

## THEORETICAL AND PRACTICAL PERSPECTIVES ON CREATIVE ECONOMY (SELECTED CASES)

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**Abstract.** Creative industries, the core of creative economy, are one of the most innovative economic activities but with different types of scientific, practical, functional research. Applied unit research in Lithuania gives only a fragmentary assessment of the creative industries activities. Research objective – concept analysis providing with homogeneous understanding of theoretical and practical perspectives on creative economy as present phenomenon in globalised environment. The paper presents recent five years world research on creative economy based on two main concepts – classical historical approach of how creative economy has developed from cultural economy and the output of creative economy is cultural product and service; and modern fresh approach based on creativity as a core of holistic process encompassing number of contemporary economics, innovation, social, environmental, etc. factors. Theories are motivated by research of cases of different world regions.

**Keywords:** creative economy, creative industries, concept analysis, case study, innovative activities.

**Jel classification:** Z00

### 1. Introduction

Recent years a variety of creative economy research was made worldwide. Different regions as EU (especially UK), Australia, USA have developed distinctive aspects of creative economy theory forming streamline for further world research. Creative economy is being reviewed by Higgs, Cunningham, Pagan (2007), DeNatale, Wassall (2007), Cunningham (2007), Higgs, Cunningham, Bakhshi (2008), Reis (2008), Herrmann-Pillath (2008), Suci (2008), Claire (2009), Suci, Iordache-Platiș, Ivanovici (2009), Hartley (2010), Markusen, Gadwa (2010), Sokolowski (2010), etc. Creative industries during recent years were intensively analyzed by Reid, Albert, Hopkins (2010), Harper, Cohen (2008), Dashalaki (2010), Mercer (2009), Potts (2009), Schlosser, Hartmann (2009), Bentley (2008), etc.; a significant research in explaining and providing a variety of creative industries definitions was made by Potts (2008). A creative economy research combination in the frame of specific segments was presented by Dapp (2011), Ooi, Stober (2011); interesting research of creative cities, clusters, innovation was made by Evans (2009), Bagwell (2008), Currid, Williams, (2010), Collis, Felton, Graham (2010), Miles, Green (2008), etc.

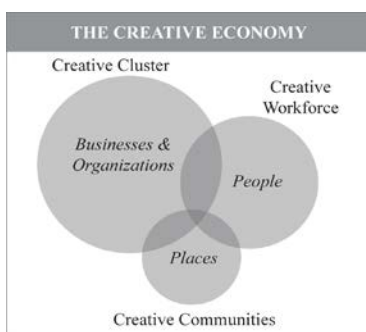
A problem of creative economy research occurs that in general there exist two main creative economy research spectrum of opinions: first is based on classical historical approach of how creative economy has developed from cultural economy

and the output of creative economy is cultural product and service; second is modern fresh approach based on creativity as a core of holistic process encompassing number of contemporary economics, innovation, social, environmental, etc. factors.

Paper presents recent solid research done in New England, Australia, United Kingdom, Developing countries. These are examples of how creative economy penetrates into economy development of cities, areas, countries and regions. A methodology of concept analysis is used to disclose the problem.

### 2. A New definition of creative economy (The case of New England)

Creative economy since the rise of the phenomena was more into trying to describe the new rival than proposing concrete solutions for measurement, definition, structure, and analysis. DeNatale, Wassal (2007), authors of a research framework for New England and beyond, including an economic analysis of New England's cultural industries and workforce (Fig. 1), have proposed a practical and applicable study, according to Jane Preston, Director of Programs, author of head notes, "progressing from a series of paper surveys limited to the nonprofit sector to a thorough and demonstrative analysis of all types of organizations and individuals, this research has become the foundation for local and statewide efforts to build New England's Creative Economy".



**Fig.1.** Framework of creative economy structure  
(Source: DeNatale, Wassal 2007)

The main findings of DeNatale, Wassal (2007) are: (1) a relatively higher concentration of creative enterprises and creative workers in a geographic area yields a competitive edge by elevating the area's quality of life and improving its ability to attract economic activity; (2) definition of the creative economy: 'cultural core', which includes occupations and industries that focus on the production and distribution of cultural goods, services and intellectual property; (3) cultural enterprises can be tracked along the production and/or distribution of cultural goods and services, based on an input/output relationship model between industries. The cultural workforce represents work that directly produces cultural goods, regardless of industry; or, work within an industry that makes cultural goods and/or services, regardless of actual work task; (4) thus New England's location quotient of 1.128 can be interpreted as saying that this region has 12.8 percent more than the national share of employment in its cultural enterprises; (5) New England's advantage lies in greater concentrations of industries and occupations of national importance; (6) New England has a greater relative endowment of persons in the cultural workforce than the U.S. as a whole; (7) three New England states rank among the top ten in artists as a percentage of the workforce, and none rank below the 50th percentile; (8) about 65 percent of the cultural workforce worked in a cultural enterprise in 2000. The remaining 35 percent therefore have an impact on non-cultural enterprises; (9) The unemployment rate of the cultural workforce in New England in 2000 was almost two percentage points below the overall rate.

### 3. Patterning the future (The case of Australia)

A significant role in theory and practice development worldwide plays Australian researcher Cunningham (2007). According to him, creative economy bigger and broader than we think, and is much more than culture and the arts. What is urgently

needed is a forward-looking view of what a 'creative economy' might look like, and what it might take to strengthen it. Author proposes "a shift from a sector-specific attention to the creative industries as one part of the economy, to the creative economy where creative occupations and intermediate outputs provide a significant input to wider innovation and growth". Main findings of Cunningham (2007) are: (1) the creative industries constitute one sector of the economy; the creative economy is formed when we move from sector-specific arguments to creative occupations as inputs into the whole economy, and creative outputs as intermediate inputs into other sectors; (2) creative inputs have the potential to be a powerful enabler of economic growth – creative skills have become economically significant, and are growing in value to the broader economy; (3) design is one of the leading examples of creative inputs into the broader economy, including, and especially, manufacturing; (4) the creative economy is growing in the context of a culture which is changing; (5) consumer activity around media and culture is do-it-yourself, user-generated content. There is more user-generated content on the Internet than professionally-produced and corporate content; (6) the deep implications of new take on culture: (a) it disrupts the linear value chain of professional modes of production; (b) the innovations are as much about distribution as production. According to Cunningham (2007), Australia needs to build a more inclusive and dynamic innovation system customized to support a creative economy and society.

### 4. Beyond the creative industries (The case of the United Kingdom)

Mapping the creative economy in the UK was presented by Higgs, Cunningham, Bakhshi (2008). Authors have presented model which offers policymakers five advantages over other models. 1) it focuses on core creative added value, excluding activities in related chains that are not central to the creative process, such as distribution or retailing; 2) it enables us better to map the extent of creative individuals working in other sectors; 3) it distinguishes between creative individuals and others who work in creative industries, a useful tool for skills and business development; 4) it uses census data rather than sample surveys, wherever possible; and 5) it enables us to determine the total personal earnings arising from creative employment, a useful indicator of its economic value (Higgs *et al.* 2008).

**Table 1.** Segment shares of overall creative employment for 1981 to 2006 and long-run growth rates of employment (Source: Higgs, Cunningham, Bakhshi 2007; Analysis by CCI of DCMS reports and custom census and LFS data tables from the Office for National Statistics)

Creative Segment	Segment's Share			20-year Ave.	Segment's Share					25-year Ave.
	1981	1991	2001		2002	2003	2004	2004	2005	
<b>Advertising and marketing</b>	5%	6%	10%	6,7%	11%	11%	11%	11%	11%	6,3%
<b>Architecture, Visual Arts and Design</b>	32%	26%	20%	1,4%	22%	22%	23%	22%	22%	1,7%
<b>Film, TV, Radio and Photography</b>	13%	10%	10%	2,4%	9%	9%	9%	9%	9%	1,6%
<b>Music and Performing Arts</b>	10%	11%	9%	3,4%	9%	10%	10%	10%	10%	3,5%
<b>Publishing</b>	26%	22%	20%	2,5%	18%	18%	18%	17%	17%	1,4%
<b>Software, Computer Games &amp; Electronic Publishing</b>	14%	25%	31%	8%	30%	30%	30%	30%	31%	6,5%
<b>Creative Workforce</b>				3,8%						3,2%

Higgs, Cunningham, Bakhshi (2008) main findings are: (1) the creative economy accounts for over 7 per cent of UK employment, consistent with the official estimates: in 2001, creative employment accounted for almost 1.9 million people or 7.1 per cent of UK employments; (2) creative employment has grown strongly over the long run, UK creative employment grew by 3.3 per cent per annum from 1981 to 2006, compared with 0.8 per cent for the broader UK economy. The highest growth rates have been among 'specialists' – creative workers within the creative industries – where average annual growth since 1981 has been 6.2 per cent. However, since 2001 overall growth slowed to 1.0 per cent, just below the UK workforce annual rate of 1.2 per cent for the same period; (3) creative incomes are higher than average: creative incomes were on average approximately 37 per cent higher than in the UK economy as a whole in 2006. But they have grown at the slower rate of 2.5 per cent per annum since 2001, compared with 3.5 per cent for the total workforce. Creative occupations generated over £40 billion in salaries and wages in 2006, while support staff in creative industries earned an extra £16.8 billion; (4) more creative people work outside the creative industries than inside them: compared with other economic activities, creative employment occurs disproportionately outside the creative industries themselves, a finding consistent with other NESTA research. Some 35 per cent of the total creative workforce is employed in non-creative sectors. This level is similar to the 39 per cent of total UK financial services workforce employed in non-financial services industries in 2001.

## 5. Creative Economy Report - policy-oriented analysis

In 2008 the first edition of Creative Economy Report prepared by initiative of United Nations Conference on Trade and Development and United Nations Development Program was a significant policy-oriented analysis for world's creative economy practice especially in developing world. According to Creative Economy Report (2008), the creative economy is an evolving concept centered on the dynamics of the creative industries. There is no single definition of the creative economy nor is there a consensus as to the set of knowledge-based economic activities on which the creative industries are based. UNCTAD (2008) has proposed economics policy oriented approach and has set more or less standardized characterization of creative economy and its heart – creative industries. According to Creative Economy Report (2008), the "creative economy" is an evolving concept based on creative assets potentially generating economic growth and development: (1) it can foster income-generation, job creation and export earnings while promoting social inclusion, cultural diversity and human development; (2) it embraces economic, cultural and social aspects interacting with technology, intellectual property and tourism objectives; (3) it is a set of knowledge-based economic activities with a development dimension and cross-cutting linkages at macro and micro levels to the overall economy; (4) it is a feasible development option calling for innovative, multidisciplinary policy responses and interministerial action; (5) at the heart of the creative economy are the creative industries. According to Creative Economy Report (2008), the creative industries:

(1) are the cycles of creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs; (2) constitute a set of knowledge-based activities, focused on but not limited to arts, potentially generating revenues from trade and intellectual property rights; (3) comprise tangible products and intangible intellectual or artistic services with creative content, economic value and market objectives; (4) are at the cross-road among the artisan, services and industrial sectors; and (4) constitute a new dynamic sector in world trade.

**Table 2.** Contribution of the European cultural and creative sector to the European national economies (Source: Creative Economy Report (2008), Eurostat and AMADEUS/Data elaborated by Media Group)

Contribution of the European cultural and creative sector to the European national economies		
	“Turnover, 2003 (all sectors included)“	Value added to national GDP (all sectors included) (%)
Austria	14,603	
Belgium	22,174	1.80
Cyprus	318	2.60
Czech Republic	5,577	0.80
Denmark	10,111	2.30
Estonia	612	3.10
Finland	10,677	2.40
France	79,424	3.10
Germany	126,06	3.40
Greece	6,875	2.50
Hungary	4,066	1.00
Ireland	6,922	1.20
Italy	84,359	1.70
Latvia	508	2.30
Lithuania	759	1.80
Bulgaria	884	3.00
Romania	2,205	1.20
Norway	14,841	1.40
Iceland	212	3.20
<b>Total European Union (25 countries)</b>	<b>636,146</b>	<b>0.70</b>
<b>Total 30 countries*</b>	<b>654,288</b>	

\*The countries covered by the statistical analysis include the 25 Member States of the European Union plus the two countries that joined in January 2007 (Bulgaria and Romania)

Evaluating contribution of the European cultural and creative sector to the European national economies (Tab. 2) now is recognized as a leading sector in generating economic growth, employment and trade.

It is important to mention that Creative Economy Report (2008, 2010) recommends policy for developing countries – “the creative sectors of developing economies have significant potential to contribute towards the achievement of at least the following six specific components of the Millennium Development Goals: (1) poverty eradication and reduction of inequality; (2) gender equality; (3) sustainable development strategies; (4) global partnerships for development; (5) strategies for the social inclusion of youth; (6) spreading access to new communications”. Being more political-ideological orientated, these goals no doubt will bring positive results in nearly future for developing countries and their rich creative cultural output.

As obstacles to the expansion of the creative economy Creative Economy report (2008) indicates: social capital as lack of entrepreneurial skills and “hard” recourses as lack of capital and lack of infrastructure and institutions.

Main findings of Creative Economy Report (2008) are: (1) trade in creative goods and services are important to the economies of developing countries. The importance of this trade highlights the strength of the creative economy in many parts of the developing world. Despite the difficult obstacles that many developing countries face in accessing global markets for creative products there is the potential for looking to export expansion as a source of growth for the creative economies of these countries; (2) policy strategies to encourage the development of the creative industries in Southern countries must recognize the cross-cutting and multidisciplinary nature of the creative economy, with its widespread economic, social and cultural linkages and ramifications. Key elements in any package of policy measures are likely to emphasize the “creative nexus” between investment, technology, entrepreneurship and trade; (3) evidence-based policy-making is hampered at present by a lack of comprehensive and reliable data on the various dimensions of the creative economy. Progress can be made in assessing production and trade in creative products in developing countries using existing statistical sources. Further progress, however, requires the development of new models for gathering data (qualitative and quantitative) concerning the creative industries and how they function within the economy as well as improvement in the quality of current data-collection processes; (4) current Intellectual Property Rights (IPR) legislation has not been able to avoid economic asymmetries. Therefore, efforts to enforce IPR regimes should ensure that the interests of artists and creators from developing countries are duly taken into account. Intellectual prop-

erty should provide a stimulus to creators and entrepreneurs in the form of a tradable economic asset that is instrumental to enhancing the potential of the creative sector for development.

### 6. Four models of the creative industries: dynamic value from economic perspective

Potts, Cunningham (2008) have proposed four models of the creative industries of the relationship between the creative industries and the whole economy, then examining the evidence for each.

M1: The welfare model. In this model, the creative industries are hypothesized to have a net negative impact on the economy, such that they consume more resources than they produce.

M2: The competition model. Model 2 differs from model 1 in allowing that the creative industries are not economic laggards, nor providers of special goods of higher moral significance, but effectively 'just another industry': in effect, the entertainment or leisure industry. In this model, which is the default setting in standard microeconomic analysis, a change in the size or value of the creative industries has proportionate (but structurally neutral) effect on the whole economy.

**Table 3.** Creative industries growth ratios (Source: Potts, Cunningham 2008)

	Australia 2000-2005	New Zealand 1996-2001	Europe 1999-2003	UK 1997-2005
CI value added (% GDP)	6.0	3.1	2.6	7.3
CI value added growth	10.4	8	5.4	5
GDP growth	4.0	3.7	2.9	3.0
CI growth ratio	2.6	2.2	1.9	1.7
CI employment growth	3.8	5	NA	2.0
	1996-2001			
National employment growth	1.9	3	NA	1.0
	1996-2001			
CI employment growth ratio	2.0	1.6	-	2
	1996-2001			

M3: The growth model. The key difference from models 1 and 2 is that model 3 actively involves the creative industries in the growth of the economy. This can occur in two principle ways: supply-side and demand-side.

M4: The innovation model. These three models might seem exhaustive of analytic possibilities: yet a fourth model is also possible. Rather than thinking of the creative industries as an economic subset 'driving' growth in the whole economy, as in model 3, the creative industries may not be well characterized as an industry per se, but rather as an element of the innovation system of the whole economy.

As Potts, Cunningham (2008) states, the basic finding for Australia, US, Britain, and the EU for 1999–2006 is that the creative industries, under various definitions, are growing at a faster rate than the aggregate economy (Tab. 3). According to the authors, the creative industries, in this view, have dynamic and not just static economic value – they contribute to the process of economic growth and development over and above their contribution to culture and society.

### 7. Conclusions

There exists no single definition and conception of the creative industries, nor systematic evaluation criteria covering objectives of the creative economy. An impact of creative economy is greater not through traditional creative industries, but through application of skill and insight model while creating state value and managing intellectual capital, i. e. integrally using a complex of scientific, artistic, cultural, technological knowledge.

Selected cases of New England, Australia, UK, Developing countries confirm how creative economy penetrates into economy development of cities, areas, countries and regions and provides with fount of economical growth, opportunities to establish new labor places, react to globalized world challenges; under various research, creative economy is growing at a faster rate than the aggregate economy. Creative economy encourages social involvement, cultural variety, and social evolution of mankind.

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