioned that creative industries do not possess a monopoly power on creativity. This is somehow true, but neither manufacturing, nor engineering or related fields have a monopoly on technological innovation. What makes creative firms more technology intensive is digitization. In order to be competitive, they produce technologies that could be used in another technology-rich sectors of the economy.

Supporting innovation activities of creative clusters is also considered one of the main drivers for developing creative fields. Creative clusters should be the part of national and local policies to drive economic growth.

While policymakers try to build a new cluster from scratch, it is important to look for 'latent clusters'. (NESTA, 2010) Clusters became a special spot for policymakers who support regional development. However, there are some doubts about the amount to which policy programs can produce sustainable clusters. In this sense, agglomeration processes require the accurate mix of local resources. Therefore, for policy makers it is essential to look for already existing agglomerations in the region and support them with the right policies that could develop an intense web of links needed for local competitiveness, growth and innovation.

With regard to state intervention in the formation of creative clusters, there are some requirements that should be assembled. First of all, state intervention is considered legitimate when the society itself fails to resolve a problem. State intervention is considered effective when it is able to set a goal and achieves it. The most efficient way of state intervention is when the social revenues are higher than costs counted in it. It requires knowledge and specific vision related to the issue. However, creative cluster development is usually path dependent one. Path dependence is relatively strong in industrial and fashion design. In order to attract creative firms and creative people, cities need to promote culture of innovation and supply with an integrated environment for all types of creativity.

Conclusion

Over the past years, strategies of creative clusters have developed into urban-cultural development category. In major cities, cultural and leisure meanings are assembled together in a range of forms. Therefore, creative clusters represent an attractive turn in cultural policy making cases. There are still open questions whether cultural industry clusters has to be addressed without the role of different kinds of urbanization economies.

There is a symbolic nature of knowledge in cultural industries generally, which makes a clustering process very sensitive to the

geographical distance. Most of the creative clusters are not isolated from one another, but they are co-located with each other. This is attributed to the case of density of urban areas. The nature of creative clusters explains that the customized approach should be made towards shaping policy strategies. Some of policy strategies are weakened because of the macro-scale definitions, whilst in other perspectives policymakers do not have awareness of cluster related approaches. It is difficult to establish effective policy strategies towards creative clusters, if there is not made a comprehensive and detailed identification of these clusters and special connections among them. An efficient way of targeting policies can be understanding characteristics of specific clusters. The existence of nearby located creative clusters makes it possible to develop approaches based on the complementarity between these clusters.

In today's world, there are plenty of evidences to propose that economic growth and innovation activities are profoundly geographically concentrated. Creative clusters endow the environment with knowledge creation and innovation. Thus, regions with powerful cluster selections are innovative leaders, whilst regions with isolated research amenities or with no clusters fall behind. Globalization enhanced benefits of creative clusters and increased the costs of regions which fail to implement and develop clear profile. Where competition enables companies, financial actors and entrepreneurs to select the location for their activities based on the attractiveness of districts, clusters tend to emerge. Lots of empirical studies has been published on regions and their innovative performances. Some regions within Europe without creative clusters perform badly, while others with many clusters are top performers. However, economic performance of those regions is not only explained by specialization, but it also includes other aspects such as cultural environment, research activities, education, advanced infrastructure, venture capital and etc.

Governmental authorities consider cultural policy interventions justified when some conditions reduce the ability to achieve optimal outcomes. Government policies have a considerable impact on creative clusters and their future development for the prosperity of the regions. Those policies can facilitate more effective competition among creative clusters and thus strengthen economic environment. Generally clusters grow in the regions which provide special advantages in particular field as a location of activities. Creative clusters are able to achieve their full potential if they are well connected with markets and other clusters elsewhere. Therefore, public policy interventions can play an important role in organizing such actions inside regions. However, only government cannot do it alone, companies are also important partners in cluster initiatives. Successful cultural policy emerges where companies are fully engaged in the process both individually and through industry networks. Thus, through financial support and the discussions about public procurement, investment and regulation, government could fit the role of effective partner.

Positioning cultural activities within existing creative industries framework hides some cultural policy objectives and misses the point of essential public benefits generated by culture. Public support of culture identifies the point that it provides public benefits which cannot be obtained by markets, whereas the view of creative sector as a part of broader cultural economy includes it within an economic agenda. In this regard, there is a sizable gap between the theories and policies of creative clusters. In order to build successful policies, one should be aware of deep understanding of cultural policies related to clusters. While there are the issues we already know about creative clusters, number of questions still remain open. Some gaps in empirical analyses of policy mechanisms leave room for their future examination.

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