

EUROPEAN
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THE “CREATIVE SECTOR” – AN ENGINE FOR DIVERSITY, GROWTH AND JOBS IN EUROPE

An overview of research findings and debates
prepared for the European Cultural Foundation

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EXECUTIVE SUMMARY

The paper asks, how the arts and the culture / media industries could contribute to the general goal “Growth and Employment” of the renewed EU *Community Lisbon Programme* (July 2005). It defines the scope of a “Creative Sector” from a European perspective and discusses recent research findings and debates, in addition to drawing some conclusions for further action.

In contrast to the current debate among economists about a “creative class” (R. Florida), a proposed European definition of the *Creative Sector* comprises the arts, media and heritage with all connected professional activities in public or private organisations, including in neighbouring fields such as design, architecture or the production of music instruments. It points to linkages between the different fields and identifies occupational or “creative clusters” as well as “complementary relationships” between public institutions and private companies or non-profit bodies.

The paper summarizes main empirical findings, including:

- The *combined workforce of the Creative Sector* in 31 European countries (EU, 2 applicant countries and EFTA) can be estimated to be higher than 4.7 million people (ca. 2.5% of the total European workforce), the number of gainfully employed being near to or above 5 million. In comparison, US-figures are near to or above 2.5 million.
- While some countries still report *growth rates in cultural employment*, these are, on the average, not as high as in the 1990's, due to the general economic slowdown.
- The *gross market value* of the Creative Sector in 31 European countries, which is still growing, can be estimated to over 380 billion € - with a share of ca. 23% for public bodies, including broadcasting. This surpasses many traditional industrial sectors and represents a similar, if not higher financial volume as compared to the United States.
- Most private companies in the sector can be characterized as *micro and small businesses* which are locally rooted or closely tied to regional economic cycles. Usually, they are managed by their owners with an average of below 5 staff members. The greatest problem of this structure is undercapitalization, which blocks needed investments e.g. into marketing or technical equipment.
- While European businesses in some fields, such as film or music, face serious problems, due to *global imbalances and new market structures*, others such as the book market or festivals can be considered on the prosperous side and as world leaders.
- The important role of the arts and heritage for the *economic development of cities and regions*, based on direct or indirect revenues and their employment effects, is of particular importance for regions suffering industrial decline in a post-Fordist age.
- The role of artists for *innovation and diversity* in society is of high value; they can free individual talents and passion in large sections of the population. Therefore, new political strategies aim to value the arts more on their own merits.

Against this background, the paper deplores that the renewed “Community Lisbon Programme – An Agenda for Growth and Jobs” does not take account of the potential strength of this sector, thus disregarding possible contributions or needs of millions of individuals, cultural initiatives and businesses in Europe.

The paper concludes with a list of different types of *action to be taken by the EU and national governments*, including compensating global market inequalities and dependencies; recognising European cultural values and potentials through reforms to the Structural Funds and other EU programmes; improving the financial conditions (“bankability”) for small and micro businesses in the Creative Sector; harmonising legal, social and VAT frameworks; and enhancing transparency and expertise.

PAPER

In July 2005, the European Commission issued a renewed “Community Lisbon Programme”² which is to serve its general goal: “Growth and Employment”. This programme addresses three main areas for political action at the EU and Member State levels, namely:

- “Knowledge and innovation for growth,
- Making Europe a more attractive place to invest and work,
- Creating more and better jobs.”

Unfortunately, the renewed Lisbon programme fails to recognise the potential contributions of the arts and the culture / media industries within their framework for action. Therefore, the purpose of this paper, in addition to defining the scope of a “Creative Sector” from a European perspective, is to summarize recent research findings and debates in this area and to draw some conclusions for further related action.

1. A NEW “CREATIVE CLASS”?

One of the most influential and recent theories on employment growth and the value of creativity is associated with the name of Richard Florida, the American economist and author of *The Rise of the Creative Class*³.

The basic, and indeed quite simple argument of Florida can be summarised as follows: Since the industrial economy is fading away, the “creative economy” with a new class of workers is to take its place. He defines this “creative class” (which supposedly already constitutes 30% of the US workforce and earns 50% of all salaries) according to a broad set of qualified professional positions ranging from mathematics and natural sciences occupations to higher level commercial positions as well as academic, legal, public administration and security occupations. Of course, artists and other cultural professions, the crucial group of “Bohemians”, according to Florida, are also included in this set.

It is no wonder, that Florida’s approach has been appealing to some cultural circles, since it seems to nourish the now popular belief that worldwide, “the arts and culture have moved away from a position of marginality to being at the core of new economic development strategies”, as the vice-chair of the Canada Council of the Arts, Simon Brault, put it⁴: However, what emerges from a closer look at the issues dealt with by Florida is a scenario which could further stir up economic competition among cities and regions in the Western hemisphere and less a new theory of relevance for the cultural sector. As Steve Pearlstein resumes (Washington Post, April 25, 2005):

“Florida’s thesis is that, in the new global economy, the regions that succeed will be those that are magnets for the highly educated, highly mobile, innovative people that high-wage, high-growth companies need to hire. These are cool and distinctive places that welcome newcomers, offer a wide range of quality lifestyle amenities, celebrate their diversity and allow people to validate their identities as creative people...”

² “Common Actions for Growth and Employment: The Community Lisbon Programme”. Communication from the Commission to the Council and the European Parliament, 20.7.2005, COM(2005) 330 final.

³ Florida, Richard: *The Rise of the Creative Class – and how it’s transforming work, leisure, community and every day life* New York, 2002; and his more recent upgrade publication: *The Flight of the Creative Class*. New York, 2004.

⁴ Brault, Simon: *The Arts and Culture as New Engines of Economic and Social Development* Institute for Research on Public Policy, *Policy Options*, March-April 2005. However, that these engines and strategies are not really “new” ones can be seen from a rich body of literature, the up to now 13 biannual conferences of the Association for Cultural Economics International (ACEI) and empirical studies such as the five “Culture Industries Reports” commissioned by the Ministry of Economy of the German state of NorthRhineWestphalia since the early 1990’s.

Florida's concept – similar to other economic development theories⁵ – works with statistical indicators and is therefore tempting for some to test in different regional settings. If we take these studies and look at them from a cultural perspective we find revealing results:

- Some main points in Florida's argumentation are upheld in a study carried out in the *Netherlands*⁶, in particular, emphasising that in order to stimulate economic growth it is less important "which or how much education people can boast of, but what they really do in working life". Employment growth, on the other hand, is attributed to general commercial/financial development, the services sector and to the creation of new (start-ups) companies. With the exception of the city of Amsterdam, the Dutch researchers were doubtful whether such growth "has anything to do with bohemianism, or creative ethos, other than social interaction", but they acknowledge a point which is less relevant for Richard Florida and figures more prominent in earlier theories of human capital and cultural economics: "Amenities – such as culture, environmental beauty and, as a typical Dutch amenity, the amount of historic buildings – are most likely to attract a creative class to Dutch cities."
- Similar results come from a study on the city of *Montreal*, in which Florida himself participated.⁷ On the one hand, a great number of artists, high-quality cultural infrastructure, and the fact that a majority of Montreal's population speaks French and English are mentioned, which contribute to Montreal's image of a diverse and "dynamic cultural metropolis that holds creation, invention, and emerging talent in high esteem." On the other hand, the idea that the 'creative class' would include only or mainly artists and culture-based occupations is again dismissed: "This couldn't be further from reality. The arts and culture sector is crucial to attract and retain creative sector talent, but it's only one of the four segments (*of the creative workforce in this concept*), and it's hardly ever the largest."

Of course, there have also been critical voices about the new Guru and his ideas, ranging from overstating correlations, selecting irrelevant occupational categories or using outdated figures from the height of the dot.com boom before it collapsed. Some of this is echoed by economist Ann Daly⁸:

"No doubt, this big idea will go the way of its predecessors, like economic impact studies and Robert Putnam's theory of social capital. The problem with such totalizing theories is that there is... no single index, no single calculation, no silver bullet that solves everything with one well-aimed shot. Our world is too complex, and too quickly changing."

Despite this, she admits that Florida's belief in creativity as the driver of economic growth has at least "established the foundation for a serious public discourse about cultural growth" which, in her view, would merit the following conclusions:

- "First, we need to expand our exclusive focus on organizations. We have just begun to ask: what do artists need?⁹ The era of grand institution-building is over; the future is in networks. The era of project grantmaking is over; the future is in infrastructure.
- Second, cultural growth needs to be planned on the basis of emerging conditions rather than past practices...
- Third, the creative sector needs to establish the interpretive function that transforms research data into policy recommendations..."

⁵ Cf. an overview of the „Human Capital“ approach in V. K. Mathur: "Human-capital-based strategy for regional economic development", *Economic Development Quarterly* XIII (1999).

⁶ Marlet, Gerard; van Woerkens, Clemens: *Skills and Creativity in a Cross-section of Dutch Cities*. Stichting Atlas voor gemeenten; Utrecht School of Economics, Utrecht University, Discussion Paper Series 04-29, 2004. See also Boschma, Ron A. et al: *Creative Klasse en regionale-economische groei*. Research Paper, Utrecht University, (2005) which tries to measure the share of the "Creative Class" in the workforce of different European Countries (NL top, Turkey bottom of the ranking).

⁷ Stolarick, Kevin; Florida, Richard; Musante, Louis: *Montreal's Capacity for Creative Connectivity: Outlook & Opportunities*. Montréal: Catalytix, 2005 (cf. <http://www.creativeclass.org>).

⁸ Daly, Ann: "Richard Florida's High-class Glasses" in *Grantmakers in the Arts Reader*, Summer 2004.

⁹ Such questions may be new to American economists. In Europe they were addressed in reports and empirical studies since the 1970's and shortly after (e.g. in France, Germany, the Netherlands, Switzerland or Sweden) and were part of the Programme of National Cultural Policy Reviews initiated by the Council of Europe in the 1980's.

2. “CREATIVE INDUSTRIES” OR THE “CULTURE SECTOR” - A FEW WORDS TO DEFINE THE FIELD

Before going into definitional details, we should first admit that, for many years, the commercial part of the cultural sector and its contributions to the labour market have been seriously underestimated or were even totally ignored in European debates about cultural policy and development. Quite often the problem of attracting private “sponsors” for the arts has received more attention (even in economic discourses), despite the fact that sponsorship is rather marginal in most countries. On the other hand, discussions about financing the arts and heritage have been often and mainly focussed on budget figures of state and local authorities whose dimensions are sometimes greatly exaggerated.

The lack of proportion in such debates can be exemplified by examining a country like Germany which prides itself in maintaining the worlds largest system of fully staffed public theatres, opera houses and ballet ensembles at a cost of more than 2 billion Euro per year and where the mostly consumer-supported private culture industries are about 5 times as important in financial terms in comparison to the total level of public expenditure for the arts and heritage and almost 100 times more significant than private donations and sponsoring activities.

In the context of this short overview, there is no room for an extensive debate about the different meanings and connotations of either “culture” or “creativity”. While it is clear that, from a more anthropological perspective, *culture* encompasses most human expressions, value systems and even institutional constructs, we can adopt an “arts & media+” definition in a now common European understanding. This comprises the arts, media and heritage with all connected professional activities in public or private organisations, including those in neighbouring fields such as design or “cultural tourism”, and without a qualitative pre-judgment (such as “high” and “popular culture”).¹⁰

Similar limitations can be applied to the term *creativity* which, of course, could be, and indeed is, equated with all types of complex innovations or everyday intellectual flexibility, be they in scientific or business arenas. However, in a cultural context, as it has just been clarified, we do not need to take up Richard Florida’s main concern of how much or little creativity is to be found in the management of US companies or cities, nor the trendy idea to pump up the economic value of the “creative industries” by including general advertising or software development revenues¹¹ into this definition. Thus the adjective “creative” could be seen as another characterization of about the same activities or occupational tasks just mentioned. In other words, for this paper it does not really matter whether we speak of a “culture sector” or a “creative sector”, as long as all private, public and informal activities related to culture in the larger sense are understood to be part of it.

Of course, compromising on the question of definition does not mean to overlook possible political implications of such terms. For example, the supposedly all-encompassing “creative industries” approach in the UK has long been suspected to tear down all barriers between public service institutions or non-profit initiatives and commercial undertakings in the cultural sector, which may partly be attributed to the connotations the term “industry” has in different languages, especially if seen in a historical context (cf. e.g. Adorno/Horkheimer’s analysis of the “Kulturindustrie” some 60 years ago¹²).

¹⁰ For a contextual view see Cliche, Danielle; Mitchell, Ritva; Wiesand, Andreas Johannes in co-operation with Heiskanen, Ilkka and da Pozzolo, Luca: *Creative Europe*. Bonn: ARcult Media, 2002.

¹¹ Main “creative“ activities of importance for advertising or e.g. computer games are already addressed in other occupational fields, in particular by designers.

¹² cf. Kaufmann, Therese; Raunig, Gerald: *Anticipating European Cultural Policies*. www.eipcp.net, 11/2002. According to them, “it seems that due to the concept and the hype of the ‘creative industries’, there is a tendency to focus on the possibilities of economic exploitation rather than on the critical, participatory and political potential of cultural content.”

However, we should acknowledge that the political make-up in London has not been, and is still not, quite that one-sided:

- In the 2005 portfolio of the Cabinet member, *Secretary of State for Culture, Media & Sport* Tessa Jowell, we find, indeed, a “Minister for Creative Industries and Tourism” with responsibility for mainly market-oriented activities such as film, music, the performing arts, crafts, broadcasting, advertising, industrial and other kinds of design, architecture, publishing, the art and antiques market, as well as computer games and services, fashion, tourism, entertainment licensing, press & censorship and other domains – which is, of course, a slightly more extended definition of what is called, in other parts of Europe, the “culture industries”.
- On the other hand, Tessa Jowell’s portfolio also includes a “Minister for Culture” who is in charge of the arts, heritage, museums and galleries, libraries as well as architecture, cultural aspects of educational, regional and social policy, the Government art collection, Royal estates etc., in other words, for fields that are similar to the responsibilities of most of the other Ministries of Culture in Europe.¹³

While the UK division of labour within a single Government body is not yet common in many European countries (where e.g. commercial or educational activities still tend to be dealt with in separate Ministries), there is now a clearer understanding of the relevance of market forces in the overall development of culture and the media, as well as of the fact that these do not rule out – or even presuppose – the involvement both of public bodies and more informal, non-profit actors in the sector. Empirical reports¹⁴ and international conferences¹⁵ contributed to this result which enables us to propose the following scheme (Fig. 1) to further clarify the definition of a “Creative Sector”. With the exception of a relatively flexible and mobile “artistic core” group, the scheme identifies 8 distinct occupational fields that are commonly found in Europe (the size of elements in the scheme is a rough indicator for their importance in the sector’s labour market):

Increasingly, these fields are interlinked within the sector (e.g. music publishers or instrument makers with public music schools) and beyond (e.g. design with related industries such as fashion). This is why some researchers identify *occupational or “creative clusters”*¹⁶ and also point to “*complementary relationships*” (such as between public opera houses and mostly private musical theatres).¹⁷ A closer look into specific branches or value chains would also see different actors in the sector to be of greater or lesser significance, for example, the book market is normally less concerned with public funding bodies than film production.¹⁸

In addition, we must see the sector from a larger European and international perspective even if trans-border links and exchanges are more significant for branches such as pop music or dance than e.g. for drama or most heritage sites. However, the basic elements of the scheme would still apply to most European countries and thus to a description of the Creative Sector that is able to cover the whole continent. The strong presence of public theatres and media organisations (radio and TV, most of which financed via licence fees) marks, of course, the most obvious difference between the continental European tradition and conditions in the USA, where this is mainly a private domain.

¹³ Council of Europe/ERICarts: *Compendium of Cultural Policies and Trends*. 2005 (<http://www.culturalpolicies.net>).

¹⁴ In addition to the already mentioned “Culture Industries Reports” in Germany, similar studies were recently carried out in Austria (cf. KMU Forschung Austria and IKM: *Erster Österreichischer Kreativwirtschaftsbericht*. Vienna 2000) and Switzerland (cf. Weckerle, Christoph; Söndermann, Michael et al: *Kulturwirtschaft Schweiz*. Zürich 2003), as well as the “Comparative Study of the Cultural Products and Services Industry EU-USA” carried out by EUCLID for the European Parliament, 2003 and a – still unpublished – report in the Netherlands.

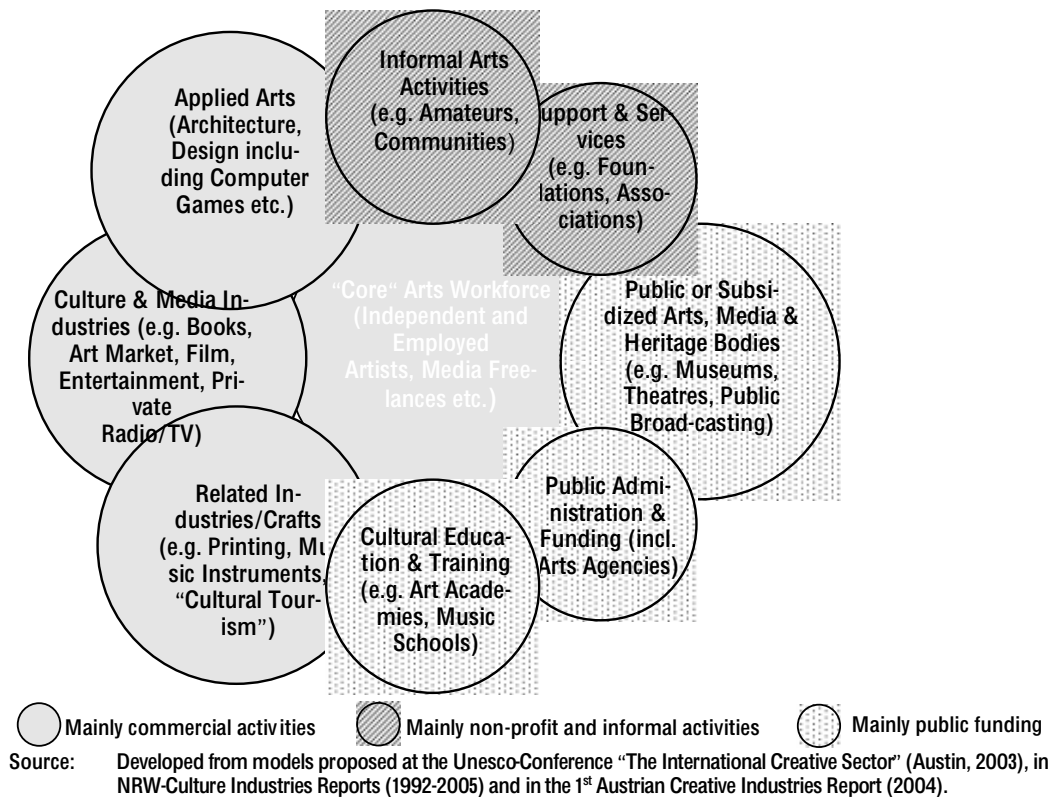
¹⁵ e.g. the Research Conference organized by UNESCO and different American partners: *The International Creative Sector: Its Dimensions, Dynamics, and Audience Development*. Austin: University of Texas held June 5 – 7, 2003. (cf. proceedings, summarized by Isar, Yudhishtir Raj: <http://www.culturalpolicy.org/pdf/UNESCO2003.pdf>) or the international congress “Culture Industries in Europe – A Comparison of Development Concepts” organised May 19 – 21, 1999 in Essen under the German Presidency of the European Union.

¹⁶ e.g. KMU Forschung Austria and IKM, 2000 or Margaret Wyszomirski at the Conference “The International Creative Sector”, *ibid*.

¹⁷ Arbeitsgemeinschaft Kulturwirtschaft: *Kulturwirtschaft in Nordrhein-Westfalen: Kultureller Arbeitsmarkt und Verflechtungen* (3rd Culture Industries Report NRW). Düsseldorf, 1998.

¹⁸ ERICarts in co-operation with FinnEkvit, Mediacult, OBS and ZfKf: *Culture-Biz*. Bonn: ARCCult Media, 2005.

Fig. 1: The “Creative Sector” – Arts, Media and Heritage in a European Perspective



3. SOME EMPIRICAL FINDINGS ON THE EMPLOYMENT AND ECONOMIC CONTRIBUTIONS OF THE CREATIVE SECTOR

3.1 General Trends

An empirical assessment of this complex sector, beyond the national or regional perspectives, proves to be a difficult undertaking, due to the persisting lack of comprehensive and truly comparable statistical evidence.¹⁹ This needs to be considered in the following paragraphs where, in some cases, statistical estimates or projections cannot be avoided.²⁰ What can be generalized, however, are some basic facts about the culture and media industries and public arts services which have at least two important employment characteristics in common. They are:

- *knowledge-intensive*, i.e. they require specific talents and/or high qualifications, and
- *work-intensive*, i.e. they depend less on capital or technology investments and thus can create a high number of jobs within a short time (most of these at comparatively low cost).

¹⁹ As regards the implications of different sources, definitions and classifications (e.g. NACE/ISCO) for statistical efforts to map the sector, see e.g. EUCLID: *Comparative Study of the Cultural Products and Services Industry EU-USA*. European Parliament, 2003. Of course, such difficulties are aggravated when comparisons with countries outside of the EU are intended.

²⁰ In the present paper, efforts were made to organise data - particularly labour market statistics - on the basis of official Eurostat figures according to the general definition supplied in part 2. Where specific sources are not provided, the figures given (e.g. for the turnover of private enterprises and self-employed professionals) are projections of Michael Söndermann/ARKStat based on partial results for some European countries. In this context, economic differences between Western European countries have been accommodated at a rate of 8:7 or, with regard to EU 15 in comparison with new EU Member States, at a rate of 2:1.

One can also find differences, however:

- With the exception of a small number of media conglomerates and some medium-sized companies in specific branches (e.g. book publishing), private businesses in the sector can be characterized as *micro and small businesses* which are, to a large extent, locally rooted or closely tied to regional economic cycles. Usually, they are managed by their owners and permanent staff numbers are, on the average, only 3 –5 per company. In comparison, *public arts institutions tend to be larger* than their private counterparts, e.g. figures in the 150 German public theatres and opera houses with artistic staff can reach 800 and more employees (about 250 on the average).
- In public arts bodies, the spread of specific professional (e.g. artistic, educational) full time jobs is wider. As far as “content” production is concerned, the private culture industries employ mostly “freelances” or persons with short-time working contracts;
- Private businesses tend to be closely connected to *production and service networks* (“clusters”) which allow them to be flexible in the face of economic crises.

3.2 The European Labour Market

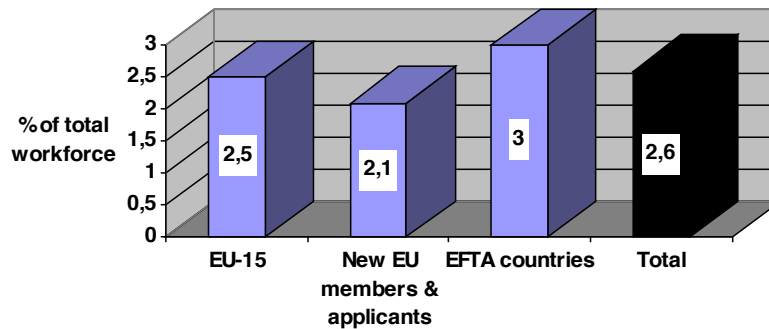
According to recent estimates, there are approximately 4.7 million people gainfully employed in the European Cultural or Creative Sector including in the 25 EU member countries, in the four EFTA states (Switzerland, Liechtenstein, Iceland and Norway) and in the two applicant countries Bulgaria and Romania. 71% of these are salaried employees, 29% work as self-employed or employers. This figure is modeled according to the definition given in a study on the Cultural Sector that has been carried out by the research department of the French Ministry of Culture (on the basis of 2002 Eurostat data from a survey on the European labour market). The following “core areas”, for which official data are available, are included in the definition: publishing and music industries, film and video, radio and television, visual and performing arts as well as literature, libraries, museums, architecture, design and the retail trade with cultural products. In line with the definition for the Creative Sector provided above, advertising, the computer industry or activities in research & development were not included. Due to the absence of comparable data in relation to that definition, jobs in cultural administration and education as well as from the “Third Sector” and from some related industries (e.g. “cultural tourism”) could not be taken into account; if they were to be added, the overall employment figures would surely rise above 5 million.

While differences in definitions do not allow a direct comparison with figures from the *United States*, we can use the May 2004 data from the U.S. Department of Labor, which indicates that about 1.6 million people work in “arts, design, entertainment, sports, and media occupations”. If we omit the sports sector and add architects, this figure would not really change; what needs to be considered, however, is a missing number of employees in the retail sector, e.g. book shops, galleries and the like. The latter are taken into account in the figure of 2.9 million employees provided by the advocacy organisation “Americans for the Arts”²¹ which, however includes categories such as advertising or patents agencies. Be this as it may: we can safely conclude that the US labour market figures for the “Creative Sector” (in a European definition) are markedly less than those in Europe, possibly 50% lower.

As *figure 2* demonstrates, the Creative Sector represents around 2.6% of the European labour market (2002 figures for about 30 European countries) The EFTA countries arrive in the top position with a share of 3.0%; smaller countries such as Iceland even show a European high at 4.2%. The average for EU-15 countries of 2.5% is influenced, above all, by the Nordic countries (3.1 to 3.5%), the United Kingdom (3.2%) and Germany (2.7%). Other EU countries like France, Italy, Belgium or Austria show lower figures (2 to 2.2%). New EU members and applicant states arrive at 2.1%, with large differences between Estonia, Lithuania, Slovenia and Cyprus (2.5 to 2.7%) and the rest (below 2%).

²¹ Americans for the Arts: *Creative Industries 2005: The Congressional Report*. Washington, 2005.

Fig. 2: Share of the Creative Sector in the European Labour Market, 2002



Source: Compiled on the basis of the report, *L'emploi culturel dans L'Union européenne en 2002*. Ministère de la culture et de la communication, Département des études, de la prospective et des statistiques (Deps), Paris 2005

The *dynamic growth* of the European Cultural Sector has led, during the 1990s, to a steady increase in employment (however, with a high rate of part-time or “fragile” jobs): on average, the number of employed persons grew, between 1995 and 2000, by about 3 to 5 percent annually, and even more so in some countries.

Growth figures such as those mentioned above should not be taken for granted, as could be seen during the recent economic slowdown in Europe, where general consumer demand went down which affected the readiness of cultural and media employers to maintain their staff or to offer commissions for freelances and other companies. In addition to the effects of shrinking public budgets (due to losses in the tax yield), this has led in many countries to smaller growth rates, to *stagnation* or even to negative developments in the cultural and media workforce. For example, the German employment figures in the Creative Sector went up nearly 20%, during the period between 1996 and 2001, but did not really change until 2004, while in the UK the overall growth rate of the workforce active in the “Creative Industries” has been, between 1996 and 2003, below 10%.²² Such figures, however, could even be seen as a “success” for the arts & media, if compared to other sectors and to the high rate of unemployment in the general European labour markets. Maybe we should learn from the “Americans for the Arts” organization which, despite a slight decrease in 2004 US-employment from the previous year (-0.8%), praises its figures as a proof “that the arts are a robust and formidable economic growth sector”.

3.3 Estimating the Economic Output of the Creative Sector

The *turnover of private companies and self-employed* persons working in the Creative Sector in the 31 European countries recorded in this paper can be estimated, on the basis of results of some individual countries, to reach about 310 billion € (2002); these figures are generated on the basis of about 670.000 companies and independent contractors (in addition to a high number of artists and other self-employed which operate below the level of VAT tax assessment). As could be expected, the largest share with approx. 180 billion € is generated by four countries: Germany, the United Kingdom, France and Italy. On the other hand, their importance in smaller economies can even be larger²³. The EU-15 states all together reached a total of about 273 billion €. For the new EU member states, the turnover can be estimated in the

²² Compiled by ARKStat on the basis of “Creative Industries Economic Estimates.” Statistical Bulletin, August 2004. DCMS and “Mikrozensus 2004”, Statistisches Bundesamt.

²³ for example, the market volume of part of the creative sector in Finland (printed, electronic and recorded media) accounts for 3.7 billion euro or 2.6% of the national GDP. *Finnish Mass Media* (2004) and other sources quoted by Ritva Mitchell in “The Culture Industry in Finland: Evolving Gender Balance in Film Making” in: *Culture Biz*, Bonn, 2005.

range of about 27 billion €, thus merely at one tenth of this economic potential. Businesses in the arts and media industries of the four EFTA states have an estimated collective turnover of about 10 billion €.

Such figures cannot be easily compared to e.g. the US market since, as pointed out before; the European picture is strongly influenced by publicly funded institutions and activities.

Efforts to determine a Europe-wide, “integrated index” which could take into consideration both public and private sector figures – and, hopefully, even the “Third Sector” – appears to be a near to impossible task. In the first place, public cultural funding follows, despite all harmonization efforts, the “sovereign” rules and practices of individual states and even more so, when it comes to regional bodies or local communities.²⁴ Comparability across borders is, in such contexts, of much lesser interest than are e.g. cultural traditions, political priorities and the more or less developed public infrastructure in specific fields such as heritage or classical music, to mention just two. “Profile-building” is, as well, the aim of most non-profit organizations, foundations and the like – which does not really make statistical exercises easier...

Taking into account the complicated structure of the public sector part of the European Cultural Sector, the following basic data, generated on the basis of different sources (e.g. Eurostat, “Compendium”, national statistical offices and cultural ministries), can only be considered conservative estimates which may provide fuel for further debates:

Key Financial Figures for the European Creative Sector
(Minimum estimates for 31 countries)

I. Turnover of taxable private companies and self-employed (not including VAT), 2002	310 billion €
II. Funding for culture and the heritage from public budgets, all levels (gross amounts) 2000	55 billion €
III. License fees for public broadcasting systems (radio and TV), 2000	16 billion €
IV. Private sponsoring and contributions of foundations to cultural activities and institutions, 2000 ²⁵	ca. 3-6 billion €
I.-IV. Total (in terms of figures)	ca. 385 billion €

Of course, the volume of 385 billion € is only a mathematical indication, since there exist some overlaps both within these categories and between them. On the other hand, these figures are only minimal values, since not all activities relevant in the Cultural Sector can be traced via the present national tax statistics or other official data (and only 31 of the more than 45 European states are included). This is why we could try to work with them in an effort to roughly compare the European situation with the large US market.

According to John Howkins²⁶, the monetary dimension of the global „Creative Economy“ – in a very large definition, including e.g. research & development or the computer industry – can be estimated, for 1999, at a gross value of 2.240 billion US Dollar; the USA accounting for 960 billion US Dollars. If, instead, the more restricted, “cultural” definition for the “Creative Sector” proposed in Section 2 of this paper would be applied (without advertising, research etc.), the global monetary turnover stands at ca. 1.077 billion US Dollars, with the United States accounting for one third

²⁴ See above “Compendium of Cultural Policies and Trends in Europe” (www.culturalpolicies.org) and, for the local level, an account of a great variety of models for the legitimization of public intervention, based on the example of the *Eurocult 21* network of cities, by Guy Saez: “La ‘gouvernance culturelle’ des villes dans l’espace politique européen”. In: *L’Observatoire des politiques culturelles*, No. 28, Summer 2005.

²⁵ Estimate based on a five-country comparison (A, CH, D, NL, UK) of Norbert Sievers/Bernd Wagner/Andreas Joh. Wiesand: *Objektive und transparente Förderkriterien staatlicher Kulturfinanzierung – Vergleiche mit dem Ausland*. Expert Opinion for the Commission of Enquiry “Kultur in Deutschland” of the German Federal Parliament, 2004.

²⁶ Howkins, John: *The Creative Economy. How people make money from ideas*. New York, 2002.

of it (ca. 341 billion \$, 1999). Indicators show, that more recent figures would not be decisively higher, even if the well developed corporate sponsoring and contributions from foundations are taken into account.

The result: In a direct statistical comparison with the United States (which does not take currency parities into account), the European Creative Sector has a similar, if not higher financial volume.

3.4 Markets and Public Intervention: Examples from Two Branches

In this short paper, we cannot provide an in-depth analysis of developments in all different branches of the Creative Sector. Some European branches or industries are known to be very successful and also highly competitive (also globally) including, for example, festivals, design or the book market. Others such as film or music face serious problems, due to the global imbalances and new market structures influenced by digital technologies and the Internet. A few figures and trends from two branches, film and book publishing, will reveal some of the strong points and weaknesses which characterise the European culture & media industries.

Compared to the estimated 15.7 billion USD international box office made by the Motion Pictures Association of America (MPAA), European *film production* generated little more than 2 billion euros in 2004. Such grim figures²⁷, to which a 2004 market share of over 70% for US-films in the Europe of 25 contributes, do not mean that there has been a shortage of European feature films: 764 were produced in 2004²⁸ against only 475 productions in the United States. Two main factors help explain this apparent contradiction:

- First of all, European distribution companies – large or small – control less than 30% of their own market which is dominated by a few global (US-based) giants and their “blockbuster” marketing strategies. For the same reason, the financially important US market is practically closed to the import of European productions (their cinema market share: less than 5%).
- For European producers, this leads to low revenues which could be re-invested into new productions and marketing strategies. The typical budget for a European feature film is less than 10% of the average investment for a MPAA release, which amounted to 63.6 million USD in 2004. Even in the UK, which enjoys a privileged situation due to a high amount of “inward feature investment” from US companies, average budgets for 2004 domestic films fell to £4.4 million from £6.1 million in the previous year.

Recent data provided by the UK Film Council also shows the consequences of such market imbalances: In almost all European countries, more and more small and very small production companies – many of them indeed “single film” units – struggle for tiny shares of a, at best, stagnant market. Between 1996 and 2004, the number of UK film and video production companies (VAT registered) rose by an astonishing rate of 202% (from 1,745 to 5,275 companies). How undercapitalized most of these new businesses must be, is revealed by the proportion of film and video production companies in the £1,000-£99,000 annual turnover band, where, during the same period, their share increased from 41% to 57% of the total (compared with a reduction from 53% to 44% for the same turnover band for UK all industries).

²⁷ European Audiovisual Observatory: *Focus 2005: World Film Market Trends*. Strasbourg, 2005.

²⁸ France is the largest producing country in Europe and boasts a domestic market share of around 50% of cinema audiences (as compared to Austria with only 1.5%).

We can safely conclude that, without massive state subsidies, including tax shelters, and/or commissions and co-productions offered by public (and partially also private) TV companies, European film production would now stand on the verge of collapse, despite all efforts to produce glamour at the Berlin, Cannes or Venice film festivals.

In addition, efforts to develop a more integrated, pan-European film industry are still in an infant stage, despite sizable project support given by the EU (Media Programme) and the Council of Europe (Eurimages). Film policies are, in many producing countries, influenced by considerations of “national prestige” which affects the development of a European market. According to the interviews conducted in the “Culture Biz” project²⁹, there remain serious obstacles due to national bureaucracies which are not yet familiar with European laws or with trans-national ways of working as well as practical challenges to overcome, for example, linguistic barriers when producing a film involving professionals from different countries. The sheer amount of administrative work required when engaging in such co-productions has become, according to one German film director, a disincentive for some to even apply for funding from European programmes.

In contrast with film, the European market for *book publishing* appears to be in better shape. According to industry statistics supplied by the Federation of European Publishers (FEP), which are not compatible with data supplied by Eurostat,³⁰ the annual turnover of book publishers in the EU is approximately 21 billion €. With a production of over 450,000 titles per year, the European output is definitely much higher than in the USA where publishers produced over 170,000 titles and accounted net sales of ca. 18 billion € (2003).

As well, the FEP survey points to some other trends in the EU market (mainly for 2002):

- German language books have the largest market share (ca. 24% of the turnover), followed by books published in English (23%), Spanish and French (both approx. 15%);
- Children’s books are the main growth area in book publishing (up 9.5% from early 2000), which can, at least partly, be attributed to the “Harry Potter” phenomenon;³¹
- Full-time employment amounted to ca.129,000, a slight downward trend.

Over the past decades, the world book market has undergone major changes and is now highly concentrated. It first experienced a series of horizontal mergers and take-overs of publishing companies. These enlarged publishing companies became vertically concentrated as they began to acquire book-shops, distribution companies, printing facilities etc. Since the 1980s, a third step was taken towards multimedia (or “diagonal”) concentration, as many important publishing houses became integrated into larger, often trans-national multimedia consortia, some of which operate globally and include film, music and television companies as well as production and distribution facilities. According to critics³², an oligopoly is rising which has reduced competition and fostered marketing strategies concentrating on bestsellers and big name authors.

Europe has not been spared from these tendencies and in some countries one or two conglomerates are indeed shaping the market. For example, the Mondadori Group in Italy, which is part of the media consortium controlled by the Berlusconi family, claims a value market share of 26.8% and in Norway, the Gyldendal and Aschehoug publishing houses control almost 40% of the book retail trade.

On the other hand – and similar to the tendencies in the film market – the number of small or niche publishers entering the market is growing, partly under the influence of the “digital revolution”. New forms of production and distribution such as “print-on-demand” and Internet sales have improved the chances for such start-ups. SME’s can definitely profit from new technologies,

²⁹ See above ERICarts, 2005.

³⁰ cf. an analysis of both sources under <http://www.publishing-watch.org/documents/books.aspx>. According to Eurostat data, the annual turnover of book publishers in Europe is nearer to €30 billion.

³¹ Of course, this situation is not only relevant in the field of children’s books as discussions among branch professionals about the “midlist problem” show: More and more, mainstream fiction publishers make their profits just with a few international bestsellers, while print runs for average titles go down and such books may be taken out of the regular market after just two or three years. Similar to the “blockbuster”-problem mentioned earlier in the film part of this paper, some bestsellers block large parts of the marketing budgets and jam distribution channels and thus prevent other works from getting into book stores.

³² e.g. Schiffrin, André: *The Business of Books: How the International Conglomerates Took Over Publishing and Changed the Way We Read*. 2000.

since soft- and hardware now allows the typesetting and design of a book to be accomplished on a single computer or the fast transfer of technical tasks to cheap-labour countries.

While *direct subsidies* to independent publishing houses is mostly limited to countries with smaller (language) markets, e.g. in Scandinavia and some Central and Eastern European countries, the book market is highly dependent on *indirect public support* through legal frameworks (e.g. a widely practised fixed book price system or copyright and contract laws) as well as tax privileges, in particular, the general application of the lower VAT rate for book sales. These conditions have helped the industry to grow and maintain their independence in world markets.

4. MULTIPLE BENEFITS GENERATED BY THE CREATIVE SECTOR

4.1 The Case of Cities and Regions

The important role of the arts for the economic development of cities and regions and as a catalyst for urban regeneration is not really a new discovery. However, as advanced economic theorists like David Throsby point out, the interest of researchers and policymakers has widened and now embraces “broader issues of the urban cultural fabric, community values and the prospects for re-thinking urban design along environmentally and culturally sensitive lines”³³. From this perspective, there are at least four, often parallel roles to play for culture in the life and development of cities, including:

1. *Symbolic functions* (e.g. in their role as cultural “hot spots” like Barcelona, Berlin or Vienna, through festivals that shape the identity of a whole city like in Salzburg, Avignon, Edinburgh or Bayreuth, or through cultural landmarks such as the Tower of Pisa or the old market in Cracow, all of which, in addition to generating revenues, contribute to a city’s image or help to defend prominence in worldwide media coverage);
2. “*Cultural districts*” acting as a node for urban development (like in Pittsburgh or Dublin);
3. The *culture and media industries* as an important and vital component of a city's economy (as can be seen e.g. in London, Amsterdam, Sydney or Cologne as well as in smaller towns and in larger regions); and
4. A more socially integrated, *pervasive role* for culture “through the fostering of community identity, creativity, cohesion and vitality” (Throsby).

Even if the (measurable) results of these and other functions tend to benefit mainly the already established cultural centres³⁴, they have, nevertheless, proven to generate

- *direct revenues* for the local economy through spending on cultural goods and services by local consumers and visitors, including “cultural tourists”;
- *indirect spending effects* on the incomes of other businesses and individuals such as restaurants, hotels and transport services - for example, estimates show that “the Edinburgh festival industry brings a £135 million boost to Scotland’s economy and supports 2,900 full time jobs. In addition, local and UK national media coverage has an advertising value of almost £12 million”, in addition to the monetary effect of international media coverage during the festivals.³⁵

³³ Throsby, David: *Economics and Culture*. Cambridge, 2001.

³⁴ One of the results in a recent study for the Dutch Ministries in charge of culture and economic affairs, edited by Marlet, Gerard (Stichting Atlas voor gemeenten) and Poort, Joost (SEO Economisch Onderzoek): *Cultuur en creativiteit naar waarde geschat*. Amsterdam/Utrecht, June 2005. See also *Culture Industries in Europe – Regional development Concepts for Private-Sector Cultural Production and Services*. Proceedings of the Essen Conference 1999 published by the NRW Ministries in charge of culture and economic affairs, Düsseldorf 2000 or Steirische Kulturinitiative (ed.): *Schafft Kultur neue Arbeit?*. Vienna, 2000.

³⁵ *Edinburgh Festivals 2004-2005 Economic Impact Survey*, January 2005 (<http://www.eif.co.uk/pdfs/summer.pdf>). On the other hand, such impact studies should not provide the only basis for, e.g. increased arts funding. In contrast, arts funding should rely mainly on other criteria such as innovative artistic programmes.

- *direct and indirect employment effects*, sometimes also replacing jobs lost in economic transition processes away from traditional industries and, more generally,
- *other economic benefits* for urban regeneration through the diversification of the local economic base, of particular importance for regions suffering industrial decline in a post-Fordist age.

Where these processes take place, we can see, in addition to material benefits, improvements in social stratification, more economic dynamism and an enhancement of the image of a city or region which can make it more attractive for the establishment of new businesses. Whether these benefits would necessarily apply to larger countries and could even be used as a blueprint for planners around the world seems less obvious. According to economists like Throsby, “no single model of development” can be considered appropriate to all circumstances and locations, despite all globalization tendencies. This is particularly important, when the cultural sector is at stake where, according to him, “pluralism, not uniformity” is essential and individual as well as collective freedom need to be respected. Such concerns however, do not rule out – and may even favour – approaches such as those taken in an EU Commission paper³⁶ almost 10 years ago, where the importance of culture for structural development programmes was highlighted, including the development of culture and tourism in rural areas, cultural education and urban renewal, or fostering inter-regional co-operation through ICT – these and similar goals have, indeed, been important guidelines for many successful projects and initiatives that have since been aided by the EU Structural Funds.

4.2 Artists as Motors of Innovation

In all planning contexts, particular attention must be given to the *role of artists and intellectuals* in overall societal developments, where they often act as mediators at the interface of communication processes while at the same time being creators of new messages and movements with the ability to translate them into aesthetic forms. This position can be of crucial importance when there is a need to open up new intellectual horizons, e.g. with regard to the meaning and consequences of “globalization”, or at times where political changes are overdue and a take-off phase is to be prepared in the minds and hearts of broader sections in the public – the political reform processes that took place some 15 years ago in Central and Eastern Europe provide many examples where this role has been verified.

Here we should not forget that political or economic change often depends first on “aesthetic irritations”, that is, on the overthrow of traditional views and beliefs that block innovation and economic growth. As well, the capacity of artists to translate between different ideas, beliefs or cultural traditions must be taken in account. Michael Hutter has studied such processes throughout his scientific career. In addition to obvious economic and technological contributions of more recent communities of artistic practice such as the *Bauhaus* movement, he points e.g. to the role of Medieval, Renaissance or 19th century artists and composers to our perception of space and time, which are “among the most fundamental cognitive conventions in human interaction”.³⁷ According to his observations and those of other researchers, artists such as Ghirlandaio or Velasquez made ground-breaking contributions to a world view where the traditional distinction between a heavenly and terrestrial sphere could be overcome and new techniques, e.g. in geometry, construction and spatial planning, developed as well as commercial expeditions around the globe prepared.

On a more practical side, we should consider the implications this artistic role has had, throughout history, for the development and validation of specific new technologies. Some go so far to claim that only the arts, science and technology together could form the basis for creativity, innovation and productivity in any society, others see a particular innovative role of modern media artists since electricity was first used as an essential component of an artistic work to facilitate non-linear forms of communication.³⁸ Stephen Wilson points out:

³⁶ “Cohesion Policy and Culture” (COM(96) 512 final).

³⁷ For an overview of his research see Hutter, Michael: “Structural Coupling between Social Systems: Art and the Economy as Mutual Sources of growth”. In: *Soziale Systeme*, Vol. 7, Nr. 2, 2002.

³⁸ Daniels, Dieter: *Kunst als Sendung. Von der Telegrafie zum Internet* Munich, 2002. See also ERICarts: *Culture-Gates – Exposing Professional ‘Gate-keeping’ Processes in Music and New Media Arts* Bonn: ARCult Media, 2003.

"At the early stages of an emerging technology, the power of artistic work derives in part from the cultural act of claiming it for creative production and commentary. In this regard, the early history of computer graphics and animation in some ways mimics the early history of photography and cinema."³⁹

Some of the leading companies in the Creative Sector industries already started to recognize this potential power of artistic research and productivity. Warner CEO Edgar Bronfman at the annual Freedom Foundation Convention in Aspen, 2005: "Technology shapes music and music influences technology. The best proof for that is the iPod". It is to be deplored that such insights have not yet been captured and sufficiently brought to fruition in public development programmes, both on the national or European levels, despite much talk about the crucial role of "new content" for economic success in the information society.⁴⁰

5. TO VALUE THE ARTS ON THEIR OWN MERITS – A NEW CHANGE OF PARADIGM?

"In the Netherlands the shift towards looking at 'the economic contribution of the arts as a justification for assisting them' is a recent one. For decades the Dutch system for subsidising artistic activity was based on the idea that arts and economy are in completely different domains. The rise of the cultural or creative industries changed all that, as it became increasingly clear that one could make money from artistic creativity. It seems a bit strange, though, that the economic discourse seems to be gradually nullifying all voices arguing that the arts also produce non-economic value."⁴¹

These and similar concerns are now voiced everywhere in Europe and beyond. Fears that the arts might be increasingly "instrumentalized" i.e. put into economic or bureaucratic straightjackets which could curb individual creativity and discourage artistic passion, can be heard from the side of concerned artists just as much as from scientific or journalistic observers. So it came as a kind of surprise when, in May 2004, Tessa Jowell, the UK Secretary of State for Culture, Media & Sport, issued a statement on "Government and the Value of Culture"⁴² which could almost be seen as a contradiction to the image of her country as trying to be mainly a hot spot for commercially driven "creative industries". Among her theses we can find the following:

"Markets have their place, but theatres, galleries or concert halls also need intelligent public subsidy if complex culture is to take its place at the heart of national life..."

Too often politicians have been forced to debate culture in terms only of its instrumental benefits to other agendas - education, the reduction of crime, improvements in wellbeing - explaining - or in some instances almost apologising for - our investment in culture only in terms of something else. In political and public discourse in this country we have avoided the more difficult approach of investigating, questioning and celebrating what culture actually does in and of itself...

By accepting culture is an important investment in personal social capital we begin to justify that investment on culture's own terms... So we are inventing new forms of dance, of music, of drama that transcend traditional boundaries, and help give us a national identity which is uniquely ours. Culture defines who we are; it defines us as a nation. And *only* culture can do this. ...

Culture alone can give people the means better to understand and engage with life, and as such is a key part in reducing inequality of opportunity, and which can help us slay the sixth giant of modern times - poverty of aspiration..."

³⁹ Wilson, Stephen: *Information Arts: Intersections of Art, Science and Technology*. Cambridge: MIT Press, 2002.

⁴⁰ On the EU level, the influential Commission Green Book: *The Convergence of the Telecommunication, Media and Informational Technology Sectors and its organisational-political Effects* [KOM(97) 623] and, more recently, the priorities of the Information Society Technologies (IST) programme could be mentioned as examples for such neglect.

⁴¹ Posted by Martijn Arnoldus to the "Nederland Kennisland" website on August 3, 2005 (<http://blog.kennisland.nl>).

⁴² Quoted from <http://www.culture.gov.uk>

The newly-elected Prime Minister of the German state of NorthRhine-Westphalia⁴³, Jürgen Rüttgers, expressed a similar view, though in more general terms, when he spoke of culture as being “both the origin and the future” of all human development and thus for society at large. Even though public support for the arts is not prescribed by law in many states, he connected this statement with a promise to avoid looking at the arts as the first item to cut when state budgets are being reduced. Pursuing this policy, he would find himself in good company even with economic researchers, who have long maintained that since the market alone can not sustain a diverse cultural life, one could speak of “market failure” which would, in its turn, legitimise public intervention in addition to private action to help restore conditions – including a high degree of autonomy – in which the arts and media can flourish.⁴⁴ Of course, such conditions should not discourage competition but rather more emphasis should be placed on the competition for innovative ideas and how to implement them rather than on increasing pressure to reduce the prices of goods and services to the lowest possible level.

Are we witnessing an emerging trend away from – often futile – efforts to “measure the impact” of the arts mainly in monetary terms or with regard to some desired social side effects which should better be dealt with directly? A “cultural” understanding of the complex processes – or sometimes simply “breathtaking” results – of artistic production, dissemination and reception would surely need to go beyond the rationalities of returns on investment. It should comprise all actors involved and even include the end-users of a book or the listeners in a concert, who are not simply “customers” of a ready-made product or service and rather participants in a process of shared “communicative action” (J. Habermas).

6. CONCLUSIONS

6.1 Taking Account of the Creative Sector in the EU Lisbon Programme

This paper demonstrated, that the European “Creative Sector” can be considered as a dynamic force which has proven to be, in many countries, regions or cities, an engine for diversity, growth and employment. In addition to a few weaknesses, one of its remarkable strong points is the power to set free individual talent and passion in large sections of the population. An international comparison shows the Sector as generating similar economic values to the USA while mobilising more than double the size of manpower reserves. Therefore, it is to be deplored, that the renewed “Community Lisbon Programme – An Agenda for Growth and Jobs” does not take account of the potential strength of this sector. In addition, we should recognise that some of the “key areas of action” proposed in the Lisbon Programme directly correlate with possible contributions or needs of millions of individuals, cultural initiatives and businesses. This position could be underlined further by exploring different areas addressed in the Programme, such as promises to secure:

- an effective internal market;
- free and fair trade;
- better national and European regulations;
- improvements in the European infrastructure;
- a boost for innovation; or:

⁴³ “Kultur ist Herkunft und Zukunft“, as recorded at a reception given by the PM at Brühl castle on August 26, 2005. Only a few days a few days later, he was echoed by his Secretary of State in charge of culture, Hans -Heinrich Grosse-Brockhoff: “We want to get rid of the dictates of merely economic reasoning in the domain of culture ” (*Kölner Stadt-Anzeiger*, September 7, 2005).

⁴⁴ For a critical assessment of the literature see Dayton-Johnson, Jeff (Dalhousie University): *What’s Different about Cultural Products? An Economic Framework*. Ottawa: Department of Canadian Heritage Paper for Strategic Research and Analysis (SRA), 2000 (available at: <http://www.culturescope.ca>). On the other hand, the spokesperson of the “Cultural Committee of German Business”, Bernhard Freiherr von Loeffelholz, commented on February 11, 2004, in connection with efforts of this organization of business patrons to promote a catalogue of “cultural criteria” for public arts funding: “An evaluation (of the work of cultural institutions) should not be left to business consultants and rather developed from a cultural perspective.” (<http://www.kulturkreis-presse.de>).

- more and better jobs and an adaptable workforce.

It is to be hoped that the different EU bodies as well as national governments and NGO initiatives from the arts and media will set out to rectify the omission of the Creative Sector in the renewed Lisbon agenda. Efforts in this direction were already made by the European Cultural Foundation, whose director points, on the one hand, to many success stories of cultural investments. On the other hand, he warns that “the increasingly uniting Europe is losing competitive advantages on a global scale”, because of the underperformance in some industries, the lack of entrepreneurial incentives or the fact that Europe “as a global player is not capitalizing on its proven multilateral model of intercultural competence, i.e. its ability to facilitate dialogue across cultures.”⁴⁵ Therefore, the inclusion of the Creative Sector into both national and EU development programmes would seem a logical consequence.

6.2 Strengthening the European Cultural Space and its Competitiveness

Some studies mentioned in this article advocate EU action which, in addition to better training and skills development or the fight against “piracy”, should “focus on funding for cultural production”⁴⁶. Others such as the “Creative Europe” Report point more to the existing wealth of diverse cultural activities and media content which is, however, inadequately distributed and partly invisible, due e.g. to an undercapitalization in sector-typical private micro structures, the lack of co-ordinated, Europe-wide monitoring, language barriers or differences in legal regulations. As a study on cultural industries in the city of Vienna resumes:

“Many current problems are a consequence of the predominance of small-scale businesses within the sector. Many businesses are too small to make large investments without external funding. However, larger investments are necessary for completing the product and service range and to move toward foreign markets.”⁴⁷

Therefore, a main conclusion of many observers – and of this paper – with regard to public intervention in the Creative Sector is, to recognise what is being achieved and thus go beyond the, still dominating, production-oriented support strategies with their ambiguous consequences, which include, but are not limited to, the underdeveloped marketing of European cultural products and services, market saturation caused by similar, not really innovative works with short life-cycles, the confusion caused by an increasing number of ill-equipped start-ups, as well as a tendency to disregard specific interests that can be found in the ‘culture public’ (which is rapidly changing due to demographic shifts). More pan-European co-operation could provide new answers to such challenges, if it were to be committed to true diversity and would strive to reconstruct fair market conditions, or the “creativity of the market”⁴⁸, by recognising the different roles of public and private actors and by fostering global competitiveness (instead of creating more and more temporary, often hybrid project infrastructures).

This would call for some of the following types of action on the EU and/or national levels:

- *Compensating global market inequalities and dependencies* by enhancing the visibility, marketing and recognition of existing products and services in the Creative Sector, especially in smaller countries and language areas, e.g. through the introduction of support schemes and “pre-market” facilities for specific branches parallel to the existing MEDIA programme, and better adapted to the needs of different professional fields;
- *Recognising European cultural values and potentials*, e.g. in the reform of Structural Funds and Information Society programmes as well as in the reshaping of EU foreign policy;
- *Improving the financial conditions (“bankability”) for small and micro businesses* in the Creative Sector through programmes for venture capital and investments or secured loans at fa-

⁴⁵ Gottfried Wagner: *Culture and the Lisbon Agenda – For Europe to be Competitive, Creative Capital is Essential*, Discussion Paper, Amsterdam, March 2005.

⁴⁶ See above EUCLID, 2003.

⁴⁷ Ratzenböck, Veronika et al.: *An Analysis of the Economic Potential of the Creative Industries in Vienna*. Vienna 2004.

⁴⁸ Canoy, Marcel; Nahuis, Richard and Waagmeester, Daniel: *De creativiteit van the markt*. Den Haag: Centraal Planbureau, CPB Document No. 90, June 2005.

vourable rates etc. (taking into account experiences with national and regional “banking for culture” or micro finance schemes⁴⁹ and special investment guarantee systems, such as the IFCIC in France, all of which require relatively low input from public budgets);

- *Harmonising legal, social and VAT frameworks*⁵⁰ via standards and model contracts as well as through the recognition of claims and achievements, in an effort to support the mobility of artists and other cultural professionals;
- *Coping with professional and technological developments in the “European Cultural Space”* via new types of trans-national infrastructure or multilateral initiatives, via (real and virtual) studios with state-of-the-art technology to aid production or dissemination tasks of individual artists or micro-businesses, as well as via strategic support mechanisms for those working between disciplines, in pioneering, experimental artistic domains or across national borders;
- *Enhancing transparency and expertise via comparable information* through empirical studies on the conditions of independent and employed authors, artists and other creative professionals or SME's, through reliable European statistics and population surveys, as well as through more permanent, independent monitoring services for the Creative Sector.

⁴⁹ Keith Hackett et al.: *Banking on culture - new financial instruments for expanding the cultural sector in Europe*. Research Report, 2000 (available through [http: www.artscouncil.org.uk](http://www.artscouncil.org.uk)).

⁵⁰ See above *Creative Europe*, 2002, for an assessment of national differences in such frameworks.