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Culture, creativity, and urban development

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The cultural economy

The cultural economy has, in recent years, been the object of significant attention in studies of urban development. The rising importance of cultural activities in this regard is scarcely surprising given the increasing convergence between systems of cultural expression on the one hand and the economic order on the other (Lash and Urry 1994). Inspired by such intersections, cities and regions around the world have looked to ‘creativity’ and ‘culture-led development’, and the ‘creative industries’ to help address the development deficits attributed to deindustrialization and global outsourcing. Moreover, it is far from wishful thinking to base regional growth agendas on the cultural economy. For a variety of reasons, from the rise of popular culture to increasing disposable incomes, markets for cultural products have expanded rapidly in the last few decades. However, the cultural economy is not just about economic development, since the marketplaces, products and channels at its centre are now the dominant forums within which many social, cultural and political development processes find form and expression. As this has occurred, there has been a marked growth and spread of a group of industries that can be loosely identified as suppliers of products with powerful aesthetic and semiotic content (Pratt 1997; Power 2002; Power and Scott 2004). These industries are based on an enormous and ever-increasing range of outputs (e.g. music, computer games, film and television, new media, fashion design, visual and performance arts, and so on).

The industries that make up the contemporary cultural economy are bound together as an object of study by three important common features. First, they are all concerned in one way or another with the creation of products whose value rests primarily on their symbolic content or the ways in which they stimulate the experiential reactions of consumers. Second, they are generally subject to the effects of (Ernst) Engels’ Law, which suggests that as disposable income expands so consumption of non-essential or luxury products will rise at a disproportionately higher rate. Hence, the richer the region, the higher expenditure on cultural products will be as a fraction of individuals’ budgets. Third, firms in cultural products industries are subject to competitive and organizational pressures such that they frequently agglomerate together in industrial districts or dense specialized clusters, while
their outputs circulate with increasing ease on global markets.

It must be stressed at once that there can be no hard and fast line separating industries that specialize in purely cultural products from those whose outputs are purely utilitarian. On the contrary, there is a more or less unbroken continuum of sectors ranging from, say, detective novels or recorded music at the one extreme, through an intermediate series of sectors whose outputs are varying composites of the cultural and the utilitarian (such as shoes, sunglasses, or sports bicycles), to, say, cement or petroleum products at the other extreme. At the same time, one of the peculiarities of modern capitalism is that the cultural economy continues to expand at a rapid pace not only as a function of the growth of discretionary income, but also as an expression of the incursion of sign-value into ever-widening spheres of productive activity at large as firms seek to intensify the design content, styling, and quality of their outputs in the endless search for competitive advantage (Scott 2008).

It is such incursions alongside the growth in cultural industries that makes the cultural economy such an important topic for local and regional development; something we specifically address in the final section of this chapter. Our central contention is that the industries and agents involved in the cultural economy are central to a series of new opportunities and challenges to local and regional social well-being and economic development.

### Production, organization and work in the cultural economy

Over much of the last century, the leading edges of economic development and growth were largely identifiable with sectors characterized by varying degrees of mass production, as expressed in large-scale machine systems and a persistent drive to product standardization and cost cutting. Throughout the mass-production era, the dominant sectors evolved through a succession of technological and organizational changes focused above all on process routinization and the search for internal economies of scale. These features are not especially conducive to the injection of high levels of aesthetic and semiotic content into final products. Indeed, in the 1930s and 1940s many commentators expressed grave misgivings about the incursion of industrial methods into the sphere of the cultural economy and the concomitant tendency for complex social and emotive content to be evacuated from forms of popular cultural production (e.g. Horkheimer 1947; Adorno 1991). These misgivings were by no means out of place in a context where much of commercial culture was focused on an extremely narrow approach to entertainment and distraction. The specific problems raised by the Frankfurt School in regard to popular commercial culture have in certain respects lost some of their urgency as the economic and political bases of mass-production have given way before the changes ushered in over the late 1970s and early 1980s, when the new economy started its ascent. This is not to say that the contemporary cultural economy is not associated with a number of serious social and political predicaments. But it is also the case that as commercial cultural production and consumption has evolved in the major capitalist societies, so our aesthetic and ideological judgements about their underlying meanings have tended to shift.

In contrast to mass machinofacture, sectors in the contemporary cultural economy tend to be composed of relatively disintegrated production processes, with processes of disintegration being greatly facilitated by various kinds of computerized and digitized technologies. Equally, and nowhere more than in segments of the cultural economy, production is often quite labor-intensive, for despite the widespread use of electronic technologies, cultural products industries also tend to make heavy demands on both the brainpower and
These industries are typically composed of swarms of small producers (with low entry and exit costs), complemented by many smaller numbers of large establishments. Small-scale producers in the cultural economy are frequently marked by neo-artisanal forms of production, or, in a more or less equivalent phrase, by flexible specialization, meaning that they concentrate on making particular categories of products (clothing, advertisements, cultural performances, etc.) but where the design specifications of each batch of products change repeatedly. To be sure, large firms in the cultural economy occasionally tend toward mass-production (which would generally signify a diminution of symbolic function in final outputs), but are nowadays increasingly prone to organization along the lines of “systems houses” (Scott 2002). The latter term is used in the world of high-technology industry to signify an establishment whose products are relatively small in number over some fairly extended period of time, and where each unit of output represents huge inputs of capital and/or labor. Examples of systems houses are computer games producers, the major Hollywood movie studios, large magazine publishers (but not printers), television network operators, and, to a lesser degree, fashion houses.

These large-scale producers are of particular importance in the cultural economy because they so frequently act as the hubs of wider production networks incorporating many smaller firms. Equally, and above all in the entertainment industry, they play a critical part in the financing and distribution of much independent production. In addition, large producers right across the cultural economy are increasingly subject to incorporation into the organizational structures and spheres of influence of giant multinational conglomerates through which they tap into huge financial resources and marketing capacities. While these giant firms are absolutely central to the cultural economy, it is also important to note that their power is constantly under threat and subject to change (Peterson and Berger 1996). Technological change is often central to these processes and the recent shifts brought about by new possibilities for disintermediation and distribution in the music, television and film industries are evidence of how quickly accepted industrial norms, structures and hierarchies can change. Indeed, one can imagine that at least some segments of the cultural economy – resting as it does on fluid and unpredictable trends and hard-to-protect intellectual property – may be entering into a new phase of development marked by yet more intense property and reduced levels of oligopolistic power.

The actual work of production in the cultural economy is typically carried out within shifting networks of specialized but complementary firms. Such networks assume different forms, ranging from heterarchic webs of small establishments to more hierarchical structures in which the activities of groups of establishments are coordinated by a dominating central unit, with every possible variation between these two extreme cases. Much of the cultural economy can be described as conforming to a contractual and transactional model of production (Caves 2000). This model also extends to employment relations, with part-time, temporary, precarious, non-standard, and freelance work being prevalent (Ross 2008). The instabilities associated with this state of affairs often lead to intensive social networking activities among skilled creative workers as a means of keeping abreast of current trends and opportunities and of finding collaborators, customers and employers (Scott 1998; Neff et al. 2005). Within the firm, these same workers are often incorporated into project-oriented teams, a form of work organization that is rapidly becoming the preferred means of managing internal divisions of labor in the more innovative segments of the modern cultural economy (Grabher 2001). By contrast, in sectors such as clothing or furniture, where low-wage manual operators usually account for a high proportion of total employment, piece-work and sweatshop conditions are
more apt to be the prevailing modes of incorporating workers into the production process, though these sectors are also characterized by high-wage, high-skill segments in activities such as design and commercialization.

These features of the modern cultural economy differentiate it quite markedly from the older model of mass-production. In contrast to what was often seen as the dispiriting and endless uniformity of the outputs that flowed from the mass-production system, the cultural economy is marked by extremely high levels of product variety in regard to both form and substance. As a corollary, the cultural economy is associated with a major transformation of market structures, with monopolistic competition à la Chamberlin (1933) becoming increasingly the norm. Chamberlinian competition, which resembles in some respects imperfect competition as formulated by Robinson (1933), is based on the notion that distinctive market distortions appear when producers have strongly developed firm-specific characteristics. Under a regime of monopolistic competition there may be many individual firms all making a particular class of products, but each firm’s output also has unique attributes (design, place-specific associations, brand, etc.) that can at best be reproduced by other firms only in the form of inferior imitations. The increasing importance of cultural and symbolic content in contemporary patterns of consumption means that monopolistic competition has become an ever more feasible option for firms throughout the entire economy. The constant rebranding and repackaging characteristic of product markets today is helping to usher in an economic system where even small firms can sometimes vie with goliaths in the creation of virtual product monopolies.

**Nodes and networks in the cultural economy**

Cultural products industries almost always operate most effectively when the individual establishments that make them up exhibit at least some degree of locational agglomeration. A growing body of literature has shown that there is a persistent tendency of producers in the cultural economy to cluster together in geographic space (Christopherson and Storper 1986; Pratt 1997; Coe 2000; Scott 2000; Hesmondhalgh 2002; Power and Hallencreutz 2002; Rantisi 2002; Power and Scott 2004; Vinodrai 2006). This tendency follows at once from the economic efficiencies that can be obtained when many different interrelated firms and workers lie in close proximity to one another so that their complex interactions are tightly circumscribed in space and time. Agglomeration also occurs for reasons other than economic efficiency in the narrow sense. It is also partly a result of the learning processes and innovative energies that are unleashed from time to time in industrial clusters as information, opinions, cultural sensibilities, and so on, are transmitted through them, and these processes are usually especially strong in cases where transactional intensity is high. Moreover, outputs that are rich in information, sign value, and social meaning are particularly sensitive to the influence of geographic context and creative milieu. Molotch (1996, 2003) has argued that agglomerations of design-intensive industries acquire place-specific competitive advantages by reason of local cultural symbologies that become congealed in their products, and that imbue them with authentic character. This intensifies the play of Chamberlinian competition in the cultural economy because monopolistic assets now not only emerge from the productive strategies of individual firms, but also from their wider geographic milieu (Hauge et al. 2009).

The association between place and product in the cultural industries is often so strong that it constitutes a significant element of firms’ successes on wider markets. Place-related markers, indeed, may become brands in themselves that agents can exploit to increase their competitive positions, as exemplified by
the cases of Jamaican reggae, Scandinavian design, Hawaiian shirts, or Persian carpets. Successful cultural products agglomerations, as well, are irresistible to talented individuals who flock in from every distant corner in pursuit of professional fulfillment, in a process that Menger (1993) has referred to as “artistic gravitation.” This gravitational force signifies that the labor pools of dynamic agglomerations are constantly being replenished by selective in-migration of workers who are already predisposed to high levels of job performance in the local area. Local supplies of relevant skills and worker sensibilities are further augmented by the specialized educational and training institutions that typically spring into being in productive agglomerations.

These remarks indicate that a tight interweaving of place and production system is one of the essential features of the new cultural economy of capitalism. This interweaving is obviously an important point of leverage for agents that are primarily interested in local and regional development (such as local authorities or tourist boards) but it is also a lever commonly used by agents interested in making a living from cultural products. In cultural products industries, as never before, the wider urban, leisure and social environment and the apparatus of production merge together in potent synergistic combinations. Some of the most advanced expressions of this propensity can be observed in world cities like New York, Paris, London, or Tokyo. Certain districts in these cities are typified by a more or less organic continuity between their place-specific settings (as expressed in streetscapes, shopping and entertainment facilities, and architectural background), their social and cultural infrastructures (museums, art galleries, theaters, and so on), and their industrial vocations (for example, advertising, graphic design, audiovisual services, publishing, or fashion clothing). The social networks and scenes that define production also leave an indelible stamp on the character of the city (Neff 2005; Currid 2007). In a city like Las Vegas, the urban environment, the production system, and the world of the consumer are all so tightly interwoven as to form a virtually indivisible unity. The city of work and the city of leisure increasingly interpenetrate one another.

Global connections

In spite of the predisposition of firms in particular cultural products industries to locate in close mutual proximity to one another, inputs and outputs flow with relative ease across national borders and are a steadily rising component of international trade. The international flow of cultural goods and services is reinforced by the operations of transnational media conglomerates whose main competitive strategy appears increasingly to be focused on the creation of worldwide blockbuster products, as exemplified dramatically by the market offerings of major firms in the computer games and film industries. At the same time, with ever greater global interconnectedness many different cultural styles and genres become accessible to far-flung consumers so that highly specialized niche markets are also proliferating alongside the blockbuster markets in which major corporations largely participate. With the further development of computerized distribution technologies for cultural products, the process of globalization will assuredly accelerate, and this is especially true for cases where digitization of final outputs is feasible.

Observe that globalization in the sense indicated does not necessarily lead to the locational dispersal of production itself. On the contrary, globalization qua spatial fluidity of end products helps to accentuate agglomeration because it leads to rising exports combined with expansion of localized production activities. Concomitant widening and deepening of the social division of labor at the point of production then helps to intensify clustering because it generates
increased positive externalities. Locational agglomeration and globalization, in short, are complementary processes under specifiable social and economic circumstances. That said, the falling external transactions costs associated with globalization will sometimes undermine agglomeration from the other end, as it were, by making it feasible for some kinds of production to move to alternative locations. It is now increasingly possible for activities that could not previously escape the centripetal forces of agglomeration to decentralize to alternative locations, such as sites with relatively low labor costs. This may result in a wide dispersal of certain types of production units, such as DVD processing plants and server farms for the gaming industry, or in the formation of alternative clusters or satellite production locations, as illustrated by the sound stages and associated facilities that have come into existence in Toronto and Sydney in order to serve US television and film production companies.

The overall outcome of these competing spatial tensions in the modern cultural economy is a widening global constellation of production centers. The logic of agglomeration and increasing-returns effects suggests that one premier global center will occasionally emerge in any given sector, but even in the case of the international motion-picture industry, which is overwhelmingly dominated by Hollywood, it can be plausibly argued (above all in a world of monopolistic competition) that multiple production centers will continue to exist if not to flourish. The scenario of thriving multiple production centers is all the more to be expected given that policymakers are investing more and more effort in local economic development projects based on the cultural economy, and where this effort also includes the fostering of associated distribution and marketing systems.

Large multinational corporations play a decisive role across this entire functional and spatial field of economic activity, both in coordinating local production networks and in ensuring that their products are projected onto wider markets. This remark, by the way, should not induce us to neglect the fact that small independent firms continue to occupy an important place in almost all cultural products agglomerations. In the past, multinationals based in the United States and Europe have led the race to command global markets for nearly all types of cultural products, but producers from other countries are now entering the fray in ever-greater numbers, even in the media sectors that have hitherto been considered as the privileged preserve of North American and European firms. In the same way, different cultural products industrial agglomerations around the world are increasingly caught up with one another in global webs of co-productions and creative partnerships (Lorenzen and Täube 2008; Lorenzen 2009). Indeed no localized group of firms can nowadays be completely self-sufficient in terms of state-of-the-art knowledge creation, and worldwide inter-agglomeration networks and circuits of interaction are an increasingly vital element of any individual agglomeration’s performance. Concomitantly, global productive alliances and joint ventures are surging to the fore in the modern cultural economy, drawing on the specific competitive advantages of diverse clusters, but without necessarily compromising the underlying force of agglomeration itself.

In these industries where volatile and unpredictable changes in fashion are a given and where product differentiation is the dominant strategy pursued by firms, places which can “act as switching centres for the transmission of ideas harvested from a wide range of sources” (Weller 2007: 43) become privileged points on the landscape of production and consumption. The depth and intensity of global connections and flows makes switching centers, meeting places, and interactive spaces vitally important for all sorts of strategic knowledge and networks. Key to these sites is their role as foci of a highly globalized yet centralized culture and fashion media system (Breward and Gilbert
that allows knowledge to be imported, created, and disseminated on a world-wide scale. It is not only the resident workers and entrepreneurs of these nodes who are important agents of local cultural development; short-term visitors to trade fairs, passing tourists, bloggers following fashion trends and gossip from far away are all examples of actors important to the emergence of the urban milieu. Moreover, the nodes themselves may be short-lived, periodic or episodic, as demonstrated by the important role played by trade fairs as switching points within global circuits of knowledge and value chains demonstrate (Power and Jansson 2008).

Once all of this has been said, the advent of a new cultural economy and the flow of its outputs through circuits of international commerce have not always been attended by benign results. This situation has led to numerous political collisions over issues of trade and culture. Notwithstanding such notes of dissonance, we seem to be moving steadily into a world that is becoming more cosmopolitan and eclectic in its modes of cultural consumption. Certainly for consumers in more economically advanced locales, traditional local staples are now but one element of an ever-widening palette of cultural offerings comprising African music, Japanese comic books, Indian films, Middle Eastern tourist resorts, Argentinean wines, Thai cuisine, Brazilian telenovelas and other exotic fare. This trend is an outcome of and a contributing factor to the recent, if still incipient, advent of a multifaceted and extensive global system of cultural products agglomerations. Thus globalization appears less to be leading to regional cultural uniformity than it is increasing the variety of options open to individual consumers.

Cultural industries and local and regional economic development policy

Cultural products industries are growing rapidly; they tend (though not always) to be environmentally friendly; and they frequently (though again not always) employ high-skill, high-wage, creative workers. Cultural products industries also generate positive externalities in so far as they contribute to the quality of life in the places where they congregate and enhance the image and prestige of the local area. Moreover, as noted above, they tend to be highly localized and often place-bound. This fact has made them increasingly attractive to policy-makers intent on finding new solutions to problems of urban redevelopment and local economic performance.

A sort of first-generation approach to the systematic deployment of cultural assets in the quest for local economic growth can be found in the aggressive place-marketing and local boosterism pursued by many municipal authorities since the early 1980s. This activity is often based on a local patrimony of historical or artistic resources, but it also assumes the guise of energetic property redevelopment programs. In many cases cultural grand projects have anchored initiatives to remake and market places: for instance, the success of the Guggenheim Museum in Bilbao as part of an initiative that has turned an old and stagnant industrial area into a world-renowned tourist center and a new focus of inward investment. An alternative (or, rather, a complementary) second generation of policy approaches has, since the mid- to late 1990s, come under the scrutiny of regional authorities. In this instance, the objective is less the attraction of tourists or migrants, than it is to stimulate the formation of localized complexes of cultural industries that will then export their outputs far and wide. In the advanced economies this approach has found expression in many different kinds of policy initiatives focused on diverse formulations such as ‘creative industries’, ‘experience industries’, ‘content industries’, ‘cultural industries’, ‘heritage’, and so on. There is an extensive literature that draws critical attention to the difficulties associated with policy discourses on the creative and cultural industries.
(O’Connor 2000, 2005; Hesmondhalgh 2002; O’Connor 2004; Power and Scott 2004; Pratt 2005; O’Connor and Xin 2006; Galloway and Dunlop 2007; Mato 2009; Miller 2009). Whether understood as terms denoting a distinctive economic grouping, a means of classifying ‘cultural’ or ‘knowledge’ production, a framework for conjoining certain types of intellectual or artistic labor, these discourses are inherently tied into two wider policy concerns, namely deindustrialization and knowledge economy more generally. Nonetheless there is an emerging agreement that some sort of productive industrial focus is necessary as a complement to cultural policy in the narrow sense. Sectors such as design, film/TV, popular music, games, and fashion in virtually all European countries are now the object of policies focusing on supportive of firm networking, labor training, cluster initiatives, localized institutional infrastructures, and so on.

This type of approach is critically dependent on a clear understanding of the logic and dynamics of the agglomeration processes that shape much of the geography of the modern cultural economy. For any given agglomeration, the essential first task that policymakers must face is to map out the collective order of the local economy along with the multiple sources of the increasing-returns effects that invariably emanate from its inner workings. This in itself is a difficult task due both to the problems of defining just where the cultural economy begins and ends, and to the intangible nature of many of the phenomena that lie at the core of localized competitive advantages. That said, it is this collective order more than anything else that presents possibilities for meaningful and effective policy intervention in any given agglomeration. Blunt top-down approaches focused on directive planning are unlikely in and of themselves to accomplish much at the local scale, except in special circumstances. In terms of costs and benefits and general workability, the most successful types of policies will as a general rule be those that concentrate on the character of localized external economies of scale and scope as public or quasi-public goods. The point here is both to stimulate the formation of useful agglomeration effects that would otherwise be undersupplied or dissipated in the local economy, and to ensure that existing externalities are not subject to severe misallocation as a result of market failure. Finely tuned bottom-up measures are essential in situations like this.

Policymakers thus need to pay attention to three main ways of promoting collective competitive advantage, which, on the basis of the modern theory of industrial districts can be identified as (1) the building of collaborative inter-firm relations in order to mobilize latent synergies, (2) the organization of efficient, high-skill local labor markets, and (3) the potentiation of local industrial creativity and innovation (cf. Scott 2000; Malmberg and Power 2005). The specific means by which these broad objectives can be pursued are many and various depending on empirical circumstances, but basic institution-building in order to internalize latent and actual externalities within competent agencies and to coordinate disparate groups of actors is likely to be of major importance. Complementary lines of attack involve approaches such as the initiation of labor-training programs, creating centers for the encouragement of technological upgrading or design excellence, organizing exhibitions and export drives, and so on, as well as socio-juridical interventions like dealing with threats to the reputation of local product quality due to free-rider problems (especially in tourist resorts), or helping to protect communal intellectual property. In addition, appropriately structured private–public partnerships could conceivably function as a vehicle for generating early warning signals as and when the local economy appears to be in danger of locking into a low-level equilibrium due to adverse path-selection dynamics. The latter problem is especially apt to make its appearance in localized production systems because the complex, structured interdependencies
within them often give rise to long-run developmental rigidities.

While economic development based on cultural products sectors will in all likelihood continue to occur in the world’s richest countries, a number of low- and middle-income countries are finding that they too are able to participate in various ways in the new cultural economy, sometimes on the basis of traditional industries and cultures. Even old and economically depressed industrial areas, as we have seen, can occasionally turn their fortunes around by means of well-planned cultural initiatives. To be sure, the notion of the cultural economy as a source of regional development is still something of a novelty, and much further reflection is required if we are to understand and exploit its full potential while simultaneously maintaining a clear grasp of its practical limitations. In any case, an accelerating convergence between the economic and the cultural is currently occurring in modern life, and is bringing in its train new kinds of urban outcomes and opening up new opportunities for policymakers to raise local levels of income, employment, and social well-being.

References


Further reading