Beyond *ad hocery*: Defining Creative Industries

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ABSTRACT

This paper explores the rise of the creative industries, whose development marks an increasingly central element of contemporary economies, whose form is informational, global and networked. It begins with a discussion of the various ways in which the creative industries have been defined, in both policy statements and in the academic literature. It relates the development of the creative industries to three trends. First, it is connected to has the development of cultural industries as an object of public policy, as well as a critical rethinking of the best means by which cultural development can be supported through cultural policy. Second, the rise of the knowledge-based economy, and debates about the relationship between information, knowledge and creativity, have provided a stimulus to creative industries development. Third, the shift from manufacturing to services as the dominant employment sector has raised important issues about *the nature of services sector employment and the services industry model. Finally, there is a discussion of the significance of creative industries development to the concept of cluster development and policies to promote the development of creative cities and regions, as part of the 'night time economy'.*

Introduction

The emergence of creative industries is related to the rise of cultural industries, the significance of knowledge to all aspects of economic production, distribution and consumption, and the growing importance of the services sector. It is linked to the dynamics of the 'new economy', whose form is increasingly informational, global and networked (Castells 2000). Cultural processes such as design and signification impact upon all aspects of everyday life, particularly those related to the consumption of commodities. Culture is thus recast from being a distinct sphere of social life, to something that permeates everything from the design of urban spaces, offices, means of transport and communication (eg. the design of cars or mobile phones), the ways in which clothing signifies an identity to both its users and those who see the user, and the promotional strategies of corporations and, indeed, governments in an era of 'promotional culture' and electronic commerce. Similarly, creativity does not simply reside in the arts or media industries, but is a central- and increasingly important- input into all sectors where design and content form the basis of competitive advantage in global economic markets.

This turn to the creative industries results in part from the scope of ICTs to allow for greater flexibility in production, such as small batch production rather than long production runs. It is also connected to a growing reflexivity in consumption, or a process whereby consumers increasingly use commodities to construct a personal identity. Scott Lash and John Urry have termed this the 'semiotisation of consumption' (Lash and Urry 1994: 61), that is a part of what Mike Featherstone has identified, more broadly, as the 'aestheticisation of everyday life', connected to consumer society and the blurring of lines between art, aesthetics and popular culture (Featherstone 1991). Lash and Urry also observe that 'specialised consumption and flexible production entail knowledge-intensive production' (Lash and Urry 1994: 60), defined not only in terms of a greater need and capacity to process information, but also in terms of the capacity to creatively understand and respond to aesthetic signifiers and other non-informational- principally cultural- symbols.

Defining the Creative Industries

The formal origins of the concept of the *creative industries* can be found in the Blair Labour Government's establishment of a Creative Industries Task Force after its election in Britain in 1997, where the newly-created Department of Culture, Media and Sport (DCMS) set about mapping current activity in the creative industries, and identify policy measures that could promote their further development. The Creative Industries Mapping Document, prepared by the UK DCMS in 1998, defined creative industries as 'those activities which have their origin in individual creativity, skill and talent and which have the potential for wealth and job creation through the generation and exploitation of intellectual property' (www.culture.gov.uk/creative/creative_ industries.html). In a similar vein, the Minister for Culture and Heritage, Chris Smith, observed that:

> *The role of creative enterprise and cultural contribution ... is a key economic issue … The value stemming from the creation of intellectual capital is becoming increasingly important as an economic component of national wealth ... Industries, many of them new, that rely on creativity and imaginative intellectual property, are becoming the most rapidly growing and important part of our national economy. They are where the jobs and the wealth of the future are going to be generated (Smith, 1998).*

The Manchester Institute for Popular Culture (www.mmu.ac.uk/h-ss/mipc) has identified creative industries initiatives in the cities of Barcelona (Spain), Goteburg (Denmark), Milan (Italy), Jamtland (Sweden), Tilburg (Netherlands), Berlin (Germany), Helsinki (Finland), and Dublin (Ireland). In East Asia, the governments of Singapore and Malaysia, who were pioneers in developing networked broadband infrastructure through their 'Intelligent Island' and Multimedia Super Corridor (MSC) initiatives, have been increasingly focusing their attention upon the development of industries that can produce content for broadband services. In Australia, the Queensland State Government has invested in a Creative Industries Precinct, developing a high-tech urban village in inner Brisbane in collaboration with the Queensland University of Technology, while the Federal Government has developed a taskforce to assess strategies for Australia's digital content and creative industries. It has identified the relationship between digital content and creative industries in the following way:

> *Digital content and applications produced by the creative industries include the output of the computer games industry, web sites, digital video arts and digital film and television production covering text, graphics, special effects, animation and post-production. Digital content and applications are also produced in the fields of new media, music, architecture and design, and education and health (DCITA 2001).*

Such initiatives are consistent with the identification of content as a new growth industry in the context of digitisation and convergence, and the opportunities for growth, particularly through promoting the development of start-ups and small-to-medium enterprises (SMEs), in what the OECD has identified as the 'copyright industries', or those enterprises creating content for networked broadband services (OECD, 1998). Howkins (2001) has observed that in 1997, copyright became the U.S. economy's leading export, and the U.S. produced over $414 billion worth of books, films, music, TV programmes and other copyright products in that year. In the same year, the Spice Girls were Britain's leading export, through sales of their music, attendances at their film *Spice World*, and ancillary merchandising.

The UK Creative Industries Task Force identified thirteen sectors that comprised the creative industries:

Figure 1

Creative Industries in the United Kingdom

• Advertising	• Interactive leisure software
• Architecture	• Music
• Arts and antique markets	• Television and radio
• Crafts	• Performing arts
• Design	• Publishing
• Designer fashion	• Software
• Film	

Source: DCMS 1998.

Such listings inherently carry an *ad hoc* and pragmatic element to them. In the UK case, the inclusion of sectors such as architecture and antiques is connected to the institutionally alignment of culture with the heritage sector, while the inclusion of areas such as designer fashion may reflect both the fact that Britain is a world leader in this area, and the Blair Government's attempts to 'rebadge' the 'old country' as 'Cool Britannia' (McGuigan 1998). A recurrent feature of creative industries initiatives in Britain has been a demarcation between areas involved with mass production and distribution and hence more directly connected to the market, and the more 'artist-centred' areas of culture, which can retain a focus upon 'quality' as assessed by their peers (O'Connor 1999: 4). O'Connor argues that this distinction has arisen from the institutional divide between those areas of the performing and visual arts whose development remains predominantly associated with Arts Council subsidy, and those sectors that are associated with the new DMCS. In Europe, the term ‘cultural enterprise’ is sometimes preferred, with the distinction between private sector-driven activities and those associated with culture in a more traditional sense continuing to inform cultural policy. O’Connor rejects such demarcations between ‘commercial value’ and ‘cultural value’, arguing that:

> *The commercial sector provides wealth and employment (as do the arts), but it is also a prime site of cultural consumption for the vast majority of the population. The role of ‘arts’ in this configuration needs to be rethought not just ‘defended’ against the vulgar market. For the cultural industries have asked questions about the definition of arts and ‘culture’ itself. New forms of production, new understandings of ‘culture’, new forms of consumption and distribution have over-run the cosy separations of ‘art’ and (mass or ‘folk/ethnic’) culture set up by the European state funding systems (O’Connor, 1999: 5).*

One attempt to define the creative industries more analytically has been undertaken by economist Richard Caves, who has defined creative industries in these terms:

> *“Creative” industries supply goods and services that we broadly associate with cultural, artistic, or simply entertainment value. They include book and magazine publishing, the visual arts (painting and sculpture), the performing arts (theatre, opera, concerts, dance), sound recordings, cinema and TV films, even fashion and toys and games (Caves, 2000: 1).*

Caves has stressed that discussion of the economic properties of creative industries, and those who work in them, should be distinguished from debates about the pros and cons of public subsidy for the arts. For Caves, the importance of this point arises from the fact that both ‘subsidised’ and ‘unsubsidised’ creative industries activities share common elements, including:

1. Considerable uncertainty about the likely demand for creative product, due to the fact that creative products are ‘experience goods’, where buyers lack information prior to consumption, and where the satisfaction derived is largely subjective and intangible;
2. The ways in which creative producers derive non-economic forms of satisfaction from their work and creative activity, but are reliant upon the performance of more ‘humdrum’ activities (eg. basic accounting and product marketing) in order for such activities to be economically viable;
3. The frequently collective nature of creative production, and the need to develop and maintain creative teams with diverse skills, who often also possess diverse interests and expectations about the final product;
4. The almost infinite variety of creative products available, both within particular formats (eg. videos at a rental store), and between formats;
5. Vertically differentiated skills, or what Caves terms the ‘A list’/ ‘B list’ phenomenon, and the ways in which producers or other content aggregators rank and assess creative personnel;
6. The need to coordinate diverse creative activities within a relatively short and often finite time frame;
7. The durability of many cultural products, and the capacity of their producers to continue to extract economic rents (eg. copyright payments) long after the period of production.

What these characteristics point to, for Caves, is major risk and uncertainty about the economic outcomes of creative activities. This uncertainty and risk, and the need to spread risk and provide insurance to creative producers, has provided one reason for public funding for some creative activities. In commercial terms, risk and uncertainty are also managed through *contracts*, whereby the various parties involved in the production and distribution of a creative product seek to manage risk and diversify rewards, based upon the skills and capacities they bring to the project and the need to ensure mutual obligation to meet commitments. The ongoing management of risks, contracts and creative production processes is a factor that leads to *industrial organisation* in the creative industries, in forms such as publishing, recording, broadcasting and film companies to commission production and manage distribution; guilds, unions and legal arrangements to protect creative producers; and intermediaries such as agents to manage the more commercial elements of a career in creative practice.

A significant problem with Caves' analysis is that, because he is concerned with applying common tools to a diverse range of creative industries, he is reluctant to differentiate new forms of creative industry (such as games and interactive multimedia), from more traditional cultural industries such as film or TV, or from the subsidised arts. In *Living on Thin Air: The New Economy* (Leadbeater, 1999), Leadbeater links the creative industries to 'new economy' dynamics by identifying the key to creative industries as being the alignment of micro-businesses and SMEs in the content creation area, where creativity largely resides, with large cultural organisations- both public and private- that can provide national and international distribution networks to realise commercial value from this creativity:

> *Creative industries, such as music, entertainment and fashion, are driven … not by trained professionals but cultural entrepreneurs who make the most of other people's talent and creativity. In creative industries, large organisations provide access to the market, through retailing and distribution, but the creativity comes from a pool of independent content producers (Leadbeater, 1999: 49).*

The relationship of creative industries to the knowledge economy, cultural industries, and the services industries sector, is central to understanding the dynamics of the new economy. As 'new growth' economics identifies innovation as the principal source of economic growth (eg. Boulding 1996; David 1999), and as it is observed that sustained processes of technological and economic innovation need to be underpinned by social, cultural and institutional innovation, the question of what are the conditions that support or retard creativity has become one that is not only of interest to those involved with the creative industries, but has come to be of interest to policy makers worldwide. Manuel Castells has observed that the new economy is cultural, in that its dynamics are dependent upon 'the culture of innovation, the culture of risk, the culture of expectations, and ultimately, on the culture of hope in the future' (Castells 2001: 112).

Cultural Industries and Cultural Policy: Three Stages of Development

The concept of the *cultural industries* was first developed, albeit in a bitterly ironic fashion, by the German Marxists Theodor Adorno and Max Horkheimer (1977), in their critique of the industrialization of culture in advanced capitalist societies. For Adorno and Horkheimer, the industrialization of culture, and its absorption within capitalist industry and commodity aesthetics, meant the negation of 'true' art and culture, and the artificial differentiation of cultural commodities in the context of overall standardization and mass production. Adorno and Horkheimer's account of the culture industries has been critiqued from a number of standpoints (Bennett, 1982; Mattelart and Piemme, 1982; Thompson, 1991; Sinclair 1996). John Thompson summarises the problems with the Frankfurt School approach with his observations that it presents 'an exaggerated view of the cohesive character of modern societies and an overly pessimistic prognosis concerning the fate of the individual in the modern era' (Thompson, 1991: 97). Moreover, by developing a critique of the cultural industries that saw an ideal form of culture as one that was 'too closely connected with nostalgia for a cultural experience untainted by technology' (Mattelart and

Piemme, 1982: 52), it lost sight of the overall economic dynamics of the industries that provided mass communication and cultural goods and services.

The elitist disdain for mass media and commercial culture found in early accounts of the cultural industries was to some extent mirrored in traditional rationales for arts policy. Early forms of arts and cultural policy strictly demarcated between publicly supported ‘excellence’, and popular arts and cultural forms that were primarily commercial in orientation. In traditional arts policy models, governments supported the production and exhibition of art forms such as opera, orchestras, theatre, the visual arts, dance and literature, on the basis of:

1. A discourse of *social improvement*, and a belief that such cultural forms have intrinsic worth to the community;
2. Systems of *public subsidy*, whereby government financial support was provided on the grounds that these forms were not otherwise commercially viable;
3. Promotion of *national culture*, and the belief that ‘elite’ arts could best represent national character and cultural aspirations.

What resulted was a paradoxical situation whereby cultural activities became the focus of arts policy only to the extent that they failed to reach sufficiently large audiences to be commercially viable. In a study commissioned by UNESCO, Augustin Girard observed this central paradox of national cultural policies that had promoted state-funded cultural activities with limited impact, while largely ignoring and often condemning the commercial sector of the cultural industries. Girard argued that, contrary to such cultural policy assumptions, ‘far more is done to democratise and decentralise culture with the industrial products available on the market than with the “products” subsidised by the public authorities’ (Girard, 1982: 25). Indeed, the legacy of the ‘left-pessimist’ position had proved to be politically counter-productive, since, in its focus upon supporting those areas of arts and culture least contaminated by commerce, it supported those activities with the lowest rates of growth in consumption and the strongest class biases in terms of who consumed them (DiMaggio and Useem, 1978).

A second, and more productive approach to understanding the cultural industries emerged in Europe, and particularly in Britain, in the 1980s. Political economist Nicholas Garnham, advising the Greater London Council (GLC) in the early 1980s, observed that a central danger of what he termed the ‘idealist’ tradition in cultural analysis, that rejected the market and focused on a residual approach to public intervention in the cultural sector, was that:

> *Most people’s cultural needs and aspirations are being, for better or worse, supplied by the market as goods and services. If one turns one’s back on an analysis of that dominant cultural process, one cannot understand either the culture of our time or the challenges and opportunities which that dominant culture offers to public policy makers. (Garnham, 1987: 24-25)*

Rather than defining cultural industries in terms of their difference from the products of mass production and distribution, Garnham offered a more descriptive definition of the cultural industries as ‘those institutions in our society which employ the characteristic modes of production and organisation of industrial corporations, to produce and disseminate symbols in the forms of cultural goods and services, generally, although not exclusively, as commodities’ (Garnham, 1987: 25). For Garnham and other cultural policy theorists (eg. Mulgan and Worpole, 1986; Lewis, 1990), such an approach pointed to the need to get a better understanding of how cultural industries and cultural markets actually worked. One of Garnham’s most significant findings was that the media sectors were far more important in the United Kingdom as employers of labour, objects of consumption, and areas of public intervention, than the traditional performing and visual arts, defined as those which received support through Government arts funding.

These analytical frameworks were drawn upon in Britain by groups working with Labour-controlled local councils in cities hard hit by industrial decline, such as Bradford, Sheffield, and Glasgow. In Australia, cultural industries research was developed through the Australian Key Centre for Cultural and Media Policy (eg. Bennett, 1998), and informed the Keating Labor Government's *Creative Nation* cultural policy statement, released in 1994 (DoCA, 1994). Such approaches understood cultural industries as being important in terms of their contribution to national economic development, and pointed to the value-adding possibilities arising from effective policy development, particularly in relation to developing the cultural industries value chain, or ensuring that the products and outputs of artistic creativity were better distributed and marketed to audiences and consumers.

This expanded definition of cultural industries also enabled media policy to be seen as a form of cultural policy, in line with shifting notions of culture from aesthetic excellence to the whole way of life of a community. Cultural policy also sought to reach sectors, such as popular music, that had typically not been well served by traditional arts policy, as well as emergent sectors such as multimedia (Breen 1999; Comonos 1996). The focus on the arts and cultural industries as having economic importance also led to a burgeoning literature on the economic value of the arts, that identified a new role for arts and cultural industries as generating flow-on and multiplier effects for other industries, and as important to quality of life, the 'image' of cities and regions, tourism, and ancillary service industries (Myerscough *et. al.* 1988; cf. Gibson 1999; Throsby 2000).

These second-stage analyses of the cultural industries broadened and enriched debates about the role of cultural policy quite considerably. At the same time, a number of abiding problems emerged. The first was definitional. If cultural industries were defined in general terms as those sectors involved in the production of symbolic goods and services, was it then possible to exclude any activity of industrial production that had a symbolic dimension? Was the design and branding of a Coca-Cola can a part of the cultural industries, or the use of indigenous artwork on a QANTAS jet, or the design of mobile phones, or the use of music by artists such as Moby or Fatboy Slim to promote the sale of those phones? The definitions of culture drawn from cultural theory were of little help in making these distinctions, divided between an aesthetic definition which tended to equate culture with the subsidised arts, and an anthropological definition of culture as a way of life that was so all-inclusive as to prevent almost any realm of human activity from being defined as ‘cultural’. The issue is also not simply rhetorical since, as creativity becomes a value-adding service to a range of enterprises, the sorts of investment in creativity and cultural development that may lever the best policy outcomes may not necessarily be delivered through those institutions and practices deemed by policy-makers to be ‘cultural’ (O’Regan 2001).

The second problem, which is derived from the first, was that, in practice, cultural industries tended to be largely defined as those activities that were under the policy purview of those areas of government that were already defined as responsible for the administration of culture. The Australian *Creative Nation* statement, to take one example, identified cultural policy as being responsible for such areas as: performing arts; orchestras; contemporary music; literature; dance; visual arts and crafts; film; television; radio; multimedia; built heritage; cultural property; indigenous cultural heritage; open learning; and libraries (DoCA, 1994). Within this list, there were areas that more obviously attracted governmental support than others- orchestras rather than contemporary music, and film and television more than radio- but the point remains that the bases of support were defined primarily by the areas that were within the policy domain of the Department of Communications and the Arts. Indeed, in an earlier policy statement (DASET, 1991), media industries such as television and radio were absent from cultural policy, on the basis that they were at that time administered by a different government department, responsible for transport and communication.

This *ad hoc* element in defining the cultural industries for policy purposes should not be seen as accidental. What has become increasingly apparent in policy debates around the cultural industries, is the extent to which they have been drawn upon by traditional elements of the subsidised arts, that have been able to selectively use the economic discourses surrounding cultural industries, particularly the elements associated with market failure- such as public good, merit good and externality arguments- to accommodate more traditional arguments for arts subsidy (Craik, 2000). For their critics, such arguments have been based upon a combination of state paternalism and special pleading, and use contemporary economic analysis in order to justify the continued use of public revenue for the benefit of particular well-organised interests, and present the associated danger of policy-makers being 'captured' by these special interests (Court, 1994; Peacock, 1997). As Justin O'Connor has noted in the British case, 'The economic aspect [of cultural industries] was mostly used opportunistically by arts agencies or city cultural agencies concerned to bolster their defences against financial cuts and ideological onslaught by the conservative government' (O'Connor, 1999: 4).

Arguments justifying the continuation of existing forms of arts and cultural funding while broadening the definition of the cultural industries also exposed the problem of inappropriate mechanisms to support emergent cultural industries sectors. While cultural industries discourses stressed the economic value of artistic and cultural activities, they were also widely seen as being about providing new forms of legitimation for traditional arts and cultural sectors. As a result, they were not seen as willing to address the limitations of traditional forms of cultural policy, such as the difficulties faced in broadening the audience/consumption base beyond higher-income earners with the requisite levels of cultural capital (Gibson 1999), and a perception of decision-makers being ‘captured’ by their clients, and a tendency for peer assessment to encourage familiar patterns of funding and be based on pre-existing affinity networks (Court 1994; Madden 2001). Moreover, such frameworks have been unable to engage with sectors such as popular music and multimedia, which are highly dispersed in their employment and participation patterns, largely operate without strong representation by industry bodies, and are characterised by decision-making processes that are incompatible with the timeframes required for bureaucratic allocation of resources (eg. Brown *et. al.* 2000; Flew *et. al.* 2001).

Creativity, Content and the Knowledge-Based Economy

A better case for supporting artistic and creative activities may arise from a better understanding of the relationship between information, knowledge and creativity, and the ways in which sustained technological and economic innovation is accompanied by social, cultural and institutional innovation, and the existence of cultural formations that promote innovation and risk-taking. The emergence of a *knowledge-based economy* has been identified as a central trend in modern economies, in recognition of the increasingly important role of information, technology and learning in economic performance (OECD 1996). Structural transformations towards a knowledge-based economy include:

1. The shift of economic activities towards more knowledge-intensive sectors, particularly those involving extensive application of ICTs;
2. Changing patterns of investment, with a growing emphasis upon investment in ‘intangibles’, such as research and development, organisational restructuring, and ICTs;
3. A general ‘upskilling’ of the workforce across all economic sectors;
4. Growth in exports of high technology products.

Charles Leadbeater has defined the role of knowledge in the new economy in these terms:

> *In the new economy more of the value of manufactured products will come form the software and intelligence that they embody, and more of what we consume will be in the form of services. Across all sectors the knowledge content of products and processes is rising … Knowledge push and market pull have made know-how the critical source of competitive advantage in the modern economy (Leadbeater 1999: 39).*

The concept of *knowledge push* refers to the growth in outputs in education and scientific research arising from public and private investment, and the ways in which ICTs speed up the production, collection and dissemination of such research outcomes, enabling more rapid transformation into new products, services, activities and processes. *Market pull* factors that promote the rise of a knowledge economy include economic globalisation, increased competition, greater sophistication in consumer demand, and the growing importance of intangible assets, such as branding and know-how, to competitive advantage. Leadbeater emphasises that this phenomenon is not confined to the high-tech industries or elite knowledge workers. Rather, 'the increased supply of know-how and the growing demand for innovation affect virtually every part of the economy and all organisations within it, large and small, manufacturing and services, high-tech and low-tech, public and private' (Leadbeater 1999: 47).

Brown and Duguid (2000) have pointed out that knowledge is not synonymous with information. At an epistemological level, they distinguish knowledge from information on the basis of the personal dimensions of ownership of knowledge, the difficulties in disembedding knowledge from those who know it, and the need for knowledge transfer to involve a learning process. Arguing that a knowledge economy is different, not only to an industrial economy but also to an information economy, they emphasise how 'the importance of people as creators and carriers of knowledge is forcing organisations to realise that knowledge lies less in its databases than in its people' (Brown and Duguid 2000: 121). Pointing to the limits of knowledge management by means of distribution of knowledge through ICTs, such as 'best practice' knowledge in an organisation, they differentiate between *networks of practice*, or the distribution of knowledge within an organisation through newsletters, Web sites, e-mail, online discussion lists etc., and *communities of practice*, or the ways in which people in an organisation acquire knowledge through a shared, and typically face-to-face, learning process. In order to build communities with a shared commitment to knowledge creation and knowledge sharing, Brown and Duguid argue for the development of communities of practice, and indicate that the transition from 'atoms' to 'bits' should not be seen as a one-off, linear process, since 'there are advantages to working together, however well people may be connected by technology' (Brown and Duguid 2000: 146).

Brown and Duguid's observations about the embodiment of knowledge and learning in people and communities is supported by Andy Pratt's (2000) observation that knowledge in the new economy is characterised not only by its weightlessness but also by its embeddedness in people, locations, networks and institutions, and the related point that cultural activity and employment is not only growing, but is becoming more tied to places, especially cities. Justin O'Connor (1999b) has connected this to new modes of cultural production and consumption among the young (18-35 years old) in urban centres, associated with what sociologists Scott Lash and John Urry (1994) have termed *reflexive accumulation*, where consumption takes increasingly expressive and symbolic forms as expressive of one's identity and positioning within a local culture, which in turn feeds into new 'postmodern' modes of cultural production, characterised by O'Connor where:

1. Making money and making culture are one and the same activity;

2. There is an antipathy to distinguishing between ‘work time’ and ‘leisure time’;
3. There is a heavy reliance on informal networks for information and ideas;
4. There is an emphasis on intuition, emotional involvement, immersion in the field, and an ‘enthusiast’s’ knowledge of the market;
5. Cultural producers desire to ‘work for themselves’ and outside of the ‘9-to-5’ routine.

Such a workforce is central to the development of content for new media. In identifying content as a new growth industry, the OECD has observed that ‘content creation for large media companies is already often outsourced to small and medium enterprises (SMEs) … SMEs are in a number of instances becoming the seedbeds of innovative content creation in digital technologies’ (OECD 1998: 5). The growth of the new media sector in New York’s ‘Silicon Alley’ in the 1990s was driven by freelance workers and SMEs. Pavlik (1999) has observed that of the 4,881 new media companies in New York in 1997, 68 per cent had been in business for less than three years, and 30 per cent had been established in the last eighteen months. Factors that promoted the development of new media industries in New York in the 1990s included the availability of a large pool of creative talent; proximity to customers, particularly in the traditional media and publishing sectors; availability of extensive support services; and the image and credibility of the city. Kenney and von Burg (2000) have observed that the development of the San Francisco Bay Area, or ‘Silicon Valley’, was based upon the development of two interconnecting economic structures. The first (economy One) was established organisations and those who supported their activities, such as specialist suppliers, customers and research institutions such as universities. The second (Economy Two) was the institutional infrastructure that had emerged to support the creation and growth of new firms, or start-ups.

In the case of both New York’s ‘Silicon Alley’ and San Francisco’s ‘Silicon Valley’, there is a complex and embedded relationship between creativity, innovation, knowledge transfer and entrepreneurship, which has opened up considerable debate - to be considered below - about what are the conditions for developing creative industries in particular cities and regions, and can the experiences of one city or region be translated into success in other places. There is an argument, to be explored in more detail below, that creative personnel, and those establishing SMEs and microbusinesses, seek not only work opportunities, bandwidth and venture capital, but also a *creative milieux* in which to establish these enterprises, that generates pleasure, enthusiasm and networking opportunities with other creative people. The relationship between ‘creative cities’ and ‘creative regions’ and the supply of creativity and innovation will be considered in more detail below.

Services Employment and the Services Industry Model

A third major trend in advanced capitalist economies has been the rise of the *services industries*. In terms of both employment and the share of total output, the services industries have grown in significance for most of the 20^{th} century, and especially in the period after 1970. Castells and Aoyama (1994) traced trends in non-farm employment in the leading industrial economies (or the Group of Seven, or G-7 economies) in terms of the proportions of the workforce involved in industrial and services activities, and in the handling of goods or information. They observed significant shifts in all G-7 economies, especially in the United Kingdom and the United States, which could now be considered to be predominantly services-based economies. Importantly, Castells and Aoyama’s analysis indicates that, in terms of employment, advanced capitalist economies become service industry-based economies before they become information or knowledge economies, as services industries are typically more labour-intensive and less able to be automated than both manufacturing and information-based industries. This is seen in the higher growth of the services: industry ratio than the information: goods ratio in the table below.

Table 6.4

Employment Trends in Selected G-7 Economies 1920-1990

	Germany			Japan			United Kingdom			United States		
	1920	1970	1990	1920	1970	1990	1920	1970	1990	1920	1970	1990
Industry	59.1	51.2	41.5	46.3	42.1	35.8	53.0	49.4	29.6	48.0	34.0	24.9
Services	40.9	48.8	58.5	53.7	57.9	64.2	47.0	50.6	70.4	52.0	66.0	75.1
Goods Handling	78.8	71.4	60.8	76.8	73.0	65.9	76.3	67.6	54.2	73.3	61.2	51.7
Information Handling	21.2	29.1	39.2	23.2	26.9	33.4	23.7	32.2	45.8	26.7	39.0	48.3
Services: industry (ratio)	0.7	1.0	1.4	1.2	1.4	1.8	0.9	1.0	2.4	1.1	1.9	3.0
Information: Goods (ratio)	0.3	0.4	0.6	0.3	0.4	0.5	0.3	0.5	0.8	0.4	0.6	0.9

Source: Castells and Aoyama 1994, pp. 15-16.

Any discussion of the size and significance of the services sector raises a number of conceptual and analytical problems. The first is that any attempt to measure the size of the services sector comes up against the inadequacy of existing methods of gathering industrial data. This reflects the tendency of the Standard Industrial Classification (SIC) categories, developed in the heyday of manufacturing industry, to make detailed classification within industry, but to treat services as a residual category, defined as those activities that are not agriculture, mining, construction, utilities or manufacturing. As a result, simply observing the growth of service industries employment may be in part a statistical illusion, generated by inadequate classificatory schemas. It may also not be particularly informative, since the term covers so many disparate industries and forms of employment that the implications of services industries growth may be hard to determine. Castells and Aoyama (1994) disaggregate the services sector to some extent by differentiating between:

1. *Producer services*, such as business and professional services, financial and insurance services, and real estate;
2. *Distributive services*, or those services associated with transportation and communication;
3. *Social services*, including government services, and other health, education and welfare services;
4. *Personal services*, such as tourism and recreation, entertainment and hospitality, domestic, retailing, and services associated with personal appearance and well-being (eg. hairdressing, fitness services).

Another issue arising from consideration of services is their relationship to industrial production. There has been a tendency, first emerging in classical political economy, to see the production of physical output as constituting the ‘real economy’, and to see services as essentially derivative activities, or else as largely unproductive and wasteful (Allen and du Gay 1994). A contemporary variant of this argument sees services industry work as involving the creation of poorly-paid, low-skill jobs with high employee turnover – so-called ‘McJobs’, after the McDonalds fast food chain – or as being symptomatic of an unbalanced economy that is highly vulnerable to economic fluctuations, such as economies that are strongly based on tourism and migration, such as the state of Florida in the United States, island nations such as Bermuda and the Bahamas, or the Gold Coast region in Australia. Such negative perceptions of the services sector, which emerged in part as a reaction to overly optimistic assessments of ‘post-industrial society’ (Castells 1999), have obscured some important points. Most importantly, it obscures the growing convergence between manufacturing and services. Larry Hirschhorn (1988) has argued that the growing significance of design and service principles in the delivery of quality products to meet more specialised customer expectations, combined with the move from mass production to flexible production aimed at niche markets, means that service-based and knowledge-based activities are integral to contemporary commodity production in all of its sectoral forms. As a result, while services sector industries are becoming industrialised and using ICTs to enhance productivity, manufacturing industries are increasingly adopting the 'relational' elements of product sale and delivery that have historically typified the services sector (cf. Allen and du Gay 1994).

Such developments are particularly relevant to the cultural and creative industries. Andy Pratt (1997) has argued that the nature of the cultural industries value chain is such that clear distinctions between content creation, manufacture and distribution, and final delivery of a product or service, are difficult to make, and are becoming more difficult as new media technologies are increasingly applied at all stages of the value chain. Scott Lash and John Urry have argued that, contrary to the dire predictions about the industrialization of culture in advanced capitalism, other manufacturing and services industries are increasingly taking on characteristics of the cultural industries:

> *Even in the heyday of Fordism, the culture industries were irretrievably more innovation intensive, more design intensive than other industries. The culture industries, in other words, were post-Fordist avant la lettre. … Our claim is that ordinary manufacturing industry is becoming more and more like the production of culture. It is not that commodity manufacture provides the template, and culture follows, but that the culture industries themselves have provided the template. (Lash and Urry 1994: 123)*

Their argument is that contemporary models of 'flexible production' are not merely more knowledge-intensive, with increased flexibility being associated with the need to incorporate more detailed information about customers, service and product quality into the production process. They are also more *design intensive*, and hence more explicitly cultural, since the inputs are not only informational, but also aesthetic, and value adding involves the acquisition of sign-value properties associated with the brand and the image of the product. There is also a growing significance attached in all sectors of the economy to product research & development, and the testing and trailing of prototypes, which is very much in keeping with the development of the cultural or creative industries, where the production of physical commodities is a minor sub-set of the activities associated with discovering creativity and distributing and marketing it to identifiable sections of the community.

Cluster Development and Creative Cities and Regions

A further element of creative industries development is the emphasis upon locational geography, and particularly the formation of creative industries clusters. The development of creative cities and regions in the knowledge-based economy has been associated with what Harvard Business School economist Michael Porter (1998) has described as the development of *clusters*. Porter defines clusters as ‘geographic concentrations of interconnected companies and institutions in a particular field’ (Porter 1998: 78). The elements of a cluster can include suppliers of specialised inputs, providers of specialised infrastructure, producers of complementary products and services, specialist customers, and universities and research institutions that provide specialist knowledge, training, information, education and technical support. New York’s ‘Silicon Alley’ and the San Francisco Bay Area’s ‘Silicon Valley’ are two examples of clusters in the high-technology sector, but others include the Californian wine industry, the Italian leather fashion industry, the German chemicals industry, and the Hollywood film industry. Clusters generate competitive advantage for those within them in three ways. First, they increase the productivity of firms within the cluster through access to specialist inputs, labour, knowledge and technology. Second, they promote innovation, by making all forms aware more quickly of new opportunities, as well as enhancing the capacity for rapid and flexible responses to new opportunities. Third, they promote new business formation in related sectors, through distinctive access to necessary labour, skills, knowledge, technology and capital.

The significance of clusters to ICT development and creative industries is at first glance paradoxical, since a characteristic of economic processes that are increasingly informational, global and networked would seem to point to the declining significance of geographical location to economic activity. In contrast to traditional performing arts and cultural industries, where consumption in real time in defined geographical spaces is central, distribution through new media technologies points to the delivery of content to the home, workplace, educational institution or other sites that are not linked to the geographical site of production. The development of the Internet as a global content distribution network means that, subject to available bandwidth capacity, content creators can be promiscuous and footloose in where they sell or distribute their content to, just as content distributors can source material from many points of the globe. This is in contrast to traditional national cultural policies, where national cultural authorities have sought to use funding to direct cultural production towards particular national cultural goals.

The declining significance of place was one prediction that was commonly made in the early development of new media technologies. One way to understand the continuing significance of place in the new economy is to note the stalled history of tele-working, or working from home. Contrary to earlier predictions, the level of tele-working, or tele-commuting, is about 2 to 3 per cent of the workforce in OECD economies. By contrast, what has grown dramatically has been ‘supplementary work’, or working professionals undertaking additional tasks from home, or from other designated workspaces, as well as working in their offices, which means that an increasing number of workers have an ‘office-on-the-run’, as well as a designated workspace. Part of the reason for this lack of a shift to tele-working no doubt lies in the distinction between information and knowledge observed by Brown and Duguid (2000); all imformation is accessible over the Internet from home, but the cognitive processes through which information is transformed into knowledge occur through the development of a shared understanding among one's peers, and that, more often than not, happens in the workplace.

The significance of geographically-defined clusters arises not only from the limits of teleworking, but also from the nature of networked knowledge entrepreneurship. Such entrepreneurs increasingly require location within and around sites that provide relatively low-cost, modern office space, access to high-speed bandwidth and high-end facilities, and access to networks of individuals and companies with complementary skills, particularly business and legal skills. Castells and Hall identified these as *milieux of innovation*, which has a spatial dimension based upon complementary skills co-existing within a particular site, but which is primarily 'based on a social organisation that by and large shares a work culture and instrumental goals aimed at generating new knowledge, new processes, and new products' (Castells 1996: 389-390). Such sites can include what Saskia Sassen (1991) identified as *global cities*, such as New York, London, Paris, Tokyo, Singapore and Sydney, or what Castells and Hall termed *technopoles* such as Silicon Valley, New York's 'Silicon Alley', Boston's Route 128, the 'Cyberjaya' development in Malaysia's Multimedia Supercorridor, and the Shenzhen special economic zone in China (Castells and Hall, 1994). The development of Silicon Valley as a high-tech entrepreneurial region rested in part upon its two economies: established organisations such as Hewlett-Packard and the supplier, producer services, consumer and research organisations that clustered around them; and the network of new entrepreneurs, venture capitalists, and suppliers of producer services that supported the development of new SMEs (Kenney and von Burg 2000).

A number of cities and regions have sought to develop their creative and cultural industries through public intervention, either in response to the decline of other sectors such as industrial manufacturing, or in response to the absence of a perceived economic base in other sectors. Within such frameworks, culture is not understood simply as a competitor for consumer spending, or as a supplement to everyday life and commerce, but as a central wealth-creating component of the new economy. Charles Landry (2000) has drawn attention to the significance of a *creative miliex* to the development of creativity in modern cities and regions, which he defined as a combination of *hard infrastructure*, or the network of building and institutions that constitute a city or a region, and *soft infrastructure*, defined as 'the system of associative structures and social networks, connections and human interactions, that underpins and encourages the flow of ideas between individuals and institutions' (Landry 2000: 133).

The concept of 'soft infrastructure' is a reminder that networks are never simply technological, or clusters simply institutional or economic; both are embedded in systems of ongoing interaction among institutions in communities, frequently linked in physical and interpersonal rather than virtual terms. It is also an indicator of the importance of creativity, not simply in the development of new products, services or IT code, but in the development of a dynamic city or region. Lovatt and O'Connor (1995) have referred to the importance of a city's *night-time economy* as a factor in the development of sustainable creative infrastructure, and as a potential source of locational advantage in a globalised economy. As the city is increasingly a site of consumption, and a site of cultural, creative and services production, rather than of industrial production or '9-to-5' office work, the leisure, entertainment, hospitality and tourism sectors are increasingly important elements of the 'night-time economy', or the range of activities undertaken by tourists and by locals outside of the hours of formal work or study. As they note, such developments require innovative public policy thinking, that sees activities associated with the night-life of a city, not as a problem for local authorities, but as both a source of new opportunities for creative industries development, and as part of a *creative milieu* that gives a city or region a dynamic image, and acts as an attractor to creative personnel in globally networked new economy industries.

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