



# Culture and Local Development



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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## Foreword

This book presents an innovative analysis of the notion of culture applied to territorial and local development.

Moving from the traditional notion of culture and expanding it to new dimensions (creative and cultural industries) and new applications (cultural and creativity districts), the book focuses on the different channels through which cultural products impact local development and examines the three perspectives necessary to foster economic growth and social cohesion through cultural activities: the 'attraction paradigm', the 'dissemination paradigm' and the 'territorial culture paradigm'.

No 'one-fit-all' solution is suggested, as the local context is an essential critical factor for success in making culture work as a lever for local development, but examples of what works and what does not are given, together with policy recommendations for policymakers at national and local level.

This book witnesses and confirms the attention which the OECD/LEED Programme has paid and still pays to the importance of culture in the globalised knowledge economy. This attention was first expressed at an international seminar organised by the LEED Programme in September 2000, in Paris, on 'The role of culture in local development and job creation' and was the starting point of the analysis which resulted in this publication.

Creativity and culture are important and powerful levers both for personal and societal development. They are a driving force for economic growth, are at the core of 'glocal' competitiveness in the knowledge society and shape territories and local economies in a way which is both innovative and creative.

With this cutting-edge publication, the LEED Programme is proud to contribute to the debate on how to harness creativity and culture for economic ends.

The book was written by Professor Xavier Greffe (Université Paris I, La Sorbonne) and Professor Sylvie Pflieger (Université Paris V, René Descartes) in collaboration with Antonella Noya of the OECD LEED Programme.

I am grateful to all the Delegates that have provided important insight during the discussion of this report at the LEED Directing Committee meeting in Paris on December 2004, chaired by Mr Jean-François Rocchi.

The interest and commitment shown to this issue by the Directing Committee has been extremely encouraging and we look forward to pursuing comparative international analysis on this important field.

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## **Executive Summary**

In their search for new activities and new wellsprings of jobs, the OECD countries have been prompted to pay greater attention to the role of culture in today's economies. Contemporary economies acknowledge the expanding significance of cultural products that combine aesthetic values with utilitarian functionality, and more and more they make use of creativity, whether in the realms of audiovisual productions, design objects, crafts, etc. Often presented as a constraint, in this instance the global economy holds out new opportunities by opening up wider markets to more sharply differentiated products.

This attention is relatively recent, culture having in the past been viewed largely as a limited – if not unproductive – source of activity:

- The economic impact of cultural activities seemed far less than that of leading industries such as automobiles, chemicals or banking.
- Because they involved showcasing existing heritage, cultural activities were considered outmoded, looking back to the past when it was necessary to build the future.
- Cultural initiatives were often financed with government funds, the allocation of which could be challenged in the light of local national priorities.

In recent years, these perceptions have shifted to highlight the relevance of cultural activities to sustainable development:

- In the United Kingdom, 4.5% of all jobs are to be found in this area.
- In the United States, the proportion is estimated at 2.4%. In the European Union countries, an initial 1999 study had estimated that 2.0% of the work force was involved in cultural activities, but a second study in 2002 raised the proportion to 7% by incorporating the culture of information technology into the traditional approach to culture.
- Other studies have spotlighted the leverage effect that cultural heritage can exert on an economy's creativity: in France, in 2003, while jobs connected with

the operation of heritage sites employed 0.4% of the work force, the number of jobs in the economy that transformed heritage resources into creative ones totalled roughly 3%.

As the importance of culture is being recognised, culture is also being redefined.

- Under the main statistical systems in use today, the core of cultural activities is made up of a conventional package including live performances, plastic arts and architectural heritage, with certain limitations on recognition of the cinema.
- Along with this nucleus is the now-traditional notion of cultural industries: audiovisual productions, records and disks, and books.
- Lastly, the growing importance of cultural products – art crafts, fashion, digital imagery, etc. – combining aesthetic value with utilitarian functionality is creating a new frontier. Here, culture becomes a source of intermediate consumption, because the production of such goods mobilises cultural resources, and an object of final consumption, because cultural products are in demand for their cultural dimension (design objects, fashion, musical instruments, architecture, video games, advertising, etc.). Here one frequently hears about “creative industries”, which are currently at the outer limits of cultural activities.

### **A new factor for local development**

While culture's contribution is traditionally analysed nation-wide, it can be examined at the local level as well. Today everyone recognises the importance of cultural facilities to the life of a neighbourhood, enhancing the image of a territory, and the benefits in terms of jobs and income generated by the tourist appeal of monuments, expositions and festivals. Apart from specific, individual examples, culture would appear to play a more fundamental role.

Territories develop from an export base or a nucleus of growth, which in many cases involves a raw material or manufacturing industry that no longer exists. As soon as this basis for development is gone, another one needs to be identified; it was in this way that culture was seen as a basis for development through tourism.

The particular nature of local resources and know-how influences how the products constituting the new cultural economy are brought up to date. These products bear the symbols of the territories in which they are produced insofar as they incorporate their artistic knowledge and know-how, giving rise to the notion of “idiosyncratic” products. Culture no longer contributes to local development only by attracting tourists, but by generating exports.

The substance of local development cannot be reduced to updating an export base; it also entails proper organisation of relations between players at the local level. Approaches in terms of projects, partnerships, quasi-contracts, social capital, and so forth show that local development depends on the capacity of local players to exchange and communicate using a shared system of values and norms. Culture can contribute to the constitution of this social capital.

Culture therefore influences local development in three ways:

- By disseminating benchmarks conducive to synergy among players and project implementation;
- By creating an environment that is attractive for residents as well as for visitors and tourists;
- By providing leverage for the creation of products that combine aesthetic dimensions and utilitarian functionality.

In a sense, it acts as an investment in social capital, an intermediate consumer good and a final consumer good.

### **Different potential, depending on the nature of the territory and investments**

Recognition of these effects must be tempered by the fact that all territories do not benefit from them in the same way. Their dimensions and characteristics alter the likelihood of achieving the desired results. For this reason, “art cities” or cultural districts are seen as territories inheriting a high density of cultural resources, while underprivileged neighbourhoods and rural areas would have a harder time reaping the benefits.

- Let us consider the first type of effect, whereby culture can promote local development and at the same time enhance the social capital of the territory in question.

The magnitude of the contribution that cultural activities can make to development will depend on their ability to bring out and disseminate values and benchmarks that can encourage individual or community players to plan for the future, formulate new projects and co-ordinate their responses to unforeseen problems. In some cases, this is how it happens, but there can also be inter-cultural conflicts that can thwart the emergence of new projects and disrupt the way common risks are assumed, how the apportionment of expected benefits from joint ventures is approached, wealth transfers between generations, and so on. Such conflicts can arise between two types of culture: entrepreneurial culture, or the attitude of a territory’s players vis-à-vis the creation of

new projects; and the culture of integration, or the attitude of a territory's players towards coping with exclusion and social dualism. There is a danger, at least at first, in underprivileged territories and territories affected by crises, that existing cultures will have a detrimental effect, in which case a major transformation effort will be required.

- Let us consider the second type of effects, whereby culture fosters exports through an influx of tourists and visitors. If such effects are to be substantial:
  - The territory in question must be populous, integrated and even extensive: only under these conditions is there a chance that all of the activities required to serve tourists and visitors can be supplied locally rather than by imports from other territories (in which case there would be a loss).
  - Cultural activities must continue over time: occasional activities, such as festivals, often have very little impact and contribute to their territory's development only if in the interim they give rise to activities that are more long-lasting, with economic as well as social ramifications.
  - The resultant employment should entail utilisation of local resources and not the import of resources from outside the territory in question, as sometimes happens.
  - Activities must be mutually supportive and develop in the form of clusters, quarters or districts, making it possible both to cover the cost of investments and to create new products jointly.
- Let us consider the third type of effects, whereby culture causes cultural products to be produced and distributed outside the territory in question. If such effects are to be substantial:
  - Firms making cultural products should have local affiliations and thereby reap benefits from cultural firms at the local level.
  - These firms should not focus solely on aspects of their production, but should also implement marketing strategies.
  - The firms should be able to benefit from certain forms of recognition of their originality, if not of protection comparable to those attaching to artistic ownership.

### **Spatial concentration: cultural quarters and districts**

While cultural activities may be considered possible levers for territorial development, such an outcome is neither automatic nor systematic. One can even

see some instances of grouping together or concentration of cultural activities in certain territories, especially in metropolitan areas, whereas elsewhere the institution of cultural productions does not seem to be able to reach a sustainable pace. Two types of concentration of cultural activities warrant mention here: cultural quarters and cultural districts.

- Today the concept of *cultural quarter* is used mainly to characterise projects for the rehabilitation of city centres or disadvantaged neighbourhoods, based on cultural activities. Cultural quarters are assigned a number of objectives:
  - To reinforce the identity, appeal and competitiveness of cities;
  - To stimulate an entrepreneurial approach to the arts and culture, with cities becoming creative by using culture as one of the possible levers;
  - To find new uses for sites that are run-down or even in a state of decay;
  - To stimulate cultural democracy and cultural diversity.

The concept of cultural quarter is of something that is more deliberate than spontaneous. It also reflects the fact that significant cultural strategies have a greater chance of developing in urban areas in which population densities are substantial.

- The concept of *cultural district* is rooted in the very nature of cultural products. A cultural product involves specific conditions of production, and the nature of such products changes, depending on production factors – both tangible and intangible – and combinations thereof. The production of such products is therefore not independent of the nature of their environment, and the connection with a given territory emerges as a determinant of their very existence. In addition to this idiosyncratic nature is the advantage of proximity to create new products continuously. By choosing to locate near one another, their producers benefit from non-monetary (and in some cases monetary) exchanges that allow them continuously to fine-tune their know-how and their knowledge. Cultural districts emerge as a space of proximity which utilises both the levers of exogenous growth (with markets outside the territory in question) and endogenous growth (the production factors being specific to the particular territory).

## **A new agenda for local authorities**

The variety, complexity and fragility of cultural activities' potential effects on local development are not always perceived by local authorities. Even more serious

is the fact that some authorities can be totally unaware of these aspects and taken by surprise when the opening of a museum or creation of a festival fails to trigger effects that are both beneficial and substantial for the territory. The traditional approach to local authorities should therefore be both extended and tempered. Local public officials should consider culture's three possible contributions to local development, and not just tourism aspects alone. If they do, a number of objectives become feasible:

- To educate and train the territory's players in order to constitute cultural capital, either:
  - In *formal institutions*, which in many cases are in conflict with each other, as in the case of schools of fine arts and schools of applied arts: such rifts between systems of learning, which are often long-standing, are reproduced at the local level, where they then create heavy financial burdens. But the emergence or re-emergence of cultural districts has often been related to the institution of new courses of study, which generally combine art and applied arts, based in most cases on applied arts.

Or:

- *Informally*: Such skills can also be acquired "on the spot", and they can therefore disappear on the spot. Today these systems are seriously jeopardised. General knowledge requirements drive people to institutions other than workshops, and the economic weakness of artistic production units makes it difficult for the units to attract young people for training. For both these reasons, people with specialised knowledge and know-how tend to leave without having been able to pass along their skills. Failure to address these challenges jeopardises the survival of a territory's rare knowledge and skills.
- To set up appropriate distribution networks, because distribution has always been problematic, whether in respect to works of art, cultural industries, or creative industries.
  - Traditional distribution channels, such as art exhibitions and competitions, are insufficient, and are not very accessible to the vast majority of artists and artisans.
  - Today some chain stores offer the use of conventional commercial channels. But in such cases cultural products serve as loss-leaders; they need to be delivered in large quantities, and the economic gain does not always live up to expectations.

- Another option is to set up showrooms in businesses that trade in cultural products – at least for products that lend themselves to such displays.
  - Will Internet sales be the miracle solution? This is a question that transcends the local level, but a number of possibilities would seem highly promising.
- Avoid further tragedies involving the public domain versus private property:
    - Property rights are always a complicating factor in the promotion of cultural assets. From the standpoint of local development, the real challenge today involves a number of idiosyncratic products that are generally considered “art crafts”. This raises the issue of whether there could not be some minimal protection of the geographical origin of cultural products, in a manner similar to the *appellation d’origine contrôlée* label used for agricultural products. Some countries have instituted labelling systems that at least afford creators improved visibility and enable them to invoke a number of procedures existing in their countries. The labels then serve to attract attention to these situations and to help preserve the uniqueness.
    - Conversely, today there is also a risk that intellectual property rights can be extended far beyond what is generally accepted. Recognising ownership of content but not of expression can hinder the use of ideas or allusions already in the public domain and prevent certain creators or innovators from defining new products. At the local level, this can lead to paradoxical situations, as when originators of musical or decorative themes find that their own “work” has been protected by someone else, and that they now have to pay to use it. Local governments would surely do well to conduct an inventory and take steps themselves to protect intellectual resources in their territories.
  - Formulate local creativity policies:

Culture and creativity districts are neither artificial nor automatic. But provided one realises that such districts cannot be willed into existence, it is possible to identify a number of factors that, if introduced into a territory, will help forge the required links between culture and creativity:

- “Immersing” a territory’s populations and communities into both the consumption and production of cultural goods;
- Developing cultural entrepreneurship, which can involve specific venues and financial resources;
- Forge strong long-term partnerships between artistic and non-artistic sectors, private enterprises and non-profit associations or enterprises, and so on.

## **A new agenda for national public officials**

Recognition of the relevance of local policies to make culture a lever for development does not mean that the role of national or regional policies can be disregarded.

The contribution of national policies is not always recognised. Frequently, national initiatives are criticised because they can lead to an explosive combination of bureaucracy and protectionism. While one cannot ignore the risk of bureaucratising culture through centralised government intervention, neither can one ignore the existence and use values that culture generates to the benefit of territorial development.

And yet national policies can contribute to making culture's role in local development more effective:

- By ensuring that national administrations understand and, depending on their role, take responsibility for such objectives (education systems can impart a project culture; judicial services can look out for entries of fakes and counterfeit products; real estate legislation should factor in the possibility for craft enterprises to be able to remain in business under reasonable conditions in traditional neighbourhoods, etc.);
- By fostering an environment conducive to culture's local contributions: support for maintaining systems of artistic training; recognition, classification and protection of heritage resources; support for the preservation of certain professions and the transmission of knowledge; anti-forgery campaigns, and so on;
- By providing the decentralised decision-making framework that will enable local players to engage in useful dialogue with each other and with their counterparts in central government;
- By developing incentives using contracts, funding contributions and so on.

## INTRODUCTION

In recent decades, territories that had lost their mainstay activities under the impact of transformations in energy, technology and economics have been marshalling their cultural resources to explore new paths of development and thereby affirm their determination to survive. For example, English and American cities that were hollowed out by recessions have been restoring their heritage buildings and setting up cultural districts devoted to audiovisual production. Many rural areas around the Mediterranean have sought to derive tourism benefits from more careful conservation of their distinctive popular heritage and their landscapes. And today, many developing countries are hoping to use cultural tourism to meet their financial needs.

### Culture and development

Economists long paid little attention to these contributions of culture, and some indeed were suspicious of the economic value of such activities, a suspicion that was bolstered by several, sometimes contradictory, arguments.

- The economic weight of cultural activity seemed minimal, and until the end of 1980s it was given very little thought.
- Cultural activities, often based on enhancing and exploiting existing heritage, were regarded at that time as somewhat regressive, as betraying an attachment to the past rather than enthusiasm for building the future.
- This emphasis on a sometimes fossilised cultural heritage was seen as evidence of the territory's resistance to the globalisation of trade and cultural norms.
- Many of these cultural initiatives were financed by public funds that, some felt, could be put to better use for addressing local priorities.
- In the end, many economists regarded culture and the economy as separate worlds: they belonged to the tradition that viewed culture as typified by its symbolic aspect and its lack of a utilitarian dimension, and as something quite at odds with a science founded on utilitarianism.

Yet these attitudes gradually evolved.

- Culture began to be appreciated for the jobs it creates and the tourism returns it earns.
- At the same time, international trade patterns highlighted the growing place occupied by cultural products.
- Cultural industries (books, records, audiovisual products) were in strong demand.
- Other products and services that combined a cultural dimension with their utilitarian aspect (styling, fashion, architecture, arts and crafts) were recognised as sources of value-added and were gradually ranked under the heading of creative industries.

Various studies testified to the importance of these activities.

- In the United Kingdom, they were credited with creating 4.5% of total employment (Pratt, 1997).
- In the United States, that proportion was estimated at 2.4% (Scott, 2000).
- In Japan, cultural employment has now been incorporated into the broader concept of “creativity industries”, which encompasses twelve sectors: advertising; architecture and related engineering services; the antiques market; the lacquer industry; design; film and video industries; audiovisual production, live performances; publishing; software; radio and television; and artistic and cultural organisations. In 2001, the sector comprised more than 176 000 businesses and provided over 1.9 million jobs, accounting for roughly 3.1% of aggregate employment that year. In addition, the sector grew by 7.9% between 1996 and 2001, while over the same period other industries suffered a 7.8% decline in employment (Yoshimoto, 2004).
- An initial study of countries of the European Union estimated that 2% of the working population was engaged in cultural activities (Grefe, 1999), but a second study raised that proportion to 7% by rolling the traditional concept of culture into that of “digital culture” (Economix, 2002).
- Other studies sought to highlight the leverage effect that cultural heritage exerts on creativity in the economy: in France, for example, it was shown that while jobs related to exploiting cultural heritage accounted for 0.4% of the working population, the number of jobs involving the transformation of heritage resources into creative resources stood at nearly 3% (Grefe and Pflieger, 2003).

This revelation of the economic dimensions of culture sparked much debate. Some governments sought to protect the national character of such activities, on cultural as much as employment protection grounds. Debate over the “cultural exception” and over “cultural diversity” was sharpened as the huge amounts of spending involved came to be appreciated, and as the recognition of artistic property rights crystallised long-held positions.

For the same reasons, the debate has been expanded to embrace all the creative industries, and is no longer restricted to the cultural industries as such. There are many countries where the only hope of benefiting from global competition is to improve the quality of the variety of their products, and culture can contribute here in two ways. It offers a ready set of benchmarks for defining new products. By constituting the prototype of productive activity and thus developing a culture (in the anthropological sense of this term) it can disseminate a culture of creativity.

In some countries, the “creative” economy or modern cultural economy marks the new frontier of employment and incomes. By “modern cultural economy”, we mean all those sectors that offer products incorporating a high symbolic meaning or value relative to their utilitarian value, the extreme case being the work of art, where the symbolic value is infinitely greater than the utilitarian value (Scott, 2000)<sup>1</sup>. This cultural economy is in the vanguard of the global economy and of the knowledge economy. American films, Japanese cartoons, hybrid music from Mali, Bohemian crystal, Italian cuisine, Limoges porcelain have all become points of reference that count for at least as much as the most famous monuments or festivals. The debates about cultural diversity in which so many international organisations are now caught up testify to the fact that the economic interests and symbolic interests of those products are intimately linked.

### **From the national to the local level**

This debate is not only national, and the contribution of culture to development is also recognised at the local level. No one will deny that cultural facilities are important for a neighbourhood’s quality of life, for maintaining a sound urban fabric, for bolstering the territory’s “brand name”, and for creating jobs and incomes by attracting tourists to historic sites, exhibitions or festivals.

Here again, the links between culture and local development were slow to be recognised.

- At the beginning of the 1980s, it was often argued that territories could only develop if they had an export base or a nucleus of growth, generally reliant on some raw material or manufacturing industry. Once that base disappeared, another must be identified at all costs, and it was thus that culture came to be considered as

a basis for development through tourism. This was gradually joined by the notion of improving the territory's image through the establishment of cultural venues or events, an approach that flourished especially when such investments were accompanied by a major urban overhaul, as in the case of the Guggenheim Museum in Bilbao.

In any case, the concept of linking culture and local development remains focused on tourism, and it was in the end fairly fragile. Often the contribution of culture was reduced to a few success stories, relating in general to historic sites or festivals that could attract thousands of visitors. These success stories were often exaggerated, and they tended to overshadow the less successful undertakings where investments did not produce anything like the expected return. Moreover, a mechanical way of thinking, based on the idea of multipliers, tended to exaggerate their scope, and such activities did not always constitute real engines of development, even if they helped a local population to subsist. Finally, to the extent that this approach was divorced from other perspectives of development, it attracted a certain odour of nostalgia or even of parochialism. It is no doubt for these reasons that recognition of the role of culture in local development was granted only sparingly and condescendingly.

- Yet in substance, local development cannot be reduced to establishing an export base. It also requires proper organisation of the relationships between players at the local level. The existence of an export base is not always a guarantee of sustainable local development, and on the contrary some territories have managed to redevelop after losing their export base. Approaches based on projects, partnerships, quasi contracts, social capital etc., have shown that local development also depends on the capacity of local stakeholders to identify the strengths and weaknesses of their territory, to plan new projects, and to manage their resources in common.
- In the end, and in a manner parallel to the trend found at the national level, it appeared that the specific nature of local territories had an influence on the output of these products and services that constitute the new cultural economy. Those products often carry the "trademark" of territories where they were produced, because they incorporate their artistic skills and know-how, hence the notion of "idiosyncratic products".

Culture, then, contributes to local development not only by bringing in tourists but also by exporting products. As these products gradually won recognition, they tended to concentrate in certain specific territories, generally cities or large metropolitan areas. In the United Kingdom, nearly 27% of cultural jobs are concentrated in Greater London, while in the United States most of them are to be found in New York and Los Angeles (Scott, 2000)<sup>2</sup>.

This is a finding of some concern. In fact, recognising that cultural activities involve production functions that are more intensive in terms of qualified labour than of capital and that the new technologies allow qualified labour to be dispersed, many economists have concluded that the location of cultural activities should be free of any geographic determinant and should on the contrary benefit all territories, wherever they are. The stylised facts offer instead a vision of huge cultural or creative clusters or districts, of which Hollywood has long been the most famous. The positive link between culture and local development is thus far from automatic, a fact that must temper the excessive expectations of some local policymakers. The industrial districts approach offers a more realistic backdrop for the analysis, once we are able to explain why cultural enterprises gain from being close to each other.

Culture thus influences local development in three ways:

- By disseminating reference points that encourage synergy among players and the pursuit of common undertakings.
- By creating an attractive setting for a territory's inhabitants as well as for visitors and tourists.
- By serving as a lever for creating products that will associate aesthetic and utility dimensions.

Culture operates in a sense as a framework, as a final consumption good, and as an intermediate consumption good.

Assessment of these effects must be tempered by the fact that not all territories will benefit in the same way. The size and characteristics of territories condition the possibility of achieving the desired effects. Thus, cities renowned for their art or their cultural districts will appear as territories that have inherited a high density of cultural resources, while disadvantaged districts or rural areas will find it more difficult to benefit in this way.

More generally, cities seem to be able to benefit from this association between culture and local development: the density of relationships allows many needs to be satisfied locally, and cultural forms to be renewed through interaction between the global and the local.

Thus each expected effect of cultural resources will emerge through specific dynamics that will take on specific profiles according to the characteristics of these territories. If local development indeed stems from culture, that will happen to varying degrees and in different forms.

## **Defining cultural resources, activities and goods**

There is no strict definition of cultural activities and goods. New terms crop up every day to broaden these concepts - they may now be referred to as “creative industries”, the “new economy”, or even the “cultural economy”.

- If we take the major existing statistical systems as our starting point, the core of cultural activities consists of a traditional set: the performing arts, the visual arts, and cultural heritage, with perhaps a nod to the cinema. We often hear speak of works of art rather than cultural goods, in which case two features predominate. These artworks are generally consumed on the spot, where they are produced or exhibited forming the nucleus of a tourist attraction. Their contribution to local development will then be judged on the basis of the money that tourists and visitors spend in the territory. Second, these goods are treated as final consumption goods.
- To this core we may add the now-conventional notion of cultural industries: audiovisual, records and books. These are also final consumption goods, but they are no longer consumed on the spot, and they contribute only in part to the development of the territory where they are produced.
- Finally, cultural products are taking on growing importance today: arts and crafts, fashion, digital images combine an important aesthetic and symbolic value with their utilitarian nature. Culture comes into play here both as a source of intermediate consumption, since the production process uses cultural resources, and as final consumption, since the demand for these goods reflects in part their cultural dimension. Like the products of cultural industries, they are consumed everywhere and they contribute to a territory's development because they are produced there.

This progress is important, for it is common today to roll all these cultural works, products and goods into a single approach.

- For the British government, for example, cultural industries are “those that combine creation, production and marketing of intangible cultural contents. These contents are subject to intellectual property rights and take the form of goods and services. This list generally refers to the production of books, records and films, but it can also include audiovisual and photographic output. Depending on the country, we may add the areas of design, fashion, musical instruments, architecture, advertising, etc. This leads to a much broader notion, that of the creative industries”<sup>3</sup>. A suggested typology is shown in Table 1.1. and 1.2.
- Some analysts, such as Throsby and O'Connor, offer broader definitions (Throsby, 2001; O'Connor, 1998),. For Throsby, cultural activities or products are those that

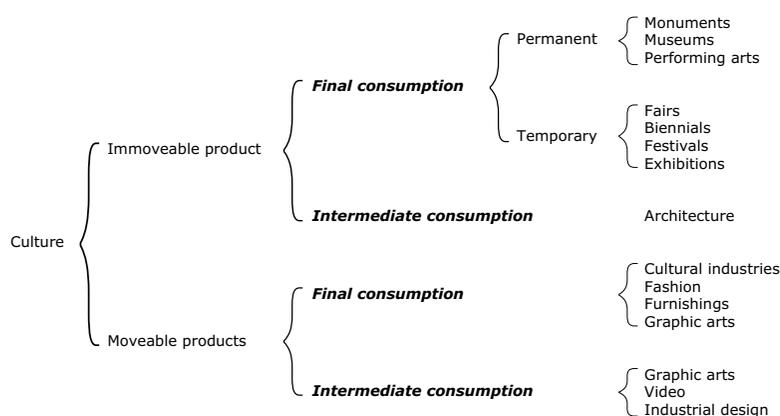
associate a creative dimension, a symbolic dimension, and the existence of intellectual property rights<sup>4</sup>. The difficulty with such a definition is that it is so broad that it can include, for example, sporting events. As O'Connor defines them, cultural activities are those intended to produce new content, and here again the definition is sufficiently broad that it could include any activity that gives rise to a patent<sup>5</sup>.

Table 1.1. **Definition of the creative industries**

<ul style="list-style-type: none"> <li>• Advertising</li> <li>• The art &amp; antiques market</li> <li>• Design</li> <li>• Film and video</li> <li>• Music</li> <li>• Publishing</li> <li>• Television</li> </ul>	<ul style="list-style-type: none"> <li>• Architecture</li> <li>• Crafts</li> <li>• Designer fashion</li> <li>• Interactive leisure software</li> <li>• The performing arts</li> <li>• Software and computer services</li> <li>• Radio</li> </ul>
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Source: DCMS, 1998

Table 1.2. **Definition of the creative industries**



As interesting as these definitions are, they would seem to sidestep the real issues relating to culture and local development. Table 1.2 reconstitutes this set of activities using the consumption/production typology presented above (which will serve as the basis for presentation in this report).

## Content of the report

This report is organised around these three roles of culture in local development:

- the one where culture influences the behaviour of a territory's actors,
- the one where culture contributes to a territory's development by attracting visitors and tourists,
- and the one where culture contributes to the creation of products that will be exported and normally consumed outside the territory itself.

Chapters 2 and 3 will deal with these perspectives. They are followed by a chapter that discusses the strategic role that culture has acquired in defining the nature and profile of present-day cities.

Chapter 1 highlights the impact of culture on behaviour in a given territory. It treats culture as a set of values, norms or benchmarks that guide and shape the behaviour of individuals and communities. This chapter considers three possible contributions of culture to a territory's development. The first concerns modes of cooperation and organisation among players for mobilising the territory's resources. The second has to do with players' attitudes towards the creation of projects and activities. The third concerns the role of culture in integrating individuals or communities who are excluded or marginalised, and thus promoting sustainable local development.

Chapter 2 takes the conventional approach to analysing the effects of culture on local development, which sees the source of development in the ability of cultural activities to attract tourists and visitors. This chapter discusses the principal analytical tools used for calculating these effects: contingent valuation, impact studies, multiplier effects, etc. It then highlights the relative importance of different types of cultural activities for local development: heritage buildings, museums, live performances, festivals, art fairs, landscapes, etc. It also demonstrates that the conclusions of these analyses often err on the side of optimism, and it points out their limits and their methodological assumptions.

Chapter 3 substantially revises this conventional approach by stressing the role of culture in the preparation of cultural goods that are produced within a territory for export and consumption abroad. It shows why these cultural goods are linked to a specific territory and why we find clusters of such activities in some territories rather than others, a point that brings us to the consideration of "cultural districts". It illustrates the variety of these districts, and of the conditions required for them to be sustainable.

Chapter 4 is devoted to the role of culture in urban organisation. The contemporary urban fabric reveals the systematic use of cultural resources to improve living conditions, the environment or even the image of a city. This cultural fabric of the city takes on different aspects, depending on its inherited makeup. In some cases, it involves

the establishment of cultural districts. In other cases, it will imply managing the city as a work of art. In this latter case, it may even give rise to the idea of the “fantasy city”. It will show that cities differ in the degree to which they take advantage of this potential that culture offers, depending on the specific characteristics of their employment markets and their real-estate dynamics.

The conclusions section will look at local policies relating to culture and creativity that can catalyse these contributions of culture to local development, beyond the more general policies adopted at the national and international levels.

## *Chapter 1*

# **Using a territory's culture to promote local development**

This chapter highlights how culture can affect the behaviour of players in a given territory. It begins with a broad definition of culture which encompasses the full range of values, norms and benchmarks that can shape the behaviour of individuals or communities. It then examines the three ways in which a territory's culture can contribute to its development. The first looks at whether or not the players engage in co-operative and organisational behaviour to exchange information, analyse problems and forge consensus. The second contribution involves the players' attitudes towards the creation of projects and activities, raising the problem of the territory's prevailing entrepreneurial culture and ways of altering it in a way that could foster development. The last one involves culture's role in integrating persons or communities that are excluded or marginalised, and it spotlights the many mechanisms through which cultural and artistic activities can in fact contribute to this.

## Chapter 1

### Using a territory's culture to promote local development

Culture is often defined as the set of values, norms or benchmarks that define the state of social relations, shared goals, cooperative behaviour and reciprocity among individuals and communities within a given society. Thus, culture works upon and influences an economy from the top down. In his work on *Die Protestantische Ethik und der Geist der Kapitalismus*, Weber posed a famous question: "How do certain religious beliefs determine the appearance of an economic mentality, in other words the ethos of a certain form of economy?" and his response was no less famous: he showed how the Reformation and the rise of Puritanism led men, faced with the uncertainty of salvation, to organise their lives in a manner pleasing to God. Weber did not claim that religion or religious beliefs could explain the functioning of the economy, but he did insist that they influenced behaviour. Morishima adopts the Weber approach to explain how Taoism prevented the emergence of individual capitalism in China and how Confucianism gave Japan the foundation for state-led growth that eschewed egalitarianism.<sup>6</sup>

It is generally accepted today, if to differing degrees, that culture as a system of values and representations can influence the functioning of the economy at least indirectly. Terms such as "culture of enterprise", "entrepreneurial culture", "development culture", testify to this implication. Yet this often leads to stereotyping, citing individual examples without recognising that culture is itself a result of economic history. Moreover, there is a tendency to define abstract concepts on the basis of certain features and then to transfer them from the universal to the local.

We should not be quick to transpose a way of thinking that has been developed by a society in a specific territory, and when this is attempted the approach is often reductionist<sup>7</sup>. Yet one thing seems clear in the analyses of local development: a culture that pays attention to the local level (not to be confused with xenophobia or parochialism) and at the same time to the international level (without destroying the local sense of community) can be an asset for its territory. Friedman argues for cultures that exhibit deep-rooted cosmopolitanism<sup>8</sup>, while Granovetter highlights the role of those invisible bonds that, by linking the members of the community, allow them to integrate their territory successfully into the global economy (Granovetter, 1973). This argument is reinforced by more empirical studies such as those of Putnam *[note*

*spelling*], who looked at certain regions of Italy (Putnam, Leonardi & Nanetti, 1993) and Tood who examined French regions<sup>9</sup>, showing that the most developed regions are those with a culture that has strong local roots and is at the same time open to outside influences (Ponthieux, 2003).

How then can we specify the channels through which culture contributes to local development? We may consider three successive dimensions.

- The first concerns the influence that a culture may have on the way a territory is organised: this debate overlaps that about the role of social capital, of which culture may constitute one factor.
- The second concerns the influence of culture on a territory's ability to think in terms of projects and entrepreneurship.
- The third concerns the way in which a territory's culture defines its internal social relations in terms of reciprocity and integration.

### **Culture as a lever for organising the territory**

Local development implies the proper organisation of relations between players in a territory. While not a sufficient condition, this makes it possible to analyse local resources, to elaborate a common vision of potential development, and to make investments that will be mutually reinforcing in the sense of having reciprocal external effects. The history of local development is replete with situations where players agree to look to the future and to invest locally because they know that other investments will be made to complement their own. Take for example the idea of the "project", which is often said to lie at the basis of local development experiments. The project translates a desire to bend or break the determinism that has held back the territory. It is also a way of protecting the territory from unforeseen hazards. It allows agents to communicate with each other. By reconstructing its identity and encouraging the pursuit of initiatives, better communication can counter the forces that might drive activities out of the territory and those that inhibit its ability to attract new activities. Through communication and shared points of reference, local initiatives can thus generate positive images, re-forged the bonds between communities that have gone their separate ways, and develop the required complementarities, whether of a commercial or a non-market nature.

Ways of making contact, shared points of reference, and the relationships of trust that both give rise to and flow from them thus constitute the essence of local development. This point was recognised by the OECD in its report on social capital<sup>10</sup>: "Societies founded on networks of trust and cooperation can help to realise human

potential. There is a growing awareness in the economic literature of the importance of social networks and trust in supporting collective endeavours (...) <sup>11</sup>. For some economists (not all) the intuition that society matters is strong enough to outweigh the current absence of much in the way of a theoretical underpinning <sup>12</sup>.

### ***Culture seen through the prism of social capital***

Today, this debate over the role of culture and local development tends to be submerged in the notion of social capital. Whereas the references of choice might once have been Weber or de Tocqueville, the historical context has led us to search for them in the notions of networking, partnerships, and trust. The appearance of disadvantaged urban neighbourhoods or areas that are both socially and geographically excluded requires that we shift from the ineffectual “I” to the more effective “we”. Similarly, recognition of the role of intangible elements in the development of some territories leads us to look more closely at organisational factors. Throughout the 1990s, the concept of social capital provided an overarching tent under which these approaches could meet and interact and draw new inspiration. Several explanations have been offered, and we shall select two by way of illustration, that of Putnam on the role of collective interaction, and that of Fukuyama on the role of trust.

- In his 1995 essay, “Bowling alone: America's declining social capital”, Putnam demonstrated the sharp drop in “social capital” in the United States since the mid-1960s (Putnam, 1995). In his definition, “social capital refers to features of social organisation such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit”. One of the clearest pieces of evidence of this decline in social capital is the fact that Americans now tend to go bowling alone, whereas they used to do so with groups of friends. While more Americans than ever are bowling (up 10% between 1980 and 1993), they now do so alone, and the membership of bowling leagues has shrunk by 40%. He offers several explanations: the movement of women into the labour force, and the consequent fall-off in their civic participation; geographic mobility, which disrupts social rootedness; other demographic changes that weaken family life and family ties; and the “individualising” of leisure time, which is increasingly spent at home.
- Five years later, in a second work, “Bowling alone: the collapse and revival of American community”, Putnam argues that social capital is real, and that it can enhance productivity just as physical capital does (Putnam, 2000). “A growing body of research suggests that where trust and social networks flourish, individuals, firms, neighbourhoods and even nations prosper” <sup>13</sup>. There are high-trust countries where market-friendly intermediary institutions can thrive, starting with private industrial groups, and there are low-trust countries that do not give rise to effective institutions and that cannot exploit economic opportunities when

they appear. This difference comes from a difference in social capital, or the ability to work together, which depends on the standards and values that communities share, and also on the willingness of individuals to subordinate their interests to those of the larger group. It is from these shared values that trust is born<sup>14</sup>. Trust, then, allows us to create social capital, which can be defined as an asset that emerges when trust predominates within a society or within certain parts of it. (Fukuyama, 2002)<sup>15</sup>.

- Fukuyama's approach broadens the economic scope of Putnam's analysis. But it also contains an element of circularity and voluntarism. Some values or norms are positive, but only if they become habitual and generalised. The social capital needed to create a moral community requires the inculcation of moral norms in the community and, in this context, the acquisition of virtues such as loyalty, honesty and dependability. Moreover, the group as a whole must adopt common norms, if the radius of trust is to embrace all its members. In other words, social capital relies on the predominance of social over individual virtues<sup>16</sup>.
- These approaches were taken up and amplified in the work launched by the World Bank in 1996 (the Social Capital Initiative, SCI) and by Stiglitz in his comments on the differences between types of social capital<sup>17</sup>. Social capital can be assimilated with other forms of capital through the aid of economic concepts: by economising on transaction costs, social capital could enhance economic efficiency.

Social capital, then, is seen as the means of moving beyond explanations of development that rely solely on agents' intentions. It makes it possible to reconcile the economist's rational individual, whose actions reflect his choices, with the sociologist's object of study, whose actions are guided by norms, rules and obligations (Coleman, 1988). Here, the prime role is given to the phenomena of repetition, games, networks and trust. Trust becomes synonymous with the proper functioning of networks, which reinforces trust, hence the analogy with accumulation<sup>18</sup>. In his *Determinants of Democracy*, Barro reveals a correspondence between social capital (assimilated here to democracy) and economic development (Barro, 1999)<sup>19</sup>. Paxton, in "Social Capital and Democracy: an Interdependent Relationship" (Paxton, 2002), uses data from the World Values Series and the International Yearbook of Organisations to show that associations and trust have positive effects on democracy and on economic development<sup>20</sup>.

Thus the elements that were successively described by Hume (the moral sense), de Tocqueville (the civic sense) and Weber (the influence of values), while they are not forgotten, now tend to be relegated to the analytical background. The influence of culture is not banished by the simple play of interactions and repetitions, because their inadequate functioning is never more than the manifestation of faulty development,

and not its explanation. On the other hand, the weight of certain cultural representations, of defensive attitudes in the face of risk or profit, do a better job of explaining the lack of development. By way of illustration, consider the Weber thesis about attitudes to economic success. The experience of local development shows that rural territories regard profit and economic success with a certain suspicion, and this induces planners to offer incentives and arguments in terms of income and benefits rather than of profits. Similarly, instances of community and ethnic development have shown how certain values can rub off on economic behaviour.

### ***Making culture a lever for local development***

The problem with putting culture and local development in perspective has less to do with identifying the relationship than with making use of it: how can culture be made a lever for local development? This issue is seldom addressed, because it suggests long periods of adjustment. Yet there is some pointed evidence, such as the emergence of local savings-and-loan systems in communities generally regarded as poor. Wherever institutions remain attuned to people's values and ways of thinking, successes will happen, as with the tontine systems that manage to balance individual and collective values. Narayan and Pritchett, in their more general 1997 study, "Cents and Sociability", showed how specific rural territories could differ in their economic performance (Narayan & Pritchett, 1997). The dependent variable was household income and the explanatory variables combined elements representing social capital with cultural elements such as ways of relating to family or to strangers from outside the village. The results were convincing: local people's social and cultural characteristics explain why there is both good cooperation in managing common resources and good communication of the information needed to disseminate agricultural innovations.

To illustrate this complex relationship whereby a territory's culture can open or close off development possibilities, it is interesting to study the case of the Australian city of Adelaide, as was done by experts of the British think tank Comedia (Landry, 2003).

The challenge for this city, which has scarcely any natural resources, was to move from the 19th to the 21st century. Like all cities, Adelaide's mindset was heavy on self-analysis, but unable to develop thereby a positive approach to change<sup>21</sup>. It was characterised by an explosive mixture of idealism and pragmatism, of conservatism and radicalism. Its essential trait was to be satisfied with what it had, and not to have much confidence in its own assets. There was no leadership emerging that might be able to motivate, to stimulate, and to encourage sharing.

What was needed, then, was to inculcate a new culture in which imagination could flourish, one that would force people to look beyond the bounds of their comfortable daily lives and to realise their dreams. To do this, a number of devices were called into play: thinking of the city as an interlocking whole and not merely a collection of

islands, overcoming the stereotypes attached to old buildings, linking environment and health dimensions, making vision and strategy determine rules and not the other way around, mobilising hidden assets starting with the energy of groups and communities.

The idea of associating artists and scientists (Sci Art Lab) took root, following the example of Glaxo Wellcome<sup>22</sup>, and creativity audits were undertaken, indicators were developed for measuring success against these new visions, and, more important than anything else, ways were sought to popularise a passion for learning, to make Adelaide a Learning City.

### **Culture as a factor for business development**

The business culture is often defined as the set of values and norms that inspire or govern the behaviour of members of a business. In a similar way, we may speak of a territory's entrepreneurial culture by looking at all the values and norms that bring players within a territory to put forward activity plans, and to implement them or not. We may conclude from this that a territory's capacity to create business and jobs is linked to its entrepreneurial culture.

For some observers, this question makes little sense. They will point out that creating a business means following certain rules and evoking certain behaviour, wherever that business may be located. From one territory to the next, businesses may not be organised in the same way or involve the same kind of cooperation, but they must always draw upon the same principles and a single entrepreneurial culture should be possible, regardless of the territory. Proceeding in this way, they tend to confuse two cultures that in fact need to be distinguished: the entrepreneurial culture and the business culture.

- The entrepreneurial culture involves all those qualities and skills that make individuals, organisations, communities and societies creative, flexible and able to adapt to economic and social changes.
- The business culture has to do with all the rules that lead members of the business to produce good results.

There is, then, a difference between the entrepreneurial culture or the capacity to conceive and nourish projects, and a business culture that consists of carrying out those projects (Katz, 1999)<sup>23</sup>.

Whether a territory has a productive fabric does not depend only on the vagaries of investment, industrial relocation, or the availability of management capacities. It

also depends on the values with which the community is imbued, and which may or may not make its members apt to encourage initiatives, or to prevent existing activities from disappearing through a failure to hand on knowledge or know-how<sup>24</sup>.

### ***The nature of territories and the specific features of entrepreneurial cultures***

Any entrepreneurial culture depends on the norms and behaviours of a given place as they relate to the creation of businesses. Its foundations may vary: a cumulative industrial tradition within a given territory (structural foundation); a set of demographic characteristics (socio-cultural foundation); the prospects offered by capital markets, transfers, technologies and products (economic foundation). In the experience with local development within the European Union we can identify three varieties of cultures (Greffé & McDonnell, 1996)<sup>25</sup>.

The first relates to the single-industry setting, where businesses are grouped around a basic activity that will differ from place to place: textiles in Dundee, coal in Genk, steel and mining in Oberhausen, naval shipyards in St. Nazaire, automobiles in Turin. The entrepreneurial culture here translates into technical mastery of a given field, to the detriment of other activities or technologies. The challenge in terms of shifting activities is then to transfer these skills into other sectors than the one in which they have been gradually consolidated.

Turin and its region are a good illustration of this culture and the issues it currently raises. The entrepreneurial culture has been stamped by the history of building a powerful manufacturing industry. Based on Henry Ford's approach, the industry focused on big manufacturing plants, assembly-line production, and limited product variety at any given time. A related feature was the existence of subcontracting networks that exhibited neither initiative nor autonomy. Industrial relations were marked by conflict and working-class pride, and self-employment was not highly regarded. In any case, the lack of interstitial diversity inhibited the emergence of small firms and the learning of new responses to looming market shifts. Subcontracting firms were looked down upon, and the discrepancies between technical and scientific capacities, on one hand, and management and business capacities on the other remained significant. In the mountainous areas, the entrepreneurial culture took on a rural flavour, and the capacity for initiative remained rare.

In this context, social buffers assumed a role that was often counterproductive, for they continued to protect outmoded human resource management approaches, instead of introducing incentive systems based on empowerment and responsibility. Little by little, the importance of technical innovations and the shortage of skilled workers who could handle them led to the spread of new entrepreneurial cultures. Efforts at change were slow and pragmatic: introduction of new plant facilities (Olivetti

preferred to convert its old factories to house its new activities, rather than demolish them); development of mutual support networks; introduction of institutions that associated education closely with technological culture, as at Chivasso; greater attention to workers with a degree of seniority who could take on new activities; revival of knowledge and know-how, for example, in the moviemaking and audiovisual fields.

The second has to do with fairly diversified industrial settings. While there may be a dominant technology or activity, there is a capacity to adapt, so that new products and services can be steadily created. The entrepreneurial culture here is one of adaptation and responding to challenges associated with the necessary shift to new activities or technologies (as in Liège, Nottingham or St. Etienne).

The North Rhine-Westphalia region, long a byword for European industrialisation, provides a good illustration of this culture and the way it has changed to the benefit of local development. The region is no longer on the list of the big European steelmaking, chemistry, mining and pharmaceutical concerns, and workers themselves no longer see their job security as dependent on a single big company. Whereas there were some 600,000 SMEs in the region 20 years ago, there are now 2.4 million.

The entrepreneurial culture is not tied to a single industry, and it strives to adapt to new technological and financial conditions, while also stressing the importance of business services. Local discussion forums, such as the one at Oberhausen (Forum for the Future of SMEs), are giving expression to needs and putting forth proposals that take quality as a basic objective. Development corporations combine the activities of the former municipal business services and the interests of private enterprises to offer new services and to foster entrepreneurship. "One-stop shops" have been created for new entrepreneurs. Networks that offer themselves as alternatives but that can in fact provide an entree to the mainstream have been organised (such as the *Netz für Selbstverwaltung*, "Network for Self-management"). They enlist alternative enterprises, organised most frequently as cooperatives - retail stores handling ecological products, bicycle repair shops, equitable insurance offices, messaging services, environmental consulting firms, retail stores - in cooperation to promote sustainable development.

Beyond these variations, there is a cultural vision that embraces a few fundamental principles: associating workers with the decision-making process, ensuring a sustainable environment regardless of the business activity, or providing on-the-job worker training.

The third variety of entrepreneurial culture is to be found in rural areas, which will differ from each other depending on whether they are home to industrial

activities. In some cases, the setting is “mixed”, and thus offers the benefits of entrepreneurial culture associated with certain activities such as textiles. In other cases, there are zones where farming has always reigned unchallenged, which means that the stability of output and outlets becomes a liability once their markets are lost or disappear.

A rural region such as Arcadia in Greece illustrates the attendant cultural changes. The entrepreneurial culture there reflected the nature of its human resources, marked by the territory's history: the lack of an industrial past; the importance of independent employment; emigration and ageing of the population. Moreover, entrepreneurship was hobbled by the lack of management capacity and know-how, ineffective marketing of products, raw material shortages, the scarcity of modern equipment, the narrowness of local markets.

It was realised that the only way to change this entrepreneurial culture was gradually, through the introduction of new technologies, and by stressing quality and encouraging networking among the still-rare initiatives. These fabrics, in which personal relations predominate, could take advantage of new development opportunities if the area were not dominated by outside economic forces, as is often the case with territories where there is little diversification. Where this is the case, it is better to adopt other ways of thinking and working, something that can be achieved through a new technical culture.

The growing interest in the analysis of local cultures has sparked proposals for other typologies. In their study of eight European regions, Keating et al. (2003) classify them into four different cultural types:

- regions that stress their low production costs in the hope of attracting investments;
- regions with a conventional, conservative culture that offer products with high value-added but that exhibit great social inequalities;
- regions that are socially more democratic, where production of this kind goes hand-in-hand with greater social integration;
- regions that attempt to constitute themselves as states and to take on new attributes and responsibilities, including cultural ones.

### ***Producing new entrepreneurial cultures***

Merely identifying links between desirable cultural traits and local development does not provide a sufficient basis for local policies. The time needed to win acceptance of these new benchmarks or approaches is likely to exceed the lifespan of any

economic policy. Experience with local development, shows, however that changes over time can produce the desired improvements.

When we look at ways of reinforcing or disseminating a culture that promotes entrepreneurship, we always come up with a list of favourable factors, and another list of negative factors.

- Among the first, we may mention a shared desire for change within a given territory; the existence of networks for spreading knowledge of technology and markets; training institutions, and so on.
- Among the negative factors are isolation, the lack of support services needed for industrial conversion or restructuring, the heavy hand of central government, inappropriate financial and tax systems that are too heavily centralised and not adaptable.

The determination to enhance the positive factors and to diminish the negative factors can lead to many possible policies (Corman & Greffe, 1998). In this paper we shall look only at those that can encourage this change of reference points.

- The first step in instilling a new entrepreneurial culture involves encouraging new project promoters or inducing existing industries to innovate and to become more independent than they were.

Many small enterprises (starting with artisans) that survive on subcontracting have little ability to react to disruptions in their traditional markets, and this compounds the problems facing their territories. Their output is often based on a single product, their occupational qualifications are often weak and have not been refreshed, training facilities are unable to renew the skills they are supposed to pass on. Some big companies feel the need to stimulate creativity among their subcontractors, but above all when they leave a territory, which creates emergency situations that are not conducive to finding solutions. Some training centres may offer new models and new skills, but this will not always be effective unless it is linked to specific local investments. Such initiatives are more likely to succeed if mediators, local officials and networks are able to make them converge.

- Instilling a project- or initiative-oriented culture among young people is the central theme of many local development programmes. Promoting such entrepreneurship is a good way to keep those people within the territory and to turn them into assets. Even if a project fails, the young people who have invested their time and efforts in it will be better equipped to rejoin the labour market than those who have never been involved in such strategies. These initiatives often flounder for lack of personal start-up capital<sup>26</sup>, or for want of training. Training in fact is a

good way to propagate an entrepreneurial culture, provided that everyone involved, teachers and trainers alike, is immersed in this culture. Yet the entrepreneurial culture is not something that can be taught itself: it must serve as a reference for the way teaching is organised and the way students pursue their projects. Many local development experiments involve amending high school, university or business school curricula so that students can simulate or even try out their ideas for new activities<sup>27</sup>.

- The growth of ethnic communities can shed light on how entrepreneurial cultures take root. An entrepreneurial culture is often a feature of such an environment that has traditionally spawned businesses, starting with small enterprises. This vision often excludes other communities (except perhaps for offering ethnic restaurants), but the vision can be broadened if activities are created in keeping with the needs of their own community. Ethnic communities have been a major source of business creation everywhere (Ekholm, 1999). Finding their upward mobility blocked, immigrants look to the creation of new businesses as a way for rising above their disadvantaged status, often on the basis of family backing<sup>28</sup>. Faced with the difficulty of lining up initial capital, coping with legal requirements, or diversifying their clientele beyond their initial "ethnic" market, family and cooperative undertakings give a strong cultural dimension to their contribution to development. The culture-oriented cooperative differs from the cooperatives that labour movements have founded throughout Europe. They are in effect mutual support consortiums involving groups of entrepreneurs or of independent workers. Their preferred fields of endeavour are initially in food production, interpretation and translation, health and social care, or personal services. But these cooperatives represent a kind of holding tank that workers will leave as soon as they have honed their skills or diversified their markets sufficiently.

### **Culture as a lever for social integration**

Just as a territory's cultures may or may not promote the creation of new initiatives and activities, they can also favour the social integration of a community's members. When it comes to sustainable local development, economic development and social development must go hand-in-hand. Economic growth without integration creates a destructive duality that is costly and in the end explosive. Social development, in turn, is almost inconceivable if it is not based on economic development.

This effect of culture is often mentioned, but its complexity is not always appreciated. It is often said that by exposing individuals to the same system of values, they will be brought to understand and to agree on certain priorities. Social cohesion would thereby benefit from the existence of cultural networks. Given the mechanisms of exclusion and marginalisation that can be found in territories in decline, we can only

recommend the intensive use of cultural practices as a kind of balm. In 1997, a Council of Europe report painted a particularly rosy picture of such efforts:

In terms of direct effects, “the arts and culture provide ‘socially valuable’ leisure activities, ‘elevate’ people’s thinking and contribute positively to their psychological and social well-being and enhance their sensitivity.”

In terms of indirect effects, “the arts enrich the social environment with stimulating or pleasing public amenities. They are a source of ‘civilising’ impacts and of social organisation. Artistic activity, by stimulating creativity, ... enhances innovation. Works of art and cultural products are a collective ‘memory’ for a community and serve as a reservoir of creative and intellectual ideas for future generations. Arts and cultural institutions improve the quality of life and so in urban areas enhance personal security and reduce the incidence of street crime and hooliganism.”<sup>29</sup>.

This view is shared by the British think tank Comedia, which published several case studies on the social impact of culture, especially in urban settings, where it was found to bring a number of benefits, such as enhancing social cohesion, improving local image, reducing offending behaviour, developing self-confidence, and building public and private sector partnerships (Reeves, 2002).

Taken literally, this euphoric view of culture and social problems is ambiguous. There is nothing to guarantee that exposure to the same values will lead to their acceptance. Things are not that automatic. Individuals react more instinctively and with less discipline than we might think. They rely on a host of environmental signals, they are more sensitive to certain symbols or signs than to others, and they often seek to differentiate themselves from others (Molotch, 2003)<sup>30</sup>.

This systematic belief in the positive social effects of culture seems to assume that there is a kind of implicit agreement on shared values, as if cultural counter currents did not exist in societies, communities and territories<sup>31</sup>. Moreover, it is difficult to imagine how cultural integration could exist in the absence of economic integration, as these interpretations imply.

Experience with local development, particularly with problem neighbourhoods, shows that successful integration depends as much on the workings of the labour market as on cultural activities. Social integration without cultural integration is a feature of situations where there is no unemployment but where at the same time inequalities persist, particularly in cultural terms. On the contrary, there may be cases where lack of social integration and strong cultural integration go hand-in-hand, for example when unemployment and low living standards co-exist with the homogenisation of cultural practices and aspirations. Cultural infrastructure in a sense works counter to the market, and this creates severe difficulties: aspirations for equality, which are stronger

in urban settings than elsewhere, are systematically frustrated, and cultural integration mechanisms will be seen as a sham; failure at social assimilation will sooner or later result in the failure of cultural assimilation; the suburb will become a ghetto, whose denizens enjoy internal equality but are cut off from the outside world.

The trend in graffiti and tagging reflects this tension. At first, they delivered an explicit message calling for political or ideological revolution, they then turned to subversive messages scrawled on advertising posters and billboards, challenging society's dreams and puncturing its illusions. Today, graffiti sprayings are seen as meaningless except for whatever artistic value they may have. They are merely urban hieroglyphics showing that the taggers still exist. They demand, not for material advantage, but recognition, which explains why the favourite place for these graffiti is on transit, police and education facilities. The limits of the city are redefined in this way, and public space is privatised. Facing a difficult integration, graffiti artists mark out a new urban space in their own image.

It is impossible then to explain a systematically positive view of *the impact of* culture on social integration behaviour, as it is to deny its possibility. In fact it is less culture itself than the process of creation inherent in any cultural activity that is at issue here.

### ***Social integration experiments using artistic activities***

Personalities and identities have always been reconstituted through artistic pursuits, and the history of the arts reveals a number of works created in this way.

If we look at the most recent experiments in local development, the project involving the Cavern of Cork is surely one of the most interesting (Greffe & McDonnell, 1996). In this town, where the unemployment rate had reached alarming proportions (averaging more than 30%) there were no job possibilities for young people, who not only sought to get out of the territory but carried with them the darkest feelings about it. An association was set up to help young people shoot films about their town, their families and their communities. When they were placed behind the camera, their viewpoint changed fundamentally and they began to take an interest in problems and in people they had previously rejected. This artistic experiment was certainly not enough to make up for the lack of job opportunities on the market, but it did have the effect of sparking in them a sense of loyalty to their territory, and the idea that they could build their future there.

A comparable experiment took place in Bologna. Although the municipality had initially placed its bets on tourism, it decided to deal with growing unemployment among youth by encouraging them to launch small-scale cultural businesses and to try their hand for the first time at project initiatives. Many of those initiatives survived

for no more than a year or two, but they at least induced young people to invest in their territories, and so to become partners where they had previously felt themselves strangers (Greffé & McDonnell, 1996).

More recently, in Arles in France, policies to revive this city of art and history have yielded mechanisms whereby culture contributes effectively to integration. With its outstanding artistic heritage, linking it to the Roman world and the history of Provence, Arles is also a city that has been through very difficult economic times that have blocked the integration of disadvantaged communities such as gypsies and immigrants from the Maghreb. Recognition of its heritage has enhanced the prospects for integration.

- For young immigrants, the city organised “discovery tours” of the city, through the Van Gogh College and the Charles Privat vocational high school. Activities included not only exploring the city’s geography but also artistic workshops in design, photography and ceramics, dealing with different forms of built heritage and its components. Moreover, in order not to convey to these young people a vision that was too strictly aesthetic, the definition of heritage was extended to include the banks of the Rhone River and abandoned rail sheds. The experiment might have stopped at this point, but five years later, it was found that these young students were turning out *en masse* to help celebrate heritage days, enlivening proceedings for the city’s long-time residents (*Service éducatif des Musées d’Arles*, 1999). Arles had become their city too, and this allowed them to look forward more positively to the future.
- When it came to the gypsy settlements, a major obstacle to their integration was the fact that children were discouraged by their families from learning to read, on the grounds that this skill was of little use for the traditional occupations that awaited them. In some schools, and in particular the one that served most of the children of this community, the Collège Marie Curie, the situation was becoming untenable. The municipal education and cultural authorities devised an experiment to have students explore the city’s streets and façades, venturing along routes that they would not normally take. In this way the youngsters discovered a world that was unfamiliar to them. Their curiosity about the meaning of signs and posters was aroused, and this gave them an incentive to learn to read. In the wake of this experiment, the gypsy community’s resistance to reading disappeared completely, and it is no longer a problem (*Service éducatif des Musées d’Arles*, 1997).

### ***Recycling brownfield sites as a cultural tool for local development***

The conversion of former industrial sites into art facilities can contribute to local development in various ways. It can rehabilitate old buildings, improve the quality of life by offering new facilities in often underserved areas, and can offer local groups

and communities the chance to rebuild their identities, to become part of creative culture, and to undertake projects that will have positive fallout for the entire city (Grefe, 2003).

A “retrofit” of this kind typically occupies a former industrial, commercial or military site that has deteriorated through its former use to the point where it can no longer be used without a thorough overhaul and cleanup. The proliferation of abandoned industrial, commercial and military facilities has created gaping voids in the larger cities, particularly, witnesses to a bygone era. Activists promoting the revival of cultural and associative life set out to meet the challenge posed by these derelict urban spaces and to invest in them. The movement was born in the late 1970s, with the emergence of the counterculture, squatter invasions, and the growing awareness that new generations of artists and audiences had entirely new aspirations. Little by little, the sponsors of these conversions attempted to transform the surrounding districts and to make them a force for integration and education, where artistic activities represented a means as well as an end. The “retrofit” thus produced a new urban territory.

### *The role of cultural retrofits*

These converted facilities contribute to local social development in four ways:

- By re-invoking the emotional and symbolic significance of a place that was once used for industrial production, the retrofit suggests that creation is inherent to the territory and it invites us to explore those aspects: “Derelict urban sites show how ephemeral any social organisation is, and at the same time they contain the seeds of a possible future. These wastelands, where ordinary life is suspended, speak to us of the unspeakable, the unnameable, the dark aspects of society. Because they suspend the unconstrained process of production and consumption, of use and wear, they blur the frontier between what is thinkable and what is not...”<sup>32</sup>.
- For people who have spent all or part of their working life in these old warehouses, forts and factories, to return to them now is quite a surprise, because they can see there traces of new hopes and uses rather than ruins.
- The members of cultural associations that choose to set up shop there see these places as covering all possibilities, from rebirth to ultimate physical destruction. An abandoned building thus highlights two related concepts, the ephemeral and the creative. By testifying to successive modes of production in the past, the derelict suggests that development can continue, but in different forms.
- Moreover, when factory sites are used for amateur performances, such as practical theatre, rap or hip-hop workshops, they allow individuals and groups to become actors in their own development.

Other cultural institutions have been doing this for a long time, but one of the key features of the retrofits is to push these practices further by enlisting amateurs from outside their walls, in disadvantaged urban neighbourhoods. By reaching out to a new potential audience and bringing it into a practical theatre workshop, and showing that theatre is not the preserve of the rich and privileged, these recycled facilities are fulfilling one of their key social callings.

- Retrofits help to popularise a forward-looking “project” culture by instilling the principle of creativity in an environment that is often degraded and disadvantaged, and from which that principle has long since disappeared. This creative activity brings a new life to the territory, one that goes far beyond evening concerts or theatre productions.

The *Friche Belle de Mai* in Marseilles is not limited to helping artists with their tangible work, for example by providing them with studio space: it takes account of all the conditions and skills needed to bring a work to life. Experts in the new technologies provide coaching and artistic support for radio or newspaper ventures, for example. The combination it offers of housing for artists, visual art workshops, training in the practical arts, recording studios, discussion forums, sporting activities and restoration makes it a place of creativity not only for artists but for the entire district. Spectators and fans are in close contact with the artists, and so they can better understand the creative impulse in which they are now involved.

- What is special about these retrofits is that “they are built at the meeting point between professional and less professional artists, young and not so young, they attract different audiences, and they keep cultural, social and symbolic resources circulating in a flexible space where many artistic disciplines interact”<sup>33</sup>. Artists can act at all levels, they can join forces with others to create a new artistic and social endeavour according to redefined standards.

In assessing the Belle de Mai, F. Raffin resorts to the image of DNA (Raffin, 1999): “in the DNA chain, some elements appear more determinant than others (...). As with DNA, the Belle de Mai brings together at one place and at one time a host of players involved in the creative process, in this case artistic. Artistic collaborations appear, disappear, and interact continuously with each other on site, whenever there is a presentation or an event. Internal solidarity is constantly being reshaped as a function of cultural endeavours”.

- Converted brownfields have sparked new activities that can contribute to social integration. Take the case of the Belle de Mai. It began initially with the “*Système Friche Théâtre*” or “factory theatre” association that moved into part of the premises made available by the closure of the old tobacco factory located in

the Belle de Mai neighbourhood of Marseilles in 1992. Its basic principle was to give artists a centre where they could produce works aimed at a wide range of audiences.

Little by little, the Belle de Mai has extended its activities by reaching out to the surrounding city and using its networks of associations and activists to establish many cultural and social interaction points such as information centres for marginalised groups, boxing clubs for young people, and artistic or musical workshops.

Artistic activities are not the only means of promoting social integration, but they can be powerful tools because they disseminate symbols and communication techniques that are used in all fields of activity. In the urban areas enlivened by Belle de Mai, there are now small businesses producing for market or offering personal services, properties are being maintained, and restaurants have appeared. These efforts to reach out to people in their daily lives are gradually giving them the skills and experience that open up jobs and access to the mainstream. By participating in these activities, individuals contribute to the emergence of an evolving, multifaceted culture that disseminates creative skills. Outcomes are varied, as some participants go on from these small urban productions to mainstream venues, while others will remain in these local enclaves that use only a portion of their skills (Roulleau Berger, 1993).

These retrofits thus perform a particularly effective socialisation function: they achieve artistic socialisation by bringing artists and their works together, and they achieve cultural socialisation through the dissemination of standards and values. Some of the people active in these centres may however be suspicious of the term "social", as smacking of utilitarianism.

### *What it takes to convert a brownfield site for cultural uses ?*

Whether these effects are being achieved is far from clear. In the first place, the establishment of such facilities did not initially stem from any ethical choices, nor was it even voluntary. Artists and other people engaged in cultural pursuits were looking for urban spaces that were wide, unencumbered and as inexpensive as possible, and this led them to set up in peripheral areas devastated by industrial collapse and poverty associated with social exclusion.

Aware of these inequalities and feeling a common cause with the excluded<sup>34</sup>, the groups that took over these derelict buildings tried to develop an entirely separate system, based on a new approach to cultural activism and creativity, and in the end helping to inspire local development. Then too, they are quickly faced with a number of constraints.

- The first are physical. Moving into an industrial derelict generally provides significant and cheap space that can be used very flexibly, with its high ceilings, big windows, and solid structure. While these elements favour reuse, they also imply various costs of refurbishing the building, cleaning up any pollution, and bringing it up to municipal standards.
- The second are of a territorial kind. The districts in which these buildings are found are generally disadvantaged. The buildings often lack utility services, the potential users often have no money, and they may be indifferent to what they see as elitist cultural pursuits. The environment, then, is not very attractive. In the midst of such isolation, it is not always easy to strike up local partnerships, including with the authorities, who will not always be convinced that a retrofit can help upgrade the neighbourhood. Even if these facilities are generally well received by the local populace, they are often the targets of vandalism that can threaten their survival<sup>35</sup>. The public does not always respond as hoped, and people in the poorer neighbourhoods may stubbornly refuse to frequent these places despite the efforts to entice them and make them feel welcome. People who feel themselves excluded from cultural activities may put initiatives of this kind down to the whim of trendy folk who think it is fun to go slumming. To overcome the effects of such isolation, they have to offer low or even symbolic ticket prices or user fees. But this can pose a risk for their management.
- The third set of constraints has to do with management. These converted art centres often have trouble covering their capital and operating expenses from their own resources. These include box office receipts (which will be low, given ticket prices), revenues from the bar or restaurant, or proceeds from activities conducted at the centre (workshops, housing, training programmes). But these revenues will at most cover artists' fees and overhead. There will be little left to pursue an outreach policy or to buy expensive equipment. Artists, coordinators and administrators are rarely paid a salary, and most of them will be unable to rely exclusively on their artistic activities for their livelihood. Most often, any employees will have been hired under some kind of government works programme.

To make up for these shortcomings, the retrofits have several resources.

- They may pursue external growth strategies.
- They may provide training for young people who can then become independent or even "go commercial" to support themselves, and perhaps to turn a profit, while continuing to collaborate with the "parent association".
- They may provide and bill for services to other businesses and thereby put to profitable use their specific skills in such areas as electronic music, new

technologies, or the organisation of events or performances. Revenues from activities of this type can finance new projects in the centres themselves.

- In the end, they can also ask for public subsidies, which will immerse them in another set of constraints, this time political. In fact, the retrofits that have been created have often sprung from alternative cultures, and they will be disinclined to cooperate with the world of politics and business. Their participants feel that they embody certain attributes that those worlds do not, and they devote themselves to undertakings in which both their political outlook and their local roots are evident. But they will soon be forced to apply for financial or technical assistance from the local municipal authorities. Quite apart from the technical problems in obtaining such funding, subsidies are likely to be seen as opening the way to the kind of manipulation against which participants had revolted in the first place. In France, the *friches culturelles*, as they are called, have survived in large part thanks to the subsidies that cover 50% of their financing.
- A last resort, then, is to organise themselves in a network, of which there are two types today. On one hand, there are networks like *Trans Europe Halles*, established as a lobby to fight for their members' interests; on the other hand, there are cooperatives formed to pool certain services and to undertake joint productions, such as *Acte-Ile de France*.

Does this networking, or even internationalisation, of retrofits mean that their contribution to local development will be compromised? The risk of manipulation of these centres will be all the greater if the authorities can exert subtle pressure through the network leader or via subsidies. The best way for these centres to remain faithful to themselves is still to work at transforming the local setting, by reinforcing identities and publicising their projects and skills. The retrofit constitutes a subtle and important link between the arts and the economic world, for the arts will be more creative if they rely on local development, and at the same time the territory's development will be more sustainable if it can benefit from the constant creative renewal that artists bring.

### ***Integrating the inactive population***

In addition to integrating the unemployed, cultural integration can serve people who are completely outside the labour market, for example those who are ill or in prison. We shall address this question only briefly, because it involves issues that go beyond territories and are often addressed at the national level.

- Generally speaking, hospitals can benefit from the introduction of artistic activities. For example, music is said to reduce patients' stress levels and to facilitate relations between patients and hospital staff (Routhiaux, 1997). For children, drawing is a favourite pastime because it allows them to transform their hospital

surroundings into their own, friendlier version. This positive role of the arts can also be seen among people with mental illnesses. Painting and writing help some people to regain control over their own, internal lives, if only by giving vent to certain subjective aspects (Jensen, 1997). Similarly, theatre is often cited as an effective therapy for people with deficits in communication (Snow et al, 2003).

- Another possible role of culture is in the correctional system, and particularly in crime prevention, as demonstrated by the programme supported by the Arts Council of England (Art Council of England, 2003). The useful studies are few, however, since only those that involve comparison between target and control groups can be meaningful. One study in California showed that prisoners who were exposed to arts programmes were less inclined to become repeat offenders: 69% of those who participated in these programmes avoided further trouble with the law, compared to only 42% of those who did not take part (Cleveland, 2000). It seems that programmes that improve language, writing and self-expression skills are particularly effective.

### **Can we measure the social effects of culture?**

If we are ready to admit, subject to the caveats expressed above, that culture plays a positive role in the organisation of social relations and the reintegration of excluded groups within a given territory, we still need to measure that impact. It is one thing to assert, as the European Commission has done, that culture “raises the level of people’s thinking, contributes positively to their social and psychological well-being, stimulates their awareness, and has a civilising impact”, but it is quite another thing to appreciate the scope of these effects (Council of Europe, 1997).

This is a difficult undertaking, and there has been much debate as to whether it can be addressed through a general approach, or whether we must resort to case studies. The problems in conducting such studies are many: we must evaluate qualitative changes that often take long to materialise; the evaluations may have an important impact and therefore must be understandable to all stakeholders; the meaning of a nationwide study may not always be applicable to local conditions. Moriarty and Hill have both called for one-off studies at the local level, cast in language that will be understandable for the people being studied (Moriarty and Hill, 2001). Such studies should also concentrate on tracking and monitoring rather than ex-post evaluation. The challenge here is not so much to come up with an accurate measurement of effects as it is to help cultural institutions improve their practices - hence the important distinction between formative evaluation (during the process) and final evaluation (after the process). Three methods are available to us.

The first method is called the “multiple approach” (Matarasso, 1997). It starts by defining several themes: personal development, social cohesion, community

empowerment and self-determination, strengthening local image and identity, fostering imagination and vision, promoting health and well-being. The method proceeds via surveys and interviews, in which such questions as these are asked: What are the expected social impacts of cultural activities and how do they correspond to local demands? Are people and communities aware of these impacts? What outcome indicators might be used? Might other policies or practices be found more effective?

Outcomes are grouped into four categories: improvements in health, educational attainment, crime reduction; increased personal self-confidence and self-esteem; increased social contact and understanding, greater social capital; development of a civic sense, of community pride and identity, etc. (Jermyn, 2001).

Social auditing measures the social impact of a cultural activity in relation to the aims of its stakeholders, which may reduce the scope in comparison to the previous method. The assessment criteria are set and prioritised at the outset, as well as the corresponding measurement systems. The results are of greatest interest to the stakeholders, and this approach is particularly suited to non-profit organisations that are uncertain about the exact nature of the objectives they should be pursuing. At this point, the approach takes on certain aspects of the preceding method. A good example is the social audit that was conducted of the Belgrade Theatre. The audit identified five types of effects of the Theatre's activity: on the arts (number of performances, audience, peer review); on the community (impact on the personal development of participants, linkages with the schools, physical access improvements); on partnerships (number, variety and commitment); on the city (recognition by inhabitants, partnerships with local businesses); and on standards (quality of the theatre as an employer, sustainability of partnerships) (Matarasso and Pilling, 1999).

Longitudinal research constitutes another analytical method, one that tracks the effects of a cultural activity over time (Harland et al., 2000). The difficulty of such analyses is that they are meaningful only over several years, and moreover the longer they are stretched out the more the variables change, and this multiplies interpretation problems. The studies generally focus on the schools, where students and their behaviour can be tracked over several years, and their parents can be involved in the process. The impact indicators, which are frequently numerous, relate both to student behaviour (personality development and self-reliance, improved communication skills, etc.) and to improving the local environment (respect for public property, reducing vandalism, environmental protection).

A variant of the foregoing methods involves analysing the effects of culture on individual behaviour in direct relation with community membership. Analysis of this behaviour is thus constantly backed up by analysis of links to the community (community-based multi-method approach) (Walker et al., 2000). Using indicators such as the sense of belonging to the community, or increased self-esteem, these methods

quickly come to focus on the nature of existing social capital. Changes to social capital under the influence of cultural practices are recorded very concretely, in terms of the multiplication and arrangement of meeting places, the density of contacts over time, the variety of people who take part in these encounters, etc. This approach is highly relevant for local development and is often used in district-specific housing and residential surveys.

## *Chapter 2*

# **Local development based on attracting visitors and tourists**

This chapter describes the conventional approach to the analysis of culture's impact on local development – the approach that sees the attraction that cultural activities exert on tourists and visitors as the source of this development. After reminding the reader of the underlying logic, it presents the main analytical tools used to assess this impact: contingent valuation, impact studies, multiplier effects, and so on. It then analyses the relative contributions to local development of the various cultural activities: built heritage and landscape enhancement, creation of museums, live entertainment and festivals, art markets, and so on. It shows how such contributions vary, depending both on the particulars of their organisation and on each territory's own characteristics, thereby tempering the too-often overly optimistic conclusions and highlighting the conditions under which cultural activities do in fact contribute to the creation of sustainable local development.

## Chapter 2

### **Local development based on attracting visitors and tourists**

The most visible contribution of culture to local development lies in its ability to attract tourists and the consequent positive effects on spending, incomes and employment. The economic potential of culture for the territory is similar to an export potential, except that in this case it is not services that are exported but consumers who are brought in.

This viewpoint has inspired many studies since the early 1980s that have attempted to demonstrate the impact of culture on local development. The timing is not fortuitous: a number of European cities facing economic collapse were starting to look to cultural investments as a means of sparking new activities, generating incomes, and restoring their physical fabric. In 1988 the Policy Study Institute's report on "The Economic Importance of the Arts in Britain" estimated that nearly 500,000 jobs could be traced to cultural activities (Policy Study Institute, 1988)<sup>36</sup>. In 1989, the report of the French *Commissariat Général du Plan* estimated that tens of thousands of jobs could be created by meeting cultural needs more effectively<sup>37</sup>. Since then, efforts to estimate the economic fallout from culture have continued both at the national level and at specific sites or events

At the local level, the studies have sought not only to identify contributions but also to justify what are often major investments for the territories in question, investments that may eat up nearly all their resources and commit them for some time to a specific course from which there is no turning back. Restoring a monument, organising a festival, creating a museum will all condition a territory's economic prospects and may often create high expectations. Yet despite their initial promise, the expected gains may fail to materialise, and there may be negative fallout: gentrification, disputes over land-use, inflated labour costs, environmental costs and so on. In this realm as in the preceding one, success stories and prize-winners can obscure less happy outcomes. The results of the studies must therefore be taken cautiously, and their methodological underpinnings must be clearly understood.

#### **Effects, spin-offs and impacts**

Developing a site or sponsoring an event will naturally involve estimating its effects. This estimate may be made ex-ante or ex-post. It may focus on direct effects

or indirect effects, or even on more general spin-offs. As a result, there is a great diversity of approaches, as well as of situations and local constraints, and so the outcomes are highly variable. We shall look here at some of the major approaches, illustrating each with some specific examples, to see if some lessons can be drawn about the expected effects of such activities

### ***Types of effects***

The development effects of cultural activities flow from the identification and evaluation of the expenditure they generate. These expenditures are generally classed in three categories

- Direct spending, i.e. spending at a site or an event. This normally involves spending by tourists (who come from outside the territory) or by visitors (who reside within the territory), during their visit to the cultural site, and may include entrance fees, restaurant and accommodation services, souvenir purchases etc.
- Indirect spending, i.e. spending by businesses that provide these goods and services, whether as producers of cultural goods and services or as producers of tourism services. Given the variations in visitor and tourist demand, these businesses will outsource orders under both operating and capital headings.
- Induced spending (spin-offs) relates to the successive flows of spending sparked by these indirect business expenditures. Orders placed by cultural or tourism businesses with their suppliers will in turn generate further orders to yet other firms. Since it is difficult to track the spin-offs step by step, we usually use the concept of the “multiplier” to identify them.

There are five methods in use today to identify the economic effects of cultural activities on local development. The first is used when there are no a priori data available on these effects, and so the possible effects must be simulated in advance. The second begins, by contrast, with the effects already noted, in order to see the outcome: this method has several variants, including the multiplier and the impact study. Another method is to identify the industry constituted by one or several cultural activities within the local economy and to measure its relative weight against other activities. Finally, there is the more specifically financial approach of the balance sheet. As we shall see, some studies employ more than one of these methods.

### ***Contingent values***

In attempting to estimate the effects of future cultural activities, we may begin with existing examples and transpose the results, or simulate the spending behaviour

of future visitors or tourists once these activities are actually being offered. The idea is to determine the price that potential users of the service would be prepared to pay, and then calculate whether the returns will cover the investment and operating costs of the planned cultural and tourist facilities. It is therefore both a modest and a delicate method: modest, for it is interested only in direct effects, and delicate, for it is based on the reliability of “contingent” responses. Although this approach is often challenged, it is in increasing use internationally: examples are to be found in the studies by Navrud on Trondheim Cathedral (Navrud et al.1992), Willis on Durham Cathedral (Willis, 1994), Martin on the Quebec Museum of Civilisation (Martin, 1994), Hansen on the Royal Copenhagen Theatre (Hansen, 1997), and Santagata and Signorello on the City of Naples (Santagata and Signorello, 1998).

### *The contingent value approach*

There are two ways of pursuing this approach, depending on whether we start with the willingness to pay for a good, or with the willingness to forgo an existing good, for example the view of a monument.

With the road improvement project at Stonehenge, the idea was to build a tunnel more than 2 km long to carry a road that passed through the site but disfigured it and made visiting it awkward and unpleasant. Leaving the road on the surface, on the other hand, had the advantage of letting drivers view the site from their car. Both approaches were combined in determining the contingent values. People visiting the site were asked what they would be willing to pay to see the road and its attendant nuisances disappear, while drivers were asked how much of a disadvantage it would be for them to pass by underground and be unable to see Stonehenge at all (Maddison & Mourato, 2002).

As results may differ depending on whether we focus on willingness to pay or on willingness to accept, a third method, known as “paired comparison”, has recently been proposed (Peterson & Brown, 1998). The respondent is confronted with different possible combinations of services or money, and is asked to choose between a certain amount of a good and a sum of money that varies with each choice. As long as the money offered is less than a certain amount of the good, the respondent will prefer the good. But when the money exceeds the value of the good, he will refuse the good and take the money. The comparison point at which behaviour changes shows the amount of money by which the good is valued.

This method, known as “willingness to choose”, was introduced by Kling, Revier and Sable (Kling, Revier & Sable, 2000). They were asked to prepare a referendum to be held under the State of Colorado’s 1992 “Taxpayers’ Bill of Rights”, according to which, when a local government plans to undertake a new project and finance it from existing tax revenues, it must offer taxpayers the choice between going

ahead with the project or receiving a tax rebate. The particular case involved the renovation of the Northern Hotel, a historic site in Fort Collins that had served as a stagecoach stop in the days when the West was being settled.

The study was designed therefore to test possible responses from a referendum. The municipality asked the researchers to simulate those results, and they accordingly posed two questions to local citizens: 1) Were they willing to pay higher taxes to finance the monument's restoration? 2) Would they prefer that the municipality's surplus revenues be devoted to the renovation or returned to taxpayers in the form of a rebate? The first question represented the classical approach, via the willingness to pay, while the second took a more subtle tack, via paired comparisons<sup>38</sup>. Taxpayers showed themselves much sharper-pencilled when the question was put in terms of paired comparison rather than in the form of a simple price to be paid. Given the choice between a tax rebate and renovation, more voters rejected the renovation than when the choice was put in terms of a tax increase to pay for the renovation. The local authorities concluded that they should redefine the project and finance it through normal procedures<sup>39</sup>.

The willingness-to-pay (WTP) approach is used in most situations<sup>40</sup>. The main difficulty relates, then, to the choice of price mechanism as disclosed to future users: financing a service by charging a price is not the same thing as doing so with a tax, and in the latter case a local tax and a national tax are not the same thing. The study of the historic district of Grainger Town in Newcastle-upon-Tyne showed that the main solution was to be found in the hotels tax (Garrod et al., 1996). Another difficulty has to do with the biases induced by the responses. Persons interviewed may place a different value on moral satisfaction than on their material well-being: they may consider that they are already paying for part of the services provided through their local tax rates, in which case they will evidence a low willingness to pay. In the end, the willingness to pay may differ sharply depending on whether individuals have already benefited from services of this type or not. A study relating to the Teatro Colon in Buenos Aires showed that willingness to pay differed substantially depending on whether or not the respondent was already a user of the proposed service (Roche Rivera, 1998): users were prepared to pay more than six times as much as nonusers<sup>41</sup>.

### *The relevance of the results*

Whatever the case, the responses provided by these analyses are interesting, if only as warnings to policymakers about the possible and unexpected consequences of their choices.

- In their famous study of the *Napoli Musei Aperti*, Santagata and Signorello used the contingent valuation method to examine the values that users and nonusers

attached to public services offered by the City of Naples (Santagata and Signorello, 1998).

The city had a free service called *Napoli Musei Aperti* (“open-air museums”) that consisted of showcasing the attractions of the central city’s old quarters (Decumano, Scappanapoli, the Spanish Quarter) once a year by fixing them up and posting signs. The municipality wanted to replace its subsidies with a service financed by contributions from citizens or visitors. The basis of the method used was to ask the following: would you agree to pay to continue to the service that is provided today, if the municipality could no longer finance it? To avoid any interference between this question and citizens’ fears about the quality of future management, it was specified that the service would be placed under non-profit private management. The questionnaire contained four types of questions relating to past visiting habits, the cost accepted to date, willingness to pay, and budget allocation. These questions were designed to determine whether the responses were realistic and to identify the potential effects of substituting one type of spending for another.

It was found that some people said they were ready to pay when in fact they had never used the service, and that others were unwilling to pay even if they had used it. These two cases were excluded in order to achieve sound results: 48.3% of those responding to the survey (226 out of 468) refused the idea of paying, something that could be explained by the fact that the good had previously been offered free. By contrast, others declared their willingness to pay more than the cost of the service. But these two effects did not cancel each other. A further result was also interesting: low-income people were more willing to pay than wealthier respondents, something for which several explanations can be advanced.

- The simplest is to say that cultural goods are not necessarily “superior” goods, as too systematic an interpretation might suggest.
  - The second explanation is more interesting: the cultural good represents the values of neighbourhood or networking, and low-income people are partial to such values<sup>42</sup>.
  - A third explanation may be offered: low-income people live at or close to the sites showcased by the cultural service, which makes them more sensitive to their maintenance than others might be.
- A 1997 World Bank evaluation of the benefits of renovating the Medina of Fez covered two aspects (Fiorentino, 1997):
- the value that visitors to the town attributed to the renovation,

- the existence value attached to a renovated Medina at Fez by tourists who visit Morocco but have never been to Fez.

A survey consisting of 16 questions was administered to tourists, together with documentation on the features of the Medina before and after renovation<sup>43</sup>. On this basis, visitors to the Medina were asked if they were ready to pay a charge to visit Fez, in the form of a special tax levy on their hotel bills. For visitors to Morocco excluding Fez, they were asked if they were willing to pay a departure tax to help maintain the Medina, even though they had not visited it. These charges were defined as a range starting at US\$25, and the upper limit was significantly higher for Fez visitors than for others (US\$200 versus \$100).

The survey revealed that visitors to the Medina were willing on average to pay \$70, which would yield revenues of \$11 million. Other tourists were ready to pay \$30 on average, for total yield of \$47 million. The difference between the average dispositions to pay is logical enough, for visitors to the site are likely more sensitive to the ongoing deterioration of the Medina and its need for renovation. More surprising is the attitude of non-visitors to Fez. They seem to attach a high “existence value” to having the option of visiting Fez sometime in the future. But we may question the value of people’s willingness to pay for a good that they are hardly aware of and that they will never visit.

- Studies also provide convincing support for a conclusion of another kind. Contingent values will be even higher for people who are bigger consumers of culture. In their 2004 analysis of the renovation of Arab towers in the Valencia region of Spain, Saz Salazar and Montagud Marques found that the people who expressed the highest contingent valuation for these towers were those who were already heavily “into culture” (Saz Salazar and Montagud Marques, 2004). This is not a reassuring conclusion, for it shows that the demand for cultural goods is directly linked to the amount of cultural capital that individuals have already accumulated. It points, then, to the limitations of cultural policies, but at the same time it reinforces the notion of the specificity and importance of cultural capital, as defined some time ago by Bourdieu.

### ***The multipliers***

When activities already exist, the most frequently used means for identifying the local development effects of culture is the multiplier tool. It is based on the notion that purchases of goods or services from a business will lead it to make purchases from other businesses, and so on in a cascading effect.

- The assumption is that local businesses are mutually interdependent, although this will not be true to the extent that these businesses must turn to firms outside the territory to procure goods and services.

- It also assumes that all income received results in an equivalent amount of purchases of goods and services, which will not be true if earners save a portion of their incomes.

With due regard to these sources of leakage, initial purchases result in indirect and then in induced purchases. In the case of tourists arriving in a territory to visit a site or to attend an event, the direct effect lies in their purchases; the indirect effect, in those of the businesses they purchase from; and the induced effect, in the successive waves of spending thus unleashed. The multiplier will be expressed by the ratio of two variants: (1) the characteristic economic size of the territory: output, income, employment or even public revenues; and (2) the cultural and tourist spending that is triggered. Three multipliers are used: the Keynesian multiplier, the ad hoc multiplier, and the input-output multiplier.

### *The Keynesian-type multiplier*

The Keynesian multiplier,  $k$ , is formulated in terms of revenues, thus:

$$k = 1 / 1 - c = 1 / s + m$$

where:

- $k$  represents the value of the multiplier.
- $c$  is the propensity to consume.
- $s$  and  $m$  are the propensity to save and propensity to import, i.e. leakages (See Annex 1.1).

These multipliers are generally estimated at the national level. There are many illustrations for the area of tourism receipts, although not for “cultural tourism”. Table 2.1 provides a few examples. It shows that this multiplier varies inversely with the degree of territorial integration. Thus it is much higher for the United Kingdom than it is for Egypt or Mauritius, where tourism goods are typically imported.

At the local level, estimating these multipliers is a complicated affair, subject to several difficulties (see section on “Methodological Issues”). The current benchmark

Table 2.1. **Value of tourism multipliers at the national level**

United Kingdom	1.73
Republic of Ireland	1.71
Egypt	1.23
Cyprus	1.14
Mauritius	0.97

*Source:* Cooper, CH. & al. (1998), *Tourism: Principles and Practice*, Longman, pp. 142-143

study is still the one done some time ago by John Myerscough (Myerscough, 1988). Analysing several local territories in the United Kingdom, he cross-referenced three sources: reports from artistic activity surveys, reports from tourism surveys, and consumption studies. He established an average value for the multiplier of around 1.4, a value that has since been used as the benchmark for most studies. But this value changed with:

- The territory's population density: the higher the density, the higher the multiplier, explained by the fact that the demand for services can be more readily satisfied by local supply.
- Territorial size: the larger the territory, the higher the multiplier, because leaks become relatively less important.
- The nature of activities: the higher the production share of local employment, the higher will be the indirect and induced effects, and hence the multipliers for museums will be greater compared to those for theatres (see Table 2.2).

Table 2.2. **Value of tourism multipliers at the local level**

	MUSEUM	THEATRE
High population density	1.42	1.40
Medium population density	1.28	1.26
Low population density	1.26	1.23

*Source:* Based on Myerscough, J. (1988), *The Economic Importance of Arts in Britain*, London: Policies Study Institute, p. 88 ff

### *The ad-hoc multiplier*

The ad hoc multiplier attempts to specify the previous data using possible behavioural differences between tourists within the territory (See Annex 1.2).

### *The input-output multiplier*

This multiplier analyses the territorial development effects of cultural spending using relational techniques that associate different sources of production in the territory, thus bringing great accuracy to the conclusions (Fletcher, 1989). The main difficulty in using this multiplier is to distinguish clearly between initial expenditure effects that will be felt in the territory and those that will be felt outside the territory, which requires a detailed analysis of the expenditure flow sector by sector.

The local economy is represented in the form of an inter-industry flowchart (Table 2.3). In the initial matrix, which constitutes the upper left portion of the table, each vector-column represents purchases of goods and services from other sectors of the local economy, and each vector-line represents sales of goods and services to other sectors of the local economy. These exchanges define intermediate consumption. To this we must add a lower left quadrant that represents factor purchases and payments (wages, profits, taxes, imports). The upper right quadrant represents final consumption sales of each sector, and the lower right quadrant establishes the relationship between factor remuneration and final consumption.

Table 2.3. **The economy according to the input-output matrix**

	Sectors	Users	Product
Sectors	Intermediate consumption	Final consumption	Total
Primary factors	Factor purchases	Revenues/outlays	Total
Product	Total	Total	

The advantage of this method is that we can define employment volumes accurately, and show whether the skills required for responding to an increase in tourism spending can be supplied or not within the territory, and what vocational training strategies might be necessary to fill any gaps.

One study used the intersectoral approach to measure the impact and multiplier effect of the culture sector on the regional economy of Wales (Welsh Economic Research Unit et al., 1998). It was based on a sample of 986 individuals, associations or businesses located a priori in all possible sectors of the local economy, in order to deduce the flow of expenditure into the cultural sector and the resulting employment. It found that nearly 2% of the workforce was directly engaged in cultural activities (16,000 full-time jobs), but that this percentage rose to nearly 3% if the indirect effects of inter-industry linkages were considered. The multiplier is thus calculated at 1.5.

### ***Impact studies***

The importance of the positive effects that culture can mean for a territory is often demonstrated through the notion of impact. This notion relates both to their quantitative importance and to the dynamics that exist between inputs, outputs and outcomes. Impacts can be analysed using the multiplier, or by direct estimation. They can be recorded for the entire process, or at its beginning or end. They may have a strictly economic dimension, or they may incorporate social effects, which will then be

classified as indirect economic impact (European Task Force on Culture and Development, 1997)..

- If we concentrate on inputs, things are generally simple to measure, but the significance that can be accorded the indicator will be weak.
- When we concentrate on outcomes, things are more difficult to measure, but the indicators are more significant.

Impact analysis thus makes trade-offs between different types of information (number of visitors or spectators, jobs involved, business turnover, net benefit for the territory, etc.), and the justifying reasons may here be determinant.

To illustrate this approach, we shall look at the analysis of Salamanca when it was elected "European capital of culture " in 2002 (Herrero & al, 2004). The events surrounding this designation constitute a "macrofestival", in the sense that while the majority of the cultural programme may involve live performances, a portion will also relate to historical heritage and cultural industries. This impact study was conducted in two stages: first, an estimate was made of private spending generated by cultural tourism; next, the overall economic impact was calculated, including private spending on cultural consumption, public spending on cultural programmes, investment in new facilities, and an estimate of multiplier effects for the national and regional economies.

The analysis starts from the traditional methodology of economic impact studies, which distinguishes between three effects: direct spending (for mounting a cultural project), indirect effects (tourism), and induced effects (as the impact spreads through the overall economy). Furthermore, it separates spending into two broad categories: cultural spending related exclusively to setting up the cultural programme, and capital expenditure.

The first is estimated at US\$278.8 million, and the second at \$120.9 million, for total of around \$400 million for direct and indirect effects combined.

- The induced effects, defined as all monetary spin-offs to the local, regional and national economies from cultural and capital spending are calculated using input-output multipliers (the input-output tables for Castile and Leon, 1995).
- The results show that this region receives 69.23% of overall economic spin-offs (\$556,135,000), while the rest of Spain receives 30.77% of those spin-offs (\$247,189,000). The study also shows that cultural spending has a proportionally greater impact on the local and regional economies than on the rest of the economy, while capital spending has more impact on the overall national economy than it does at the regional and local level.

### ***Sector studies***

Another approach worth mentioning here, although it is more frequently used to examine the impact of a cultural sector at the national than at the local level, is to take into consideration the importance of a cultural activity by looking successively at its upstream and downstream phases. Thus, instead of starting with the tourist or the visitor as the unit of expenditure, it begins with a monument or a show and all the activities involved in its preparation. Here again, the reasoning is done in terms of expenditure or employment, but the stress is often on employment. Studies of this kind are generally commissioned to justify government funding, for they can identify the contributions of culture to the organisation and development of employment within the territory.

Such studies are seldom done at the local level, because it is difficult to define clear linkages between sectors, if only because the reduced scale of some cultural sectors makes them sensitive to statistical validity problems.

- Our initial example has to do with production of a “cultural sector map”. A sampling survey of the territory of Yorkshire and Humber revealed the weight of the culture industry there (Bretton Hall, 2000). One-quarter of the 3000 enterprises in this region were polled, revealing that total cultural employment stands at 100,000, of which 60% is full-time employment, 20% part-time, 14% independent workers, and the remainder volunteers. More than half of the firms have been in business for less than 10 years, and are concentrated essentially in the two big cities of Leeds and Sheffield. Consolidated sales for the culture sector represent 3.3% of business turnover in the region.
- A second example, which highlights the idea of the “cultural chain”, comes from O’Connor’s study of the city of Manchester (O’Connor, 1998). In contrast to the preceding method, he did not conduct a poll but rather interviewed a number of key players, and supplemented this with statistical data and postal surveys. He found that the share of the workforce employed in culture is 3.56% (or around 18,000 jobs), but when indirect and induced employment is added this percentage rises to 6.41%. The dominant subsectors here are filmmaking, audiovisual, and architecture.

### ***Financial surveys***

In contrast to the preceding methods, financial surveys focus only on profits or sales. The specific contribution of such studies is generally to highlight the importance of fiscal and export revenues for a given country.

- One illustration is found in the study of the financial statements of the theatres in London’s West End, to illustrate the impact on the economy of the city and

of the United Kingdom (Travers, 1998). The survey covered 50 theatres belonging to the Society of London Theatre, and considered their revenues of all kinds as well as restaurant and accommodation spending. Using an expenditure multiplier of about 1.5, it concluded that theatre activity has created £1 billion in sales revenues, tax returns of £200 million, and an export surplus of £225 million. A parallel estimate of employment created places the number of related-related jobs at nearly 41,000 (27,000 direct or indirect jobs and 14,000 induced jobs). These are very impressive figures, and according to the authors they exceed those for Broadway, making the theatre sector one of the principal tourist attractions of Britain.

- Another illustration comes from the evaluation of the Chichester Theatre Festival, which consists of a series of temporary events as opposed to the permanence of London's West End theatres (CLREA, 2000). It attracts 350,000 visitors, 75% of whom are from outside the local district. Here again, the study starts with revenue box-office data and ancillary spending by spectators, 500 of whom were interviewed. This initial phase was supplemented by an analysis of the festival's expenditure accounts, and of the resulting inter-industry exchanges. The study concludes that the overall volume of spending and changes in revenues amounts to nearly £17 million, £7.5 million from the box office and £9.5 million from tourist spending. A third of these revenues is considered to remain within the local economy, representing the equivalent of 200 full-time local jobs.

### **The relative contribution of cultural activities to local development**

From the viewpoint of local development, the real challenge is to identify the relative contributions of different cultural activities, and the conditions under which those contributions will be positive or, to the contrary, will disappear or even become negative. Will the presence of a restored and maintained monument do as much for a territory's development as hosting a festival? Will mounting an exhibition provide greater returns than a contemporary art or film fair? Of course, these choices may be somewhat misleading, recognising that some activities occur together or in sequence, such as festivals relating to a monument, or the association between festivals and markets.

The information currently available seems to point to four criteria for defining the development potential of cultural activities:

- their permanence,
- the degree of participation by local people in addition to tourists,

- the territory's capacity to produce all the goods and services demanded on these occasions. This last condition suggests that the effects of a cultural activity will be greater for territories of larger size and population density.
- the interdependence of the cultural activities, taking advantage in this way of "crowding-in" effects.

### ***Built heritage***

Consideration of built heritage is often reduced to the existence of a few prestigious monuments that reinforce the "brand image" of the territory where they are located and serve to attract tourists. There is no doubt that monuments are a source of significant and permanent effects, commercial and otherwise, and that they contribute to local development. But this view is too narrow. Monuments will often be only the most visible features of neighbourhoods or even of whole cities that have this heritage dimension. At this point, heritage becomes a condition of local life and influences all possible economic activities. Monuments and public or private buildings are constantly undergoing conservation, renovation or upgrading, and they are a constant source of demand for labour, trades and skills that themselves constitute an economic sector, and that can be transferred to the benefit of other kinds of dwellings or of activities. Heritage supports the existence of a true economic branch or industry.

- To illustrate this impact of the built heritage on employment, there are several possible routes. The first looks at renovation works to a monument, and to the protected areas or the development zones surrounding it. We find that conservation and renovation works are significant and they take a long time. In French cities that have instituted protected heritage areas, nearly 150 jobs have been created over a period of 20 years, while their population is no more than 30,000.

An illustration of these spin-offs comes from the city of Arles, which has nearly 100 protected monuments and a heritage of *provençal* dress and furnishings that constitute permanent points of reference, not to mention its protected district, the conservation and rehabilitation work on which has generated and continue to support employment in both the conservation and the creative fields. They have also attracted firms from throughout France to take advantage of these open-air "research and creation laboratories". These laboratories include studies of building materials (for example, reconstituting paving stones for antique monuments, but then using them elsewhere as well); graphic arts firms (reconstituting three-dimensional buildings and creating web sites on heritage discoveries throughout Europe); photography, clothing and craft shops (roof tiles, iron work, stone sculpture). It has been shown that the number of such jobs (perhaps 700) is far greater than the number of people engaged solely in opening and operating heritage sites (around 450), (*Service de Patrimoine de la Ville d'Arles*, 2004).

- There is a second route available, even in the absence of monuments or symbolic sites.

For example, the Main Street programme in the United States has produced a significant leverage effect on spending on the rehabilitation of older dwellings and related jobs. It has been shown that the rehabilitation of “main streets” in a score of small towns in Virginia induced private investment of more than \$55 million. Moreover, in the last 15 years the Historical Rehabilitation Tax Credit has created nearly 13,000 jobs (Rykpema, 1995). States are constantly offering new financial incentives to undertake such renovations. In a recent case, the partnership between the National Trust for Historic Preservation and the National Trust Community Investment Corporation led to creation of the National Trust Small Deal Fund, designed to provide funding for small homeowner projects and to limit the transaction costs of such funding. It covers all states and all types of property<sup>44</sup>.

- As increasing numbers of developing countries are also moving in this direction, recognising the economic and social benefits of renovation programmes (The World Bank, 1999). The restoration of historic districts also holds considerable development potential, whether we speak of protected areas in Europe or of community rehabilitation in countries like Ecuador (Quito), India (Ahmenabad) or Laos (Luang Prabang). Although situations, property legislation and financial resources may differ sharply, the same principles are in play.

With renovations to flagship monuments, generally with government funding, the hope is generally to encourage private firms and households to upgrade their own premises or dwellings. Incentives may be of a tax nature, but more often they involve the offer of ready access to raw materials, advisory services, subsidised credit, etc. Voluntary networks are often important for coordinating these activities, which will involve studies, engineering, contracting, and temporary accommodation. An example is the “Pact Arim”, which helped with the renovation of nearly 30% of the *inquilinato* dwellings of old Quito (tiny dwellings resulting from the repeated subdivision of older, often abandoned, residences) (Amiot, 2000). The local development impact can be considerable. Jobs have been created or revived, building improvements have sparked new activities, local craft shops have at least been saved from being expelled by real estate developments, and skills have been honed that can be used for other tasks.

- To illustrate the potential of heritage buildings to create new qualifications and skills, the “school workshops” of Spain offer a good example (OECD, 1996).

The practice here is to set up a “school” for the duration of work on rehabilitating a square surrounded by heritage buildings or old houses, city parks, or rural landscapes. Young recruits receive both theoretical and practical training while

they participate in the works, and at the end of the normal three-year term of the “school workshop” they can move on to work with other firms, or in other sectors of the economy, starting with public works, where they can put their acquired skills to good use. The school-workshop system accomplishes three objectives: heritage restoration; creation, upgrading and transmission of skills and know-how; and a higher quality of output in all economic sectors through the spread of such know-how.

A number of civil and religious buildings in Castile and Andalusia have been renovated in this way, thereby preserving highly useful trades such as wood sculpture, ceramic tiling, restorative carpentry, skills that would have disappeared without these projects, and that can be used in future conservation work.

An even more original example is to be found in the Canary Islands. Tourism has exacted a heavy toll on heritage and on the environment both along the coast and in the interior of Grand Canary: advertising billboards are everywhere, handicrafts have been internationalised, buildings sprout up everywhere in complete disregard of existing structures and vernacular architecture. Since there was no question of trying to do without the great inflow of tourists to the island, the strategy selected was to supplement the dominant form of tourism with an alternative approach to tourism, based on heritage appreciation. This has involved redeveloping a number of villages, rehabilitating heritage buildings, and protecting exceptional flora. Specialised school workshops were set up to rehabilitate urban or rural properties that had ethnographic or architectural value, such as stone roads, walls, hedges, traditional barns, and the handicraft potential was renewed. Interest in the school workshops has not disappeared with the achievement of these initial objectives, and already a series of traditional crafts have been revived, offering high-quality services in trades as varied as construction, gardening, pottery and lace-making, where nearly 400 jobs or skills have been created

These programmes, often socially funded, are criticised because they are costly and because their beneficiaries do not always set up their own businesses, and may not even be able to find a job. Yet costs and outcomes are hardly different here from what they are in other fields, as the OECD evaluation showed<sup>45</sup>. In fact, the impact can be measured in terms of better heritage conservation, with the expected positive economic and social spin-offs in terms of employment (after one year, 75% of students found a job, 55% of them in the specialty for which they were trained), and in terms of the enhanced quality of human resources<sup>46</sup>.

- The combination of all these effects suggests that the conservation and upgrading of heritage buildings is a major economic activity. To demonstrate this, we return to the analysis undertaken in France by the Ministry of Culture (Greffé and Pflieger, 2003).

- A priori, the cultural services and employment generated by monuments and museums relate both to their maintenance and their use. The people employed by a monument will be those who work there regularly to maintain it, to handle visitors, and to run the expected visitor services such as the souvenir shop or the cafeteria. These jobs can safely be lumped under “heritage employment”, except that care must be taken when converting seasonal jobs such as tour guides into full-time employment. On the other hand, there are several possible estimation methods, and we have used two of them in this paper: a direct survey, which is still the most frequent method for public sites, and an estimate using production functions. In fact, many small monuments, often privately owned, hire temporary help where the turnover rate is high. We therefore estimated the number of jobs for each cohort of 25,000 visitors on the basis of a detailed sample, and then extrapolated the results to all heritage sites (see Table 2.4 ).
- The second stage looked at conservation and restoration works on these monuments or museums that employ skilled labour provided by public works firms or artisans. The main difficulty here is that many firms, and in particular many artisans, may be working simultaneously or successively on non-heritage monuments or buildings, and so we must impute the appropriate portion of these activities in order to estimate this employment volume correctly. Depending on the pace of orders and payments, some certified firms will take on non-heritage contracts, which means that not all their employment can be considered as indirect heritage employment<sup>17</sup>.
- The third stage is to estimate tourism employment related to cultural jobs, and then the further employment induced by all these jobs. The approach taken was first to determine the amount of tourist spending and convert this spending into full-time job equivalents, and this was done using the statistical system for the tourism accounts. The problem is to decide what use to make of the multiplier that is often proposed for analysing spin-offs. In this case, we applied a multiplier estimated from French data (Greffé, 2000) to foreign tourists only. In effect, we assumed that domestic tourists merely make trade-offs as to how they will spend their money, and that it will in any case remain within the country, and so, while they will have a positive multiplier effect in one place and on one use, this will be offset by a negative multiplier effect in another place and on another use.
- Table 2.4 summarises the three stages of this approach. The intent is to show that the heritage employment base (43,880) generates much greater employment. The importance of this finding must be tempered by two elements: many public subsidies are involved, particularly in supporting indirect employment through

conservation and maintenance work; and many of the induced tourism jobs would survive even if the heritage base were reduced, because the money would then be spent on other objects. (It should be noted, however, that our analysis took account of spending by tourists who were considered to be attracted in the first place by the existence of a monument).

Table 2.4. **Estimation of indicators of the Heritage Branch**

	Heritage
Direct jobs	43,880
Conservation/maintenance	41,714
Tourism spin-off jobs	176,800
Total	262,394

*Source:* Greffe X. & S. Pflieger (2003), *La valorisation économique du patrimoine*, Paris: La documentation française, p.23 and ff

### ***Museums and exhibitions***

Museums have today become symbolic sites for their territory. The major cities are engaged in a veritable “museums competition” and the outward architectural aspect of these institutions has become at least as important as their collections. Exhibitions, which are increasingly organised in networks, are intended to add a “festival” dimension and to spark public interest. Through unconscious imitation, such exhibitions are becoming another element of this competition. Yet not every city wins to the same extent, and the positive spin-offs for the territory, and indeed for the local finances, are not always as strong as hoped. The relative drawing power of the great institutions and “superstar” museums, compared to the others, will be reflected in these contributions.

To demonstrate these ripple effects and their conditions, we shall look at four cases, each of which broadens the view of spin-offs and contributions to local development:

- The Quebec Museum of Civilisation shows the variety of functions that must be taken into account in assessing the territorial impact.
- The Guggenheim Museum of Bilbao shows how a new museum can help improve a territory’s image, and can even be designed from the outset to spearhead such changes.
- Museum tourism in Paris testifies to the important economic potential of museums.

- Ecomuseums, interpretation centres and economuseums that are having new impacts, especially in rural areas.

### *The Quebec Museum of Civilisation*

The evaluation of the Museum of Civilisation in Quebec City highlights the importance of the Museum as a business in itself (Grefe, 1999). It looks at three principal functions: outreach, conservation, and research. The outreach function includes both user values (for its visitors) and non-use values (for other stakeholders), while the two other functions, conservation and research, have to do essentially with non-use values.

Visitor-assigned values reflect the price visitors have agreed to pay for their visit, and the “consumer surplus” or the amount that they would have been willing to pay beyond the actual admission charge. The first element is represented by admission receipts of \$1.02 million Canadian dollars. The second element can be estimated on the basis of transport costs, which reveal a surplus of three dollars per visitor. This implies, given the number of visitors, a global surplus of \$2,779,000.

When it comes to non-use values, we can start with average public outlays per museum in Canada as representing the combination of option, bequest and existence values with which citizens respond. This method produces a value of \$12.2 million.

The value of the education function is determined by analogy: we consider the average recurrent cost of a day in school and apply this to the time that schoolchildren spend in the museum. We arrived at a value of \$775,000, for more than 40,000 visiting pupils.

The value of the research function is estimated from two amounts: government subsidies to conservation and research work, and services outsourced to other institutions for documentation, archiving, interpretation, etc. Here the value is very low, at \$20,000.

If we add gifts and philanthropic contributions from foundations or businesses, we obtain a total value of slightly more than \$18 million.

Thus we see that the museum can become a large-scale, multi-product business without even considering the spin-offs from related tourist spending.

### *The Guggenheim Museum in Bilbao*

In 1989 the regional and provincial government of the “Basque Country” adopted a plan to revitalise the metropolitan area of Bilbao, which had for 20 years been in industrial decline and had seen its external reputation tarnished by terrorism (Del Castillo, 2001). The plan included eight strategic points of development, including

culture. This meant strengthening the city's cultural potential in terms of developing cultural industries, and including Bilbao on the major international cultural circuits. The objective that interests us here was to create new cultural infrastructure, and in particular the Guggenheim Museum, which opened in 1997.

Even before its opening in October 1997, the Museum was seen as a beacon for revitalising Bilbao, thanks to its architecture, conceived by Frank Gehry, and its location within the old city walls on the site of a former shipyard. The Basque government financed purchase of the land and construction of the museum (around \$100 million) and contributed \$50 million to the purchase of works of art from a local collector, while the Guggenheim Foundation of New York conferred its name and expertise (worth the equivalent of \$20 million) and agreed to transfer 350 works of art over a period of 20 years, with a possible extension to 75 years.

The impact of this project can be measured quantitatively in terms of audience, spending, jobs and tax revenues, but it can also be measured qualitatively in terms of image.

- In its first year, the museum welcomed 1.37 million visitors, three times the projected number, and 30% of these were foreigners, while 32% were from other parts of Spain. Spending by museum visitors generated value-added of more than \$154 million, enough to fund 3,816 jobs, and net tax revenues of close to \$24 million.
- These direct benefits were accompanied by indirect benefits for the hotel industry. Whereas the city had previously been exclusively a business destination, the presence of the Guggenheim Museum attracted tourists. In September 1998 Bilbao counted 68% more visitors than the previous year, and the average hotel occupancy rate in the city reached a record 70%.
- To these quantitative benefits must be added the qualitative ones, in social, psychological and image terms. Greater Bilbao had previously suffered from a very poor image, because of industrial decline, social problems, terrorism, and environmental degradation. Today, the city's external image-makers focus on the Guggenheim Museum, on culture, and on a new lifestyle. The people of Bilbao themselves feel vindicated, and they feel they can hold their own against the great European centres. These benefits in terms of image can be appreciated in the media coverage of the museum: in 1998 alone, there were 8,500 articles published, 60% of them in the international press.

In conclusion, while the economic impact of the Guggenheim Museum is obvious, the overall future of the Bilbao region remains hostage to the economic and political climate, and in particular the threat of terrorism, and these are matters that it will have

to address in order to provide a feeling of security for tourists and for investors, who have been few to date.

### *The Museum District of Paris*

The spin-offs from these museums are important, then, and they are even more so in the big cities, such as Paris.

In 1998, nearly 12 million tourists came to Paris, for various reasons: cultural, business, recreation, etc. "Museum tourists" were defined within this group as those visiting at least three museums or similar institutions. Given the difficulty of identifying these visits, when admission is sometimes free, two hypotheses were constructed: a low hypothesis, according to which 2.98 million tourists had visited the Louvre, Versailles, and La Villette or Orsay; and a high hypothesis, according to which 4.2 million tourists had visited the Eiffel Tower, the Louvre and Versailles (Greffé, 1999).

These tourists behave differently depending on whether they are French or foreign. They do not spend the same number of nights in Paris<sup>48</sup>. Their daily spending patterns are not the same: a French tourist is assumed to spend on average 121 euros a day for accommodation, transportation and entrance fees, while a foreign tourist would spend around 151 euros, with substantial differences from one person to the next<sup>49</sup>. From this we derive overall spending of €1.17 billion under the low hypothesis, and €1.62 billion under the high hypothesis. We must then apply a multiplier coefficient to take account of the effect of this spending on the incomes of hotel, museum and transportation workers, since those incomes will be spent and passed on through other economic sectors successively. For this purpose, we selected Myerscough's multiplier coefficient for London (1.4), as one of the most plausible. Total spending, then, is €1.64 billion under the low hypothesis and €2.26 billion for the high hypothesis. It remains to add in spending on souvenirs or luxury goods that, because they are not generally produced in Paris, will not have a multiplier effect on the immediate territory, but may contribute to creating jobs elsewhere in the country. Based on the same surveys, we assume average souvenir spending of €45.45 for a French tourist, and €75.75 for a foreign tourist.

This gives total spending of €1.84 billion under the low hypothesis and €2.64 billion under the high hypothesis. If the cost of creating one job in the services sector is around €40,000, this amount represents a total of 43,000 jobs created or maintained. If we take a lower figure (€30,000) as the cost for creating a service job, the figure for employment created or maintained is 86,000. The first figure seems considerably more plausible, since we must first deduct from this total spending the amount of spending on materials. The bottom line from this type of analysis, which relies on many hypotheses, each of which reduces the reliability of the final outcome, is that the amount of this spending and the number of jobs created are very significant<sup>50</sup>.

### *Ecomuseums, interpretative centres and economuseums*

The foregoing illustrations all refer to urban facilities and museums that relate to classical or contemporary art. Yet rural territories have also shown great vitality in this field, although it is more difficult to demonstrate the significance of spin-offs. By way of illustration, we may look at three types of facilities: ecomuseums, interpretive centres, and economuseums (Greffé, 2002).

Ecomuseums are designed to highlight an ethnographic, craft or industrial heritage by presenting collections in symbolic settings. Three factors have fostered their growth:

- decentralisation, which encourages communities and territories to draw attention to their ethnographic heritage as a means of confirming their image;
- the emergence of an organised market for popular art, with its attendant intermediaries, pricing mechanisms and speculation;
- and the progress of archaeology, which is discovering buried vestiges that allow unique cultures and societies to be studied.

In fact, these institutions employ few people (usually one or two, and often part-time) and they are of marginal tourism importance, being of interest primarily to local people. Moreover, they are often plunged into severe institutional and financial difficulties by conflicts over how to interpret the past.

There is an important difference here between the ecomuseums movement, as it has developed in Europe, and the related but distinct “interpretation centres” such as have sprung up in North America. In the latter case, reinterpretation bears on a series of dimensions: cultural, natural, environmental etc., and has more to do with understanding the future than with celebrating the past. An interpretative centre seeks to organise and display to varied audiences the significance of a theme or territory, and its corresponding values, by means of all conceivable forms of communication. Related to this interpretive function is that of “bringing things to life” (animation): direct contact with the individual is used to impart personalised knowledge, in a manner custom-made for each visitor in terms both of content and of the pace of the message. In contrast to the ecomuseum, the point is not necessarily to make people aware of the value or the identity of their own territory. The outlook is broader, and has to do with helping the general public to understand a craft or know-how, a product, a group, an activity or a territory.

Although it is known in Canada and in the United States, the term “economuseum” is new and somewhat elliptical. It reflects a desire to conserve the heritage built up by small enterprises, often craft businesses, through arrangements where profitability must be taken into consideration. The process starts with a small craft business

producing traditional or contemporary objects with a cultural connotation, and equipping it with an interpretation centre demonstrating the method and the product, where visitors can become familiar with this heritage.

This symbiosis between the firm and the interpretive centre is also intended to highlight the environmental and heritage qualities of the building or the site concerned. With the globalisation of references and techniques, regional or local architecture is no longer synonymous with “outdated”, and indeed older buildings can be restored and maintained as a way out of preserving popular heritage. In 2002, the Federation of Economuseums had more than 200 institutional members in Canada and around 50 in Europe. Employment in these institutions was significant, amounting to more than 1000, recognising however that no distinction is made here between the productive function performed by these people in the business itself and their work as interpretive or sales personnel in the museum, which is an extension of the business. From this viewpoint, the contribution of culture is different but at least as important as in other fields, for it relies directly on the sustainability of existing enterprises.

### ***The performing arts***

Live performances are often cited to show the importance of the economic spin-offs that culture provides for the local economy, no doubt because winning grants is a key element. These activities often lose money because of quasi-structural factors, and mounting them requires the support of public subsidies and private philanthropy. Two arguments are generally employed to this end: the expected benefits of democratising cultural practices, and the job creation potential for the local territory. Empirical evidence however does not provide automatic corroboration of these claims, and we shall select from among the various forms of performing arts that of the theatre (both because of its importance, and because more data are available on it). While theatres can make contributions, it seems that these are confined for the most part to metropolitan areas where they can generate and sustain jobs over one or several seasons.

- Every two years, a report is published evaluating the impact of Broadway theatre activity on the city of New York. The data include the amounts spent on mounting and running productions and on theatre maintenance, and spending in the city by Broadway patrons<sup>51</sup>.

From June 2002 through June 2003, Broadway as an industry contributed \$4.3 billion to the economy of New York City. This amount comprised \$2.60 billion in impact from ancillary spending by Broadway-bound visitors to the city; \$1.66 billion in impact from expenditures on producing and running shows; and \$42 million in impact from capital investment in the theatres. Moreover, Broadway supported 36,000 full-time equivalent jobs during this period.

The decrease from 2000-2001 (-4.6% in inflation-adjusted terms) was due almost entirely to the drop of tourists to New York City after September 11. There was in fact a 45.7% increase from the 1998-1999 season.

- In Great Britain, recent studies have pointed to comparable results for London, but they also cover the impact of theatres located outside London (Travers, 2004). The 1998 Wyndham report restricted its analysis to the impact of the theatres in London's West End, and then in 2001 the Arts Council commissioned a report on the overall economic impact of the theatre industry in Great Britain, distinguishing between the London theatres and others. This latter study also defines the notions of economic impact and different methods for calculating it, and offers a detailed analysis of three theatres representing distinct categories.

According to the first study, the economic impact of West End theatres can be estimated at £1.075 billion in 1997, broken down as follows: £433 million in spending by spectators (restaurants, hotels, transportation, miscellaneous purchases), £200 million in tax revenues, and a £225 million contribution to the United Kingdom's balance of payments surplus. The activity of these theatres thus served to maintain 41,000 jobs, 27,000 directly and 14,000 indirectly (Reeves, 2004).

The conclusions of the second report show that a public injection of £121.3 million (100m in England, 12.8m in Scotland, 6.4m in Wales and 2.1m in Northern Ireland) generates £2.6 billion annually, without counting the impact of travelling theatre companies. The theatre therefore has a considerable impact on local economies, both in terms of direct spending on goods and services and spending by visitors (which are considered here to have an indirect effect: restaurants, transport, childcare, miscellaneous purchases).

But the effects remain higher for the West End theatres (£1.5 billion generated by 45 theatres, or average spending per visitor of £53.77) than for the theatres located outside London (£1.1 billion for 492 institutions, or average spending of £7.77 per visitor). The greater impact of the London theatres can be explained by the fact that going to a play in London is generally a whole-evening outing, including a meal, and transportation is more important. These data represent a minimum value, for it was not possible to evaluate for all theatres the total monetary revenues generated downstream by all economic players. Extrapolating from partial data suggests that the total economic impact could be £3.8 billion.

Beyond these monetary flows, the report evaluates the impact in terms of jobs, which, because they are volunteer jobs, represent the invisible side of the spin-offs: it is estimated that more than 16,000 volunteers are working in the theatre sector, and the smaller institutions have proportionately higher numbers.

Studies have also been performed on some specific theatres:

- The Everyman Theatre (Cheltenham, Gloucestershire) is a subsidised theatre of medium-size (682 seats in the main auditorium and 55 seats in the “studio”). In 2003 it hosted 180,000 spectators (for a seat-occupancy rate of 76%), one third of whom came from Cheltenham, 51% from Gloucestershire, and 16% from outside the region, plus 250,000 people for events other than cultural ones<sup>52</sup>. The total economic impact was assessed at £4.1 million.
- The Royal Centre in Nottingham is a big private theatre (1186 seats in the theatre and 2500 in the concert hall), the total economic impact of which is estimated at £9.4 million.
- The Derby Playhouse has not only a local but a national reputation as a centre of creative, innovative and experimental productions. It is listed as a regional theatre serving the urban community of Derby and the surrounding counties (Derbyshire, Nottinghamshire, Gloucestershire, Staffordshire, Lincolnshire and Yorkshire). Its funding comes primarily from ticket sales, subsidies from the Derby City Council, and the East Midlands Arts Council, but support from private donors, foundations and governments is rising. The total impact is £3.9 million.

It would seem, then, that the impacts are greatest in big cities like London, and very likely in New York, Berlin or Paris. The seasons there are longer, there are more visitors, and they spend more, which means that these theatres enjoy steady revenues that translate into permanent jobs. It is likely, moreover, that the number of volunteers is growing with the rising number of theatres located outside these large metropolitan areas, if only because it is difficult for them to support full-time jobs.

### ***Festivals***

The very conditions that make theatres into local development assets work in the opposite direction when it comes to festivals. Can festivals exert a durable impact on local development, given their temporary character? Will they not have to import most of the required skills and jobs from outside? Do the rising media outlays that festivals are always forced to budget for not constitute a vicious circle?

### ***The results are mixed and often disappointing***

Every festival is different from the next, and the image of big, costly festivals can colour that of more modest but financially healthier festivals. From the outset, the best-known studies dealt with festivals like those of Salzburg and Avignon.

- The Salzburg Festival is still the biggest tourist event of Austria's summer season. Since 1920 its reputation has risen steadily and in recent years it has attracted more than 200,000 visitors a year (Frey & Pommerehne, 1989). It incurs high costs, and its deficit is covered by the federal government to the tune of 40%, while the region, the city, and the local tourism promotion fund pick up the remainder (60%) in equal shares. According to some observers, guaranteed public coverage of the deficit has caused the Festival to let costs get out of hand without raising prices. Everyone is convinced, however, that the local benefits justify these efforts, and that the territory makes up for the fiscal burden through the spending of tourists. Yet it is by no means certain that this is the case, apart from the impact on the local image.
- The cancellation of the Avignon Festival in July 2003 because of a strike by freelance performing artists and technicians (*les intermittents du spectacle*)<sup>53</sup> brought to the fore the question of economic returns from this type of event. A number of studies have evaluated the economic impact of this Festival at different periods (Pflieger, 1986). They all concluded that there was a positive local economic impact. But the dimensions of that impact vary sharply from one study to the next, because they used different methodologies to evaluate direct, indirect and induced effects, or because they took areas of study of differing breadth (for example, looking only at the "official" or "in" Festival, or considering also the "off" Festival).

The 1986 study (Pflieger, 1986) identified several categories of spin-offs:

- Direct spin-offs, in this case production spending generated by the festival itself. This spending was evaluated at €2.12 million, 66% of which flowed directly to the Avignon area, and 10% to the PACA (Provence-Alpes-Côte-d'Azur). Of these €2,12 million 0.6 million went to wages and 1.05 million to purchases from local firms. Finally, when the "off" festival was included, there was a further flow of revenues to the local performance hall rental market, estimated at €0.53 million<sup>54</sup>.
- Indirect spin-offs, representing tourist spending (accommodation, restaurants, etc.). The calculation method used was able to dissociate Festival-specific spending from what tourists spent on visits to the nearby city of Avignon, with its architectural heritage. That spending amounted to €1.66 million.
- Induced spin-offs could not be accurately measured: they consisted of the drawing power of the city of Avignon at the national and international levels, thanks to the indirect publicity carried by the various media present at Avignon during the festival. The spin-offs break down into two groups:
  - Cultural spin-offs in the broad sense (including training), with a lively theatrical scene that functions throughout the year (three permanent

companies are installed in Avignon), art and experimental cinema, the opening of the Maison Jean Vilar on a permanent basis, providing access to its library and training in theatre arts, the opening of the National Training Centre of Avignon in partnership with the University of Grenoble, and the opening of a theatre training course at the Avignon technical school.

- Economic spin-offs, highlighted by installation of the convention centre (*Palais des Congrès*) within the Papal Palace, which attracts a business clientele (for conferences and seminars) throughout the year, and supports the financial viability of the infrastructure installed for the festival.

In total, if we include the amount of subsidies that the city, the *Conseil Général*, the Regional Council and the Culture Ministry provide for running the festival (some €2.12million) as well as the direct (€2.12 million) and indirect (€1.66 million benefits to the region), we reach a “local return” coefficient of 1.84. The 1986 study also assessed the number of jobs created: 458 seasonal jobs were created directly by the festival, and perhaps 100 permanent jobs were created or maintained in service-providing businesses.

The Avignon Festival Management Association (AGFA) conducted a second study in 1995, using a method similar to that of the BIPE Bureau d'Information et de Prévision Économique (Pflieger, 1986) to keep the results comparable.

- This study focused on spin-offs in terms of employment: the festival induced more than 1000 jobs in July, 100 of which were in the hospitality (hotel and restaurant) business, 400 in the services-to-business sector, 116 in the associative sector, 295 in recreational and cultural activities, 13 in personal services, 5 in printing and publishing, 21 in posts and telecommunications, and 51 in health and social services.
- Tourist spending on accommodation, restaurants and miscellaneous services amounted to more than €7.27 million. The direct spin-offs from mounting and running the “off” festival were estimated at nearly €8.63 million, of which 5.3 million remained in Arles. An assessment of induced effects confirms the results of the 1986 study: these include a major media impact; the role of the convention centre, which gives the city an international cultural and economic cachet; creation in 1987 of the performing arts institute (*Institut supérieur des techniques du spectacle*) which brings around 30 young people into the labour market each year.

The Imedep [*Institut Méditerranéen de Prospective*] study for 2001 finds still stronger economic spin-offs: the ratio of total estimated spin-offs to total subsidies identified is 4.63. Total spin-offs here include direct benefits (spending on running the festival,

€8 million) and indirect benefits (sales of performance and co-production rights, 2 million, and spending by festival-goers, 15 million) (IMEDEP,2003).

The discrepancy between the studies reflects the fact that the BIPE study took no account of sales of shows related to the festival (its market dimension), and the fact that it calculated a coefficient specific to the festival, which allowed festival-goers' spending to be netted out. It is reasonable to assume that the estimate of €15 million for festival-goers' spending in the Imedep study is exaggerated. If we apply the same specific coefficient (i.e. 1.64) to such spending in 2001, we get €5.8 million, to which would be added €8 million in direct spending: this produces a ratio of 13.8 (total spending)/4.947 (total subsidies) or 2.79, compared with 1.84 in the first study. Moreover, the Imedep study estimated that some 700 jobs would be created, 96% of them through seasonal contracts.

- A different kind of festival, the Wexford Opera Festival, also suggests that caution is needed when measuring the contribution of cultural activities of this type to local development (O'Hagan, 1992). This festival has been running for three weeks every year since 1951 in the little town of Wexford, about 115 km south of Dublin. It gets a subsidy from the Arts Council, which covers a quarter of its budget (the subsidy previously came from the National Tourism Board), and an indirect subsidy in the form of services provided by the National Symphony Orchestra.

The initial spin-offs of this festival were assessed not in monetary terms but in terms of international prestige and sense of pride on the part of local residents and the country as a whole. Later, this international prestige produced monetary benefits in terms of tourism, and promoted economic development by bringing in firms that saw the advantage of an attractive environment for their managers and employees. In non-monetary terms, the event has boosted social cohesion by encouraging volunteer activity and engaging local people and businesses. In artistic terms, the festival is a laboratory of experimentation and innovation, with an audience that is more tolerant and more receptive to "daring" works than would be the case at a conventional event.

While the festival may be considered fully justified from the public interest viewpoint, there remains a question about its financial sustainability: can government subsidies be justified by benefits to the hospitality business, and more generally to the tourism industry? In terms of job creation, the results are mixed: the festival employs only three persons full-time, but on the other hand it creates jobs indirectly in the tourism industry. The monetary spin-offs are also important. The study attempted to isolate net spin-offs by recognising that some spectators would not come to Wexford, or even to Ireland, if it were not for the festival, but also that some festival-goers take the opportunity for some tourism on the side. The authors estimate that

this spending could well amount to 333,000 Irish pounds. They conclude, then, that the festival attracts a significant flow of foreign tourists to Wexford and to Ireland, as well as drawing large numbers of Irish tourists to a region that is in economic decline, and that it helps to spread this activity over the year, since the festival is held outside the high tourist season. Finally, they stress that the subsidies the festival receives are low in comparison with other opera festivals in Europe, which means that the positive economic impact is even greater.

### *Achieving a lasting effect from festivals*

These studies suggest that festivals probably have a less significant impact than is generally claimed. If festivals are to be a source of local development, it will be because:

- They spark the creation of training, archiving and entertainment facilities.
- They lead to the development of markets of a size and frequency that foster development.

### Piggybacking a temporary event onto permanent activities

- As an example of the first point, we may consider the *Recontres Internationales de la Photographie* at Arles, a weeklong photography fair and exhibition that attracts some 150,000 visitors from outside the territory at the beginning of July (a figure that may be inflated by double counting, and that should probably be divided by three). The impact is limited and, in the opinion of some local observers, has no appreciable effect on tourist numbers in Arles. On the other hand, this event has over time created a training cycle that extends right through the summer: the National Photography School is now permanently ensconced, and employs 40 people full-time. In addition, the Musée Reattu now has a special fund that allows it to mount temporary exhibitions throughout the year. In other words, the festival's impact comes not so much from its own brief presence on the scene as from the activities that it generates directly or indirectly throughout the year. The spin-offs from the Arles Lyric Arts Festival relate primarily to the permanent costume and decor studios that it supports, and that work throughout the year for various markets, regional, national or international.
- An even more convincing case is the comic strip festival, the *Salon de la Bande Dessinée*, at Angoulême. For nearly 10 years now, thousands and then tens of thousands of visitors have flocked to this event, a local initiative that does not even have a truly specific focus. Little by little, local people, and not just those from the arts world, have come to see these new forms of artistic expression as the foundation of a true cultural industry, for a territory whose traditional processing and engineering industries are in decline. A *Centre de la Bande Dessinée*

(CNBDI) was established in 1990 to prolong the festival's activities and to develop the skills needed to nourish the growth and development of new businesses. The CNBDI sponsors creative activities and communication in three forms of artistic expression: the comic strip, digital imaging, and multimedia production. The Centre has several distinct elements: a museum, the first of its kind in France<sup>55</sup>, a library, a digital imaging laboratory, and a multimedia production support centre. The Centre as a whole employs 200 people directly<sup>56</sup>. In addition, a highly original technical school, the *Lycée de l'Image et du Son d'Angoulême (LISA)*, has been founded and is successfully attracting young people into these new trades.

- Another Angoulême event, the *Festival des Musiques Métisses* (« crossover music »), also demonstrates the value of tacking a temporary event onto permanent activities, although in this case, the interest was more social than economic. This Festival, which will celebrate its 30th anniversary in 2005, attracts some 100,000 spectators (or the equivalent of the town's population) over a period of three days.. From the outset, its organisers insisted that its impact should not be limited to the three days of the event itself, but that it should inspire local cultural activities throughout the year, targeted especially at disadvantaged neighbourhoods whose inhabitants were often left out. Percussion, dance and writing workshops are now being sponsored throughout the year by some 30 associations mobilising 800 volunteers around the theme of each year's festival. These associations also carry on other activities (restaurants, clothing production, toy repair, etc.) to meet needs that must be satisfied during the festival as well.
- Another illustration can be found in the *Printemps de Bourges* ("Bourges Springtime") (CEFRAC, 1996). Established in April 1977, it has become a major musical event. In 1995, it had a budget of 27.2 million francs (nearly three times its 1985 level), 35% of which represented public subsidies from the city of Bourges, the Culture Ministry, and regional governments, 50% came from its own revenues, and 15% from sponsoring. 800 people worked to prepare and run the festival: seven full-time employees, 32 seasonal administration workers, and 182 seasonal technical and reception workers. Apart from this direct employment, there were many jobs related indirectly to the creation or development of firms providing services to the festival: Coulisses (a technical services firm, turnover of 3.75 million francs in 1995), Argos (a consulting firm specialised in fundraising and sponsorship), Incidences (communications firm), Bodo and Opus 64 (press services), Printemps Images (audiovisual production), Réseau Printemps (a talent-scouting organisation that seeks out young artists in France and abroad), Tam-Tam (an association that sponsors an international market for music professionals), Germinal (an association that runs the performance hall during the year), CEMEA (reception and accommodation services for young people). Finally, several small and medium-sized firms engaged in audiovisual production and the new technologies have been created within a radius of 100 km around Bourges, and they are closely

involved in the training programmes for performance technicians that are offered in Bourges over two 6-month periods. As well, a permanent management training centre has been opened at Issoudin, 30 km from Bourges, with plans to establish a department focused on the new entertainment technologies<sup>57</sup>. These permanent facilities have all helped to reinforce the impact of *Printemps de Bourges*, quite apart from the tourism spin-offs that today are considered significant<sup>58</sup>.

- Another illustration of efforts to put the spin-offs from temporary events on a permanent footing can be found in Umbria. This region has lost many of its traditional industrial jobs in recent years, particularly in the Spoleto area (Liviantoni, 1997). The local government and its partners have made great efforts to mobilise the region's artistic resources as the basis for job creation, without relying on them exclusively to drive redevelopment. Two broad approaches were adopted. The first involved networking the region's museums, refurbishing existing ones and opening new ones. The second sought ways to maximise spin-offs from the annual Spoleto "Two Worlds" Festival, the *Festival dei Due Mondi*, thanks to which 350 full-time jobs were created for mounting and running the Festival. In order to bridge the impacts between successive festivals:
  - Training programmes were established, for example in the hospitality business.
  - The existing experimental lyric theatre (*Teatro Lirico Sperimentale*) was taken as the basis of a lyric arts training centre involving more than 40 people fulltime (half trainees, half staff and instructors).

### Establishing recurrent markets

Film festivals illustrate a second aspect of contributions to local development, in this case the emergence of markets (Kissoum et al., 2003).

- The archetype of the film festival is surely that of Cannes. Every year it attracts 200,000 people who generate spin-offs estimated at more than €110 million for the Cannes area. The prime beneficiaries are the hotels, restaurants and luxury-goods shops. These tourism spin-offs are accompanied by broader ones through the establishment of media and technical firms in the Sophia Antipolis Technology Park, where there are 5000 researchers, 3000 students and 24,250 employees working in 1227 businesses<sup>59</sup>. In 2004, the International Disk and Multimedia Recordings Market, MIDEM, which is linked to the Cannes Festival and benefits from the same infrastructure, attracted 2120 exhibitors and 8800 participants from 94 countries.

- The International Animated Film Festival at Annecy (FIFA) does a better job at this festival-market melding. It started in 1960 as a trade show, and the authorities decided to make it permanent by creating a technology park for the film and animation industry (CITI). The market aspect of this festival is more significant, then, because it benefits from a growing infrastructure in terms of projection studios and film processing labs. In 2002, the economic spin-offs from the festival were estimated at €3 million for the city of Annecy (spending on wages, employment, equipment rentals and technical facilities), to which may be added the tourism spin-offs and the tremendous boost that the city enjoys from the festival's intensive national and international media coverage. The festival's impact is felt not only in the importance of the associated markets. It has also inspired :
  - the award of a diploma in multimedia design and production, in collaboration with the multimedia section of the Gobelins school;
  - the establishment of a permanent exhibition on filmmaking techniques at the Musée Château d'Annecy; and
  - the arrival of entrepreneurs in the filmmaking and multimedia business.

### ***Art markets***

The art market (apart from public auctions) relies in business terms on the big fairs, with their international drawing power. Art dealers know that, whatever the cost of participating in a major international fair like Art Basel, FIAC in Paris, or ARCO in Madrid, their survival depends on it. The host cities benefit, as do festival towns, from the influx of visitors (largely foreign) and from media coverage. In 1999, ARCO (Madrid) drew 166,000 visitors, FIAC (Paris) 80,000, Cologne 70,000, Basel 52,000, Chicago 37,000, and Brussels 13,000 (Benhamou et al., 2001). These visitors generate tourism spending, on top of spending on accommodation and restaurants by the selected exhibitors (many of them representing foreign galleries: for example, FIAC 2000 counted dealers from 20 Italian, 18 American, 13 Belgian, 11 German and 11 English galleries among its exhibitors (Santagata, 2003). Then there are the expenditures involved in holding the event itself: stand rentals, insurance, printing of invitations, etc. Stand prices vary, and the trend is upwards: for example, in 1999 the price at Chicago was €320 per square meter, €180 at Basel, and €183 at FIAC. A young Parisian dealer estimated that his participation at FIAC 1999 cost him €10,000 (stand rental, picture hangings, invitations, etc.), while a dealer from outside Paris estimated his cost at €15,000 (adding in transport, insurance and accommodation costs).

As these fairs have thrived, the number of “biennials” has multiplied. Although their point is not to sell art, their tourism spin-offs are just as great as those of the fairs, because they generate great visitor numbers and turnover<sup>60</sup>.

A 1997 study compared the economic impact of the Venice Biennial and that of Documenta at Kassel (Helstern et al., 1995). Between 1986 and 1992, the Biennial's budget rose from €3 million to €16 million, and that of Documenta from €2 million to €5 million. Government covered one-third of the total cost for Documenta and two-thirds for the Biennial<sup>61</sup>. Attendance revenues for Documenta were very high: it attracted 615,000 visitors in the early 1990s, and numbers rose steadily thereafter, while the Biennial, after a period of decline starting in 1976, drew 175,000 visitors.

### ***Parks and landscapes***

As North American experience shows, nature parks can be part of culture. On one hand, they stand as places of environmental protection, and on the other hand they choose themes that highlight a territory's culture. Some observers see these parks as competing for attendance at traditional sites, noting the contrast between the high number of visitors to parks and the decline in visitors to conventional cultural facilities (Origet du Cluzeau, 1998)<sup>62</sup>. But it would be better to regard these parks as yet another form of cultural facility. Established originally as hunting preserves for the aristocracy, they have gradually been transformed into nature parks for the general public. Designed for public enjoyment, they now increasingly offer educational and cultural functions: "These ... places, whether they are called nature parks or culture parks, offer a wealth of experiences, forms and lifestyles, and they have a power to evoke emotion and meaning in time and in space. They occupy a real place in space: that is their natural anchor. From the vestiges of times past, they also tell of the history that has shaped them: that is their cultural anchor. Whether we speak of a national park, a site, or a historic canal, their intrinsic reality makes them all obvious links with the concepts of nature and culture that model these heritage objects as they have come down to us today"<sup>63</sup>.

This symbiosis, highlighted by the UNESCO Convention, is particularly evident in Canada, where Parks Canada manages 145 historic sites, 39 national parks, 8 historic canals and 26 heritage rivers (Parks Canada, 1994). The Saguenay-St. Lawrence Marine Park was originally established in 1990 to protect the beluga whales from mass extermination. But gradually, and as a result of public consultations, it took on the dimension of a conservation park, highlighting the different values that constitute the site. According to a recent report, the park can preserve and renew these values, while at the same time accommodating commercial operations, and can become a useful resource both for local residents and for visitors, who will find conditions much improved (Parks Canada, 1994).

In recent years, landscapes have become recognised as cultural resources (as well as environmental ones), and they are now considered to have an economic development impact comparable to that of other cultural resources. This symbiosis between landscape and culture is strictly artificial. Landscapes are the result of human creations,

reflecting the search for values or reference points, and it is for this reason that they are protected. By contrast, while some studies have attempted to place a value on these landscapes, they have generally approached the issue from the viewpoint of environmental economics rather than cultural resource economics. Their purpose has been primarily to see whether encroachments on these landscapes can be offset by other, positive economic values<sup>64</sup>.

This problem of placing a value on landscapes as a source of economic spin-offs is becoming more important, as shown by the study of Portugal's olive groves (Madureira, 2004). The question was whether a region of the North Douro should conserve its traditional landscape of olive trees or let them continue to deteriorate and then reforest the areas. The question was answered in two ways. First, using contingent valuation, visitors were asked whether they would be willing to pay to maintain the existing landscape, and how much (Cameron, 1998). The answers suggested that the proceeds would not be enough to cover maintenance costs. The second approach, which related more closely to debate over the future of the Common Agricultural Policy, sought to determine whether farmers could be subsidised. The weakness of the first method was that beneficiaries considered only part of the benefits they would derive, and they underestimated some of the collective benefits. Conversely, a government decision to subsidise producers could help to internalise those benefits. These subsidies might not make up for the opportunity cost of maintaining traditional activity, as other, more lucrative uses for the lands might appear. Everyone is aware of the interest in conserving such landscapes, but producing the public good that the landscape represents requires much more than conventional financial incentives.

### ***The four conditions of value-added***

To summarise these points, it would seem that the contribution of cultural activities depends both on the type of activity and on the features of the local territory. Culture does not bring automatic benefits for a territory. There are four conditions that deserve attention.

- Permanent activities seem to have the greatest potential. This is understandable, for they can give rise to expectations and investments. On the contrary, many fairs or festivals do not have the same effects: they may not succeed in restructuring the local economic fabric in a positive way, or worse, they may lead to the import of all the required resources, leaving the territory to pay the bill. Having recognised their positive fallout in terms of image, we can still speak of festivals of the wrong kind ("curse festivals"). The only solution for the territory, then, is to use the festival as a basis or starting point for other activities of an educational or economic nature, and some are certainly able to do this.

- Cultural activities will have a more important impact if their territory is densely populated, or a metropolitan area. As we saw above (see Table 2.2), this point had already been made in the late 1980s, and it has been repeatedly confirmed since then (Myerscough, 1988). The reason is simple enough. Only major cities have the servicing capacity to meet tourists' needs, and to reap the revenues. Conversely, smaller, less diversified regions will have to import these means, assuming they can keep tourists in their territory at all. There is nothing new about this analysis. As early as 1981, a report for the National Endowment for the Arts used a sample contrasting New York City with seven mid-sized American cities (Columbus, Minneapolis/St. Paul, St. Louis, Springfield, Salt Lake City and San Antonio) to show that the benefits derived from culture would vary in direct proportion to their population. These variations were even stronger in terms of spending than of audience, which meant that tourist spending would vary with city size still more sharply than would tourist numbers (National Endowment for the Arts, 1981).
- Cultural activities will have a greater impact if they involve the local populace. Transforming a cultural potential into a source of varied activities throughout the year, and not just during the tourist season, conserving heritage attractions, finding the money for investments, mobilising volunteers, enlisting partners to prevent the deterioration of a local site — all of this implies commitment and participation by local people and communities. Turning a territory into a museum will not guarantee its sustainable development.
- Kanazawa is a city in the central and western part of Japan, endowed with a heritage that is both tangible (monuments and temples) and intangible (substantial know-how in the production of wallpaper and parasols). The decline of Japan's textile industry and decades of flight by the rural population, which have weakened regions like that of Kanazawa and strengthened those of Kansai and Tohok, have prompted the city to reformulate both its opportunities and its image to become a centre of attraction. Three strategies were adopted to exploit the potential of the city's considerable cultural heritage.
  - The first was to develop all components of its heritage in an integrated manner, rather than taking a piecemeal approach to individual monuments. By deploying resources flexibly, it would be possible to extend prospects and achieve cross-fertilisation, *e.g.* between the restoration of tea houses and samurai dwellings and the promotion of local arts and crafts.
  - The second was to bring students back to the city centre, since the trend over time had been to locate all teaching and student-life facilities outside of cities, whereas students were capable of conducting a variety of cultural activities in sites targeted for rehabilitation. Examples of this include two theatres that were restored and are now being managed by students.

- The third was to exploit partnerships between landowners, municipalities and artists. Here, abandoned rural dwellings, where soy sauce had been stored, were converted into artists' studios (in the Kanazawa Ona Kura project). An old manufacturing plant was transformed into performance venues (the Kanazawa Citizens Art Centre) open to all and administered by representatives elected by the people to that end. As a result, four new facilities – a dramatic arts centre, a music centre, a centre for the plastic arts, and a centre for enhancing the quality of everyday life – now stand on the site of this converted plant (Masuyaki, 2004).
- Cultural activities will have a greater impact if they are mutually reinforcing, taking advantage in this way of “crowding-in” effects. We saw above that festivals have no real local development impact unless they give rise to other activities that will prolong or deepen their spin-offs. An analysis of cultural activities sponsored by the City of Montreal provides some evidence.

The Quebec Ministry of Cultural Affairs and the City of Montreal commissioned a study in the 1980s to evaluate the economic impact of three institutions: the Montreal Symphony Orchestra (MSO), the Montreal International Jazz Festival, and the Montreal Museum of Fine Arts<sup>65</sup>.

The gross impact included the institution's spending on goods and services and on wages, as well as guest artists' expenditures, and spending by the public. Thus:

- the Montreal Symphony Orchestra spends \$7.151 million dollars and generates spending of \$12.293 million Canadian dollars;
- the Museum of Fine Arts spends \$5.206 million which produces gross spin-offs of \$10.293 million; and
- the International Jazz Festival spends \$1.020 million for gross spin-offs of \$10.357 million.

The calculation of net spin-offs shows that the Jazz Festival produced the strongest injections into the economy, at \$590,000, compared to \$522,000 for the art museum, while the orchestra had a net negative impact of \$ - 733,000, primarily because of fees to non-resident artists (an outflow of funds) and the fact that only season subscribers were counted (thereby minimising audience expenditure). The authors stressed that the outcome for the orchestra was still positive if one compared it with the net spin-offs that would result if the provincial government had taken an amount equal to spending by the orchestra and its customers and spent it on road construction or on recreational centres.

This study also produced two other important results:

- The presence of several cultural institutions in the same place creates synergy, and this yields greater economic returns for a major city than for a smaller locality. Audience and visitor surveys showed that the majority came for one activity but then went on to other activities, prolonging their stay and increasing their expenditure.
- The economic impact was greater when a cultural institution spent more on wages for local residents, and when it attracted foreign visitors, thereby bringing in significant foreign exchange. This points again into a previous conclusion: the more densely populated a territory is and the greater its supply of skills, the more chance there will be to employ local resources, and the greater will be the local spin-offs.

### **Methodological issues**

Examining the local spin-offs of an event or a monument has become the cornerstone of efforts to demonstrate the links between culture and local development. These analyses are typically presented to governments to encourage them to invest in this field when the traditional underpinnings of the activity have disappeared. Two concepts have been used to popularise this approach, without necessarily strengthening its credibility. The notion of the multiplier has achieved almost mythical significance<sup>66</sup>, and multipliers of 7 or 8 have been reported to the local authorities, only to admit later that they should be close to nil<sup>67</sup>. It is very tempting to show that the tourist, by simply appearing, can generate a chain of value and create jobs, but such hasty reasoning overlooks the many leakages or blockages that may intervene during the process.

From this viewpoint, there are four major factors that must be considered: the underlying rationale of the consumers of cultural goods and services; leakages and diversions; the economic nature of the territory; and the behaviour of businesses.<sup>68</sup>

### ***Consumer motivation***

The first problem lies in the fact that the links of causality between heritage showcasing and development impact may be tenuous or nonexistent. This is the case, for example, when visitors or tourists are motivated by several factors, and culture must compete with religious, business or recreational interests. Before we can measure the presumed causality link accurately, we must ask three questions:

- Is the visit related to a cultural resource, for example a monument or museum?
- Are expenditures in the territory related to the monument?

- If the visitor is a local resident, was he inspired by the monument to increase his spending, or has he simply diverted spending from another local use, in which case what is involved is not a multiplier but a transfer?

These three questions can cast in the following sequence:

- “Would you spend time in this territory if the monument were not there?” If the visitor says no, we must conclude that all of his spending can be attributed to the museum’s existence. If he responds yes, this means that he has come for several reasons, and the problem will be to determine which portion of his local spending can be attributed to the museum alone.
- Then comes the second question: “Would you reduce your spending if the monument were not there?” If the visitor says no, this means that the monument has played no role in the volume of his spending, and cannot be used to explain any portion of it. If the visitor says yes, on the other hand, the monument has indeed served as an attraction, and should be credited with a portion  $x$  of the visitor’s spending in the territory.
- Finally, if we are dealing with a local resident (a day trip), another question must be posed, as an alternative to the first: “would you have visited something else, or made some other expenditure, if the monument were not there?” If the response is negative, this means that all of his spending can be attributed to the monument. If the answer is negative, this means that the expenditure has displaced spending on other uses. We must then abandon the multiplier, or at least prorate its application among competing uses.

### ***The degree of a territory’s integration and the effects of diversion***

A portion of the expected development impact may appear in other territories than the one where the cultural resource is located. This will happen if the anticipated visitor spending goes not to products of the territory, but to those of other territories from which they are imported. The development effect will then depend no longer on the nature or importance of the monument itself, but on the territory’s degree of economic integration. A well-integrated local economy can produce high multipliers, while one that is less well-integrated, and where visitor demands must be satisfied through external activities and employment, will show weak development effects.

Let us consider the renovation of a monument where several types of services will now be offered. The jobs created at the monument and in the visitor and tourist facilities are set at 100. The expected employment multiplier is 1.4, which means that for every job created initially the territory will derive 1.4 jobs. We can identify three

types of territories, each with a specific diversion coefficient that depends on the territory's capacity to meet visitors' needs by itself (see Table 2.5):

- The diversion coefficient for a “big territory” is assumed to be zero, which is to say that the territory is self-sufficient, and all needs can be satisfied from its resources.
- The diversion coefficient of a “small territory” is assumed to be equal to 1, i.e. it cannot meet any visitor needs and everything has to be imported.
- The diversion coefficient of the “medium-sized territory” is assumed to be equal to 0.5, which means that only half of its visitor needs can be met from internal resources.

Table 2.5. **Development impact values for a cultural project in a given territory**

Territory	Jobs created	Total jobs in the zone	Self-sufficiency coefficient	Net jobs created by project	Real value or multiplier
Big	100	140	1	140	1.4
Mid-sized	100	140	0.5	120	1.2
Small	100	140	0	100	1

The multiplier effect declines and may even disappear completely. In addition, spending on a given territory's heritage may come at the expense of spending in neighbouring territories.

### ***Price effects***

Such analyses are done at constant (inflation-adjusted) prices. An investment in a cultural or heritage object will also change incomes and prices.

- If there is a specific labour shortage, workers will have to be attracted with the promise of higher wages, which in the end will spill over to all wages within the territory.
- If land has to be found to build parking lots or hotels, this will raise property prices, with a negative impact on living standards and wage claims.

The cultural investment thus creates tensions that may work against local development. To analyse these tensions, we must remember that there are two sectors in the territory: the cultural consumption goods sector and the non-cultural consumption goods sector. Since these sectors may compete for the pool of labour

or other productive resources, their prices are linked, and any shock to one will be felt by the other. The reactions of economic agents to price movements sparked by the cultural investment will of course be greater if the relative weight of the cultural sector is high. The elasticities that determine the scope of these reactions will play a determining role.

- The first elasticity to be considered is that of the supply of labour in relation to wages. If labour supply elasticity is infinite, a territory can respond to higher labour needs without causing wage costs to rise for other activities. If the territory is short of labour or is poorly integrated, with little flow of employment between various activities or sectors, the cultural investment will cause wage rates to be bid up, or will require the import of higher-cost labour, and the effect will spill over to all local labour markets.
- The second elasticity to be considered is that of the supply of goods from the local non-cultural sector, in relation to prices. If product supply elasticity is infinite, a territory can respond to higher demand without causing costs and wage claims to rise. If the territory is short of productive resources or is poorly integrated, the cultural investment will lead to tensions and even to the import of high-cost goods and services, and the effect will spill over to all local markets for goods and services.

In both cases, the degree of the territory's integration is the determining factor. The more integrated a territory is, i.e. the more of its own resources it can use or redeploy for productive purposes, the more likely it is that the tensions created by investment can be absorbed, with the positive effects outweighing the negative ones. The less integrated a territory is, i.e. the less able it is to mobilise local resources or redeploy them, the higher will be the tensions generated by the investment, with the negative effects outweighing the positive effects.

### ***The lifecycle of a cultural good***

The behaviour of those who offer cultural and tourism services can also influence the expected impact of a cultural investment. This influence may not merely expand or weaken that impact, but may in fact exhaust the cultural resource itself: for this reason, we may speak of the "lifecycle" of the monument. This is not a new phenomenon, and many sites have already been destroyed by overexploitation. Yet while some will ascribe this to faulty management of tourism flows, others will see in it the rational behaviour of certain economic agents (Caserta and Russo, 2002).

Let us take a tourist site that consists of two parts: a heritage core and its surrounding district, the latter depending for its livelihood on the drawing power of the former. Every visitor is assumed to buy two types of goods or services:

- A cultural, “primary” service: this is generally sold at a price below cost, which implies that there are subsidies, and the price elasticity of demand is low.
- A tourist service, referred to as “secondary”, the most significant component of which is accommodation. This accommodation may be close to the monument, in which case the provider’s monopoly power is high, or it may be further removed, in which case the monopoly power declines. The extreme case is that where the accommodation facility is located within the monument itself.

Some visitors will be staying in the centre or close to it, and they will be deemed tourists in the strict sense. Other visitors will be living further away, and will be referred to as excursionists or sightseers. Because it takes longer to get there, or because they are perhaps less excited about the site than those staying close to it, these casual sightseers will make less effort to find out about the quality of available accommodation. The service in this case becomes a “learning good”. Not having identified its quality in advance, people learn about it through experience, and this has two implications: they will not come back unless they were satisfied with the experience; and they will tell other potential sightseers about their experience. Since the quality of the primary good can be interpreted without problem, the full behavioural impact will depend on that of the secondary good<sup>69</sup>.

The providers of these accommodations know that if they set their price too high in relation to their quality they are unlikely to be punished by the sightseers, who will take some time to understand that they have been duped. But faced with tourists who are more attentive to the quality of service, they cannot take the same risk, for punishment will be immediate. This means that the higher the proportion of sightseers, the greater the number of accommodation providers who will cheat on quality. For a given proportion of sightseers, the slower their learning curve the lower quality is likely to sink. The assumption here is that many sightseers are not well informed and that they have a long learning curve.

Behaviour of this kind will quickly work against the interests of the monument.

- The first negative effects will come from the reduction in sightseers’ spending at the monument. Feeling that they have overpaid for their accommodation, they will spend less money at the monument itself, even if the services offered there (guided tours, boutique, restaurants) are of high quality. At the limit, they will content themselves with looking at the monument from outside, and poking around the town. They may give up on the very idea of their outing, or else look for entertainment and recreation services that cater to visitors.
- The negative fallout may be more severe, and the poor quality of the accommodation may undermine that of the monument, especially if its managers

are deprived of the funds that they would normally reap from visits to it. The secondary good in this case becomes the primary good, and drags the heritage site down with it.

- The real tourists may also suffer from the exploitation of sightseers. The prices of their accommodations are sure to rise if sightseers continue to come only for entertainment purposes (nightclubs, dancing, sex shops, or casinos). We may find then that tourists stop spending at the site, or even abandon it altogether.
- Local residents will also feel the effects of these higher prices and the tarnishing of their territory's image. They may soon find themselves facing the following dilemma. If sightseers are a high proportion of visitors, residents must expect that the site's reputation will slide further, and that speculation will drive up property prices, recognising that the continued flow of sightseers depends on entertainment facilities. If the proportion of sightseers is controlled in favour of tourists, residents are not necessarily better off. A high proportion of tourists will drive up both quality and prices to high levels<sup>70</sup>, and lead to the gentrification of the site. Site degradation or gentrification: these are the two horns of the dilemma involved in shifting the proportion between tourists and sightseers.

Thus, perfectly rational behaviour can have fatal consequences. The better-known a heritage site is, the more sightseers it will attract in addition to the ranks of informed tourists, and the more exposed it will be to the denaturing or collapse of its quality. From this situation we may draw some pointers for the sustainable development of such sites:

- Give priority to quality over quantity targets, recognising that spending per visitor is more important than the number of visitors.
- Encourage cultural over amusement or recreational uses for the site, so as to attract serious tourists as opposed to casual sightseers.
- Maintain some control over pricing mechanisms, which means controlling real estate prices and negotiating restraint agreements.

### ***Other approaches to measurement***

To overcome these difficulties, other tools have been proposed in recent years.

The first approach seeks to make the multipliers more meaningful by using input-output tables and inter-industry trading data. This approach was used in a Welsh study, although it was more limited than the conventional input-output method (WERU & DCA, 1998). It identified six cultural industries: Performing Arts; Visual Arts; Crafts and

Design; Media, Literature and Publishing; Libraries, Museums and Heritage; and General Cultural. It describes the significance of regular linkages between these cultural industries and the rest of the economy. It simulates the effect of changes in demand for a given cultural industry, and then the effects of economic growth on that same industry. The analysis has proven difficult to perform.

In contrast, a second approach involves mapping the cultural industries for a specific territory (York Consulting, 1998). The approach looks at only one sector, but attempts to describe it as accurately as possible in order to anticipate its dynamics. Statistical data and field surveys are used to determine how services are organised and delivered and to identify sources of financing, cost structures, capital budgets, audiences and visitors, the use of volunteers, development plans, benefits and impacts, and the sector's contribution to the formation of human capital and social capital, and to community development.

A third method uses "Best Value Performance Indicators", analogous to benchmarking. With this method, the focus shifts from inputs to outputs and even outcomes. It uses indicators as varied as the number of school groups visiting museums, the development and adoption of cultural strategies by local governments, or the number of people who visit a monument or museum once or several times.

Yet another method is to compare different types of outcomes that cultural activities strive for (the "balanced scoreboard" approach). Three types of outcomes are considered, in terms of financing, user habits, and organisational capacity.

## *Chapter 3*

# **Promoting local development by creating cultural products**

This chapter sheds new analytical light on culture's impact on local development, seeing the source of development in the preparation of cultural products that are produced in a given territory but consumed elsewhere. It shows why the existence of cultural products, combining aesthetic and utilitarian dimensions, is linked to a given territory, and how the producers of such products tend to cluster together in such areas. It then highlights the concept of "cultural district", which can be likened to that of an industrial district, but which displays its own conditions for viability: a capacity to renew and maintain product originality, a capacity to adapt and pass along traditional know-how, the role of collective intellectual property rights, etc.

## *Chapter 3*

### **Promoting local development by creating cultural products**

The link between culture and tourism is a basis for development in certain territories. The link between culture and creativity also holds prospects for local development. This contribution of culture to development (for which design activities offer a good example) does not always receive the same attention as tourism spin-offs, however, perhaps because it takes longer to make itself felt. Moreover, it is less visible, for the goods are not consumed on the spot but rather beyond the producing territory, and only part of the value created returns to the territory, after deducting the shares of intermediaries and retailers.

Why should we pay more attention to the local production of cultural products than of other goods? These goods are highly sensitive to the nature of the territory where they are produced. They are idiosyncratic in the sense that their production relates to specific places, and they would not appear or be produced in the same way in other places. Moreover, an analysis of these production sites shows a great deal of formal or informal trading in tangible elements (materials, equipment) or intangible elements (knowledge and know-how), hence the notion of a cultural cluster or district. In effect, this output of cultural goods is constantly renewing itself, and this forces businesses to change the component elements of their production function. They can do so better if they can establish relationships within their immediate vicinity that allow for such adaptation.

Today there are many examples of these cultural clusters. We shall go into their typology later, but we may start with three examples that illustrate some of the potential facets of cultural clusters and of creativity: Florence, Limoges and California.

- Florence is the capital of Tuscany, and performs many economic functions. A true “city of art”, its artistic heritage is recognised as one of the most important anywhere, and every year it attracts millions of tourists - the Uffizi Gallery receives a million and a half visitors alone (Lazzaretti, 2004). The city's cluster of museums in fact accounts for nearly 11% of all the museums in Italy<sup>71</sup>. The drawing power of these museums is mutually reinforcing, and they have pooled many of their services, such as communications. Linked to this heritage of

buildings and art is a cultural cluster that specialises in the restoration of artworks: of its 145 craft shops, three-quarters are devoted exclusively to the restoration of ancient works. While 61% of them have only one worker, some of the others have as many as 20, and the cluster as a whole employs more than 700 people. Firms are bound by strong traditions of cooperation, although this is more evident in the restoration of heritage buildings than of artworks. Firms in a particular trade will tend to cluster together in the same neighbourhood: those working on buildings will be found outside the city centre, and the others within, which reinforces the cultural image of the central city and makes it a true cultural quarter (see Chapter 4). This cluster serves not only local markets but also national and international markets, and is thus a source of service exports.

- Despite its very significant artistic and architectural heritage, Limoges is not generally regarded as an art centre or tourist destination. Yet for nearly 200 years it has been home to one of the most important cultural and creative arts clusters in Europe, where the art of the kiln produces enamelware and porcelain (Greffe, 2003).

For more than a thousand years, Limoges has been a centre of the enamel industry, or more generally the use of fire to affix vitreous materials to metal surfaces, with as its local specialty the glazing of copper (*champlevé* enamelling<sup>72</sup>). But it was only in 1777 that the *intendant* of the Limousin, Turgot, succeeded in arranging for locally produced kaolin to be used in Limoges instead of being shipped to Paris for the royal porcelain works at Sèvres. Since that time, porcelain factories have multiplied in Limoges, accompanied by the creation of fine-art and applied-arts schools and museums. Today, the ceramics industry employs 4000 people in the Limoges area, distributed among 70 firms. In 2001, overall output amounted to 305 million, of which 30% was exported. Porcelain alone accounts for 2200 jobs, with output of 111 million<sup>73</sup>. Working alongside the big factories are a dozen or so establishments of 25 to 75 employees, and 100 or more independent craft shops making one-off, hand-painted decorative porcelain objects or collector's items. This industry has survived market vicissitudes and competition from around the world, thanks mainly to the constant link that has existed between artistic and economic activities, whereby artistic creativity has been allied with technological innovations to keep the Limoges industry steadily in the lead. Thus it has introduced gold bands and silvering, hand-painted decoration, the use of Japanese motifs and Impressionist lighting effects, references to art nouveau and cubism, and standing collaboration with great artists like Sonia Delaunay and Raoul Dufy.

An entire economic fabric has grown up around the porcelain industry of Limoges, applying its know-how to activities with higher value-added, e.g. the supply of raw materials, equipment making, bathroom fixtures<sup>74</sup>. Technology transfer has given rise to innovative SMEs making such things as orthopaedic implants and ceramic printing

rollers. Limoges is now the leading independent research centre in industrial ceramics and surface treatments.

- California is today home to multimedia cultural clusters that have managed to combine the traditions of the cinema and television district of Los Angeles with the technological innovation potential of Silicon Valley. This clustering brings together producers and broadcasters of digital audiovisual programmes. In fact there are two clusters, one around San Francisco Bay and the other in Greater Los Angeles, each of them accounting for nearly 40% of the firms (431 for California as a whole). But while San Francisco Bay is oriented primarily towards producing computer equipment and systems, Los Angeles has drawn upon Hollywood's artistic traditions of film and TV production to develop new products. These two clusters can be said to be operating as a network (the articulation between network and cluster will be discussed below). Table 3.1 (Scott, 2000) illustrates the situation, showing the convergence of contents and containers and the differentiation of roles.

Table 3.1. **California's multimedia districts**

Activity	San francisco bay	Greater los angeles	Total employment
Computers (SIC 357)	74 %	26 %	62,000
Data processing (SIC 737)	55 %	45 %	104,000
Audiovisual production (SIC 781)	4 %	96 %	133,000
Audiovisual services (SIC7812)	1.9 %	98.1 %	83,000

*Source:* data from Scott (2000), op. cit., page 139

For these purposes, San Francisco Bay covers the counties of Alameda, Contra Costa, Marin, San Francisco, San Mateo and Santa Clara; Greater Los Angeles covers the counties of Los Angeles, Orange, Riverside, San Bernardino and Ventura

These linkages between arts, culture and creativity are not limited to the big cities: examples can also be found in rural communities or in small towns. Recent studies by the Clustering Alliance have found clusters of this type in the United States, where creativity is driving the design, packaging and marketing of products to make them more competitive (Clustering Alliance, 2004). A plumbing fixture company, Kohler Corporation, has artists-in-residence working in suburban or rural areas around Wisconsin to produce new product lines with an artistic dimension. ACEnet, in Athens, Ohio, helps local food processing companies design imaginative labelling and tell stories about their products to create brand recognition and get higher prices. Generally speaking, a "creative enterprise district" will involve people or companies whose product is art or design, or for whose product art or design provides the distinguishing feature, or who help to sell such products<sup>75</sup>.

## **Culture, time and place**

In 1991, Robert Reich suggested that Americans' well-being depended not only on the profitability of their corporations but on the value they add through their skills and experience (Reich, 1991). Thus, the "symbolic analysts", the manipulators of symbols, will take their place alongside traditional managers and workers in driving development, and this highlights the role of artists and designers. Their role outside cultural industries is scarcely recognised, no doubt because there is still disagreement over the link between culture and economics. Many people continue to oppose the use of culture for commercial ends, by drawing distinctions between the beautiful and the useful, between form and function. The growth of the culture industries has moderated this debate. Yet the economic potential of culture is still recognised only as a source of final consumption — books, records, films — but not as a source of intermediate consumption in the production of non-cultural goods.

The two essential features of our contemporary economy — the knowledge economy and the global economy — place this role of culture as a source of intermediate consumption in the production of non-cultural goods at the centre of present-day development issues.

- The knowledge economy gives intangible factors a determining role in the design and production of new goods. This involves artistic traditions in two ways. As a source of a heritage that is continually renewing itself, they nurture creativity and they offer all economic sectors — from crafts to fashion and furnishings, to the automobile industry — a wealth of references in terms of signs, forms, colours and symbols. As an intrinsically creative activity, art defines procedures or protocols for innovation that can be used by other activities. The example of contemporary art is useful here: it shows that much progress stems from the mingling of standards, codes and media, demonstrating to non-cultural industries the value of such confrontations between fields or disciplines.
- The global economy increases opportunities for diversity by offering broader markets for specific products. Competition between products expands the outlook of an economy where mass consumption focuses on a few quasi-generic products. Moreover, for countries that have trouble remaining cost-competitive, it is only by being quality-competitive that they will find new markets or niches, recognising that this quality of goods is increasingly determined by their aesthetic features. This demand for ever greater variety in products also points to another feature of the contemporary economy, that of post-modern consumer behaviour: consumers seek to differentiate themselves by appropriating the signs and values that mark specific products (Greffe, 2003c).

The conjunction of these two traits produces an economic system that is different from those that have preceded it. As A.J. Scott has written, "... whereas nineteenth century workshop and factory systems were able to produce variety of output but were limited in the total scales that they could achieve, and whereas Fordist mass production freed industry from quantitative restraints but at the expense of product variety, modern flexible production systems.... are able to achieve considerable variety of output while they also often generate significant economies of scale...".<sup>76</sup>

### ***The cultural product as a deliberate trade-off between form and utility***

The opposition between art and economics often reflects the divide between functional utility and an aesthetic value that has no utilitarian dimension, or we may say between content and form. Since the primary objective of the economy is to satisfy needs, content takes priority over form. The doctrine of "art for art's sake" has corroborated this divide, to the point of deprecating artisans who, unlike artists, attempt to strike a balance between form and function. This tradition inspired the famous judgment of Max Eastman, who considered that for an artist to stray into the realm of production was to publish the obituary for his talent (Molotch, 2003)<sup>77</sup>. Other criticisms were less severe, such as that offered by Beaudelaire, for whom duty had no meaning except in the context of the living conditions and environment in which it existed. Deprived of this context, the aesthetic message remained incomprehensible, hence the notion of the dual composition of a work of art.

Designers today seem to have moved beyond this dichotomy by demonstrating the difficulty of separating the substance of content from the substance of form. This can be seen in the history of fashion at the beginning of the 20th century. The often-neglected automobile also illustrates the point. Take the famous model T, which became the symbol of "Fordism" - there was no way that its shape could be curved or rounded, for the machinery did not allow it, and with the way the shop floor was arranged it was impossible to introduce new and more flexible machines. Ford claimed that he would sell his cars in any colour, as long as it was black. By contrast, General Motors hired designers who had styled cars for Hollywood stars and began to offer models in many colours, with flowing lines and curves both fore and aft that allowed alternate arrangements for storing the spare tire, for example. To achieve this, General Motors developed a special steel that allowed such flexibility. By replacing nuts-and-bolts with rivets, it was able to develop shapes that improved both the aerodynamics and the aesthetics of the automobile, to the point where people would later speak of "sculpted cars". As Barthes pointed out in another context (watching reactions to the new Citroën models among visitors to the Paris automobile show) (Barthes, 1993), "people touched the vehicle's body, they felt its chassis, they tried out the seats, they caressed the doors... These cars are almost the equivalent of our Gothic cathedrals... designed with passion by nameless artists to be admired and used by people who take them as magical objects"<sup>78</sup>.

Needs satisfaction, then, is compatible with difference in forms, and forms can become elements for conquering new markets. Moreover, this change of form can come in sudden leaps, with the adoption or penetration of new images or new models, while adaptation of content is often more steady and continuous, reflecting progress at the margin. This change of form often plays upon the emotions or upon symbolic values that evoke a need for a thorough retooling, which itself is a source of economic gain. The good thus takes on a meaning that exceeds its function. This symbolic value can be determinant: it produces veritable logos testifying to membership in a group, or even a new ethnic identity. Artists often like to play upon this confusion between form and content, as we can see in the famous garden bench that was made to accommodate both strollers and flowers.

Products of whatever kind associate these functions in various proportions, and sometimes to extremes — where the good has lost all its utilitarian function but is endowed with an aesthetic or semiotic dimension, or where the aesthetic or formal value of the good pales against its functional content. Perversions are possible, as Duchamp showed when he placed in a museum a utilitarian object [*a toilet bowl*] that had completely lost its utility but had not thereby acquired any recognised aesthetic value. The contemporary economy stresses this aesthetic value of goods as a way of differentiating products and identifying consumers. Cultural products are thus products where the aesthetic value is prized for its own sake, without interfering with the utilitarian function. Here again we have the extreme case that is the work of art, which can never have anything but an aesthetic or semiotic value. Production of these cultural products is doubly indebted to the arts: artistic knowledge serves as their point of reference, and artistic know-how provides the means for making them.

#### ***The idiosyncratic nature of cultural products***

A cultural product reflects specific conditions of production, and it changes its nature depending on the factors of production, tangible and intangible, and on their combinations. The production of these products therefore cannot be indifferent to the nature of their environment, and their location then appears as a determinant of such goods. This idiosyncratic nature may be more or less obvious. A work of art is the very essence of an idiosyncratic product, for it is unique to the image of its producer. Other goods, such as multiple editions or copies, may fit this description to a lesser degree. On the other hand, in the case of cultural industries, this characteristic only applies to some but not all of the good's components. For their part, the creative industries produce idiosyncratic goods at the outset, even if the nature of these goods and of the structures that produce them will tend over time toward standardisation and industrialisation.

The specific place helps to determine the essence of goods made there, and that essence will change from one place to another. This finding can be applied to the image

or personality of great cities: Paris is “the City of Light”, New York “the city that never sleeps”, Los Angeles is “Tinseltown” and so on. These images have above all a metaphorical dimension that colours all activities, in a manner somewhat reminiscent of Alfred Marshall’s concept of the “industrial atmosphere”. Above all, this means that, beyond the tangible factors of production that are often substitutable and mobile, there are intangible factors that are rooted in the territory, beginning with its specific human and social capital. The character of a place, which itself is a legacy of its tradition, thus produces what some have called “co-development webs”<sup>79</sup>.

### *The example of Los Angeles*

More precisely, place acts upon the essence of products by offering an atmosphere and an image to the creators of artistic practices and markets. This can be illustrated with the example of Los Angeles.

- Locally recognised artistic practices feed into thinking and experimentation with products. At the beginning of the last century, the Eucalyptus School, which saw itself as a version of Impressionism, used a palette of rose, ochre and grey in the external and internal decoration of houses. During the Depression of the 1930s, oil paint became too expensive and new schools of painting took its place, changing the approach to decoration. The museums also influenced the way in which products were made. The Pasadena Museum mounted a series of exhibits with objects celebrating creativity in such fields as furniture and sporting equipment (surfboards, snowboards). Architecture, itself a cultural industry, benefited from its cooperation with artists. Frank Gehry borrowed from local artists, notably Stella, in their use of unconventional and even “vulgar” materials of the time to reduce the costs of houses and office buildings. These borrowings were to play a major role later in his great architectural works in Minneapolis and Bilbao. A third transfer mechanism lies in the multifaceted activity of artists. In the United States, only 15% of registered and unionised artists work full-time at their art. The rest of them are obliged to find supplementary work, or even their main livelihood, in other sectors of society. Thus we see artists decorating restaurants or public spaces, painters setting up audiovisual sites, and decorators or dressers developing new lines of clothing. And even when they are not working, their personal lifestyles and their way of dressing help to spread new fashion standards through the territory where they live.
- Another element to be considered is the market offered by these places. In many cases, products can attain high quality because they are tested in knowledgeable consumer markets after the experts have passed judgment on them. One of the great advantages that Los Angeles has over New York in the production of leisure and sportswear is that its industry long ago minimised seams and other rigid elements to meet the local population’s demands for comfort and easy

wearing<sup>80</sup>. Other examples can be found in the internal design and furnishings of individual homes, such as the use of furniture that can be used either indoors or out. Less well known is the example of the automotive design industry that began to develop in Los Angeles in the early 1980s. Many automakers opened design shops there in order to “bring the milieu into the product”<sup>81</sup>. The vice president of Chrysler declared that his company, through its presence in Southern California, was determined to tap into the local culture, to absorb even the air it breathed<sup>82</sup>. One outcome was to equip cars so people could eat in them, since this was already a long-standing practice in Southern California. Many of the managers involved in this activity subsequently moved on to other industries where they fulfilled other design functions.

- When it comes to industry in Los Angeles, moviemaking has played the central role, and certainly the most visible one, in the emergence of new products. During the 1990s, the Los Angeles Times ran a regular column commenting on, and criticising, the way actors dressed on-screen (“Screen Style Column”). From its beginnings, one of Hollywood’s key messages was delivered through clothing, regardless of whether that message had a patriotic, a subversive or an erotic thrust. The city was a major sounding board for fashion, a role that was enhanced by the presence of population groups that varied widely in their income, their social status and their ethnic origin, and this led to a vast array of labels and designs and produced an industry with real economic clout. Jeans, suits, satin dresses and sunglasses became some of the most important local industries. The movie industry’s contribution to furniture is less visible, but nevertheless important: while black-and-white movies stimulated the production of black-and-white furniture, the major studios of today are constantly striking deals with major furniture suppliers, as Universal has done with Brown Saltman. This contribution is crucial for the toy industry (Disney) and for the cosmetic industry, which was initially launched to produce makeup for the stars (Max Factor). This synergy between moviemaking and the economy does not always work, however. The French or even the Parisian clothing industry has never enjoyed such spin-offs from the French cinema. But it may also be that French films were not looking to such spin-offs.
- The city’s atmosphere contributes to this cross-fertilisation. The first Disneyland was a great success in this regard. All its products had been tried out separately in the local movie industry, and all the products sold in the park were already made in Los Angeles, conveying to the park the “exuberant, warm, colourful and optimistic” atmosphere of the city<sup>83</sup>. The guides and hosts working at the park are actors and actresses, as is clear in the way they dress. Many of the attractions relate to space travel and simulations, again one of the city’s core activities. When Disney built “Celebration”, its experimental city in Florida, it drew heavily on the LA lifestyle for its design and its operating approach.

- Finally, the image of the place is another important factor in differentiating products — this is nothing new. In the past, many American products tried to look more like English goods, in order to benefit from a more important image of industrial prowess and comfort. The success of Paris fashion products had at least as much to do with the image of luxury and excellence traditionally associated with that city as it did with their functional utility. Detroit automakers are constantly making references to California or the Mediterranean in their model names in order to resonate images of holidays, relaxation and fun<sup>84</sup>.

### **The trend to territorial clustering of cultural products industries**

In Chapter X of his *Principles of Economics*, entitled “The Concentration of Specialised Industries in Specific Localities”, Alfred Marshall showed that some territories were characterised by the coexistence of many firms of varying size that seemed to establish among themselves relationships both commercial and non-commercial (Marshall, 1890). These territories engaged in invisible or non-market trading based on mutual trust and they allowed entrepreneurs to upgrade their technologies and to gain a better knowledge of markets. Just as it was said of German cities in the Middle Ages that “city air makes you free”, one could say of these districts that “the local air breeds growth”. Yet in describing these districts, Marshall was thinking less of capitalist clusters than of the survival of medieval districts where guilds, masters and journeyman would commonly pool certain assets, even while drawing private advantage from them.

Data from the global economy support this industrial cluster approach.

- For many industries doomed to ever-shorter life cycles, it is a good idea to produce new goods constantly and to assemble the conditions that allow for constant adaptation. Their owners will be well advised to set up shop close to each other and to share information on new markets and potential new factors of production.
- Workers with specific skills will do better if they are close to such enterprises and contractors.

Far from appearing as a holdover from medieval production methods, the cluster can be seen as a mode of spatial organisation for coping with the constraints of a global economy in which new products promptly drive out old ones.

### ***The nature of cultural activity***

This constant renewal of goods and services offered is one of the constraints that cultural products face. Although everyone agrees that it is difficult to define cultural

goods precisely, we can at least recognise them as goods that are continuously being updated to incorporate new references and knowledge. Even things like handicrafts undergo constant adjustment to reflect improved expertise and changes in tastes. Cultural production involves experiments and prototypes. As soon as it is offered, a cultural product tends to give way to another cultural product. This process of localisation is reinforced by globalisation. By broadening markets considerably, globalisation places constant demands on creativity and engineering capacities, but it also offers more diversified markets on which they can be promoted.

- In this way, proximity becomes an asset for producers — they can engage in non-monetary (or sometimes monetary) trading whereby they can constantly update their knowledge and their know-how.
- Similarly, production workers in cultural organisations know that the contours of those organisations will change with the shifting nature of projects. They have every interest, then, in staying close to the major buyers, because they may have to switch organisations quickly.
- Finally, the marketing of cultural products has always posed problems for their producers, and coordinating their resources is essential to creating specialised networks.

In a sense, the need for proximity is even greater if, as in the case of cultural products, the content is highly intangible and idiosyncratic.

The importance of proximity will depend on the size of the enterprises or the stage of the production process at which they operate.

- When it comes to cultural products, big firms tend to concentrate on distribution (indeed only big firms are in a position to service worldwide markets), and will limit their production activities to exceptional products of the “blockbuster” type.
- In contrast, small firms will be engaged primarily in production, and for them their geographic location will be important. They must be able to make constant trade-offs among the different factors of production, artistic or other resources, and to maintain a close link between today's production activity and preparations for tomorrow. The need for proximity will result in concentration, for all these little firms will need to focus on their local territory if they are to achieve their objectives<sup>85</sup>.

#### ***The nature of cultural risk***

When a firm must come up with new goods or services for its own activity, it has the choice of producing them in house or purchasing them on the market: this is the

famous “hierarchy or market” dilemma described by Coase and Williamson, the key point being to minimise transaction costs and to choose whichever mechanism will do that more successfully (Coase, 1937; Williamson, 1975). Yet even if the firm decides to turn to the market, there will be transaction costs and the firm will have to look for means of cooperation that will minimise them, such as belonging to the same network or the same district<sup>86</sup>.

This choice between network and cluster can be explained, then, by the degree of uncertainty inherent in in-house production (Knight, 1921).

- When the uncertainty is limited and there are stable businesses that can be networked, firms will have an interest in doing so. Operation of the network will reinforce trust and the capacity of each of its members to meet demands under the best possible conditions. This “trust capital” will accumulate to the point where none of the partners has an interest in leaving the group or in being excluded from it, as would be the case if it acted opportunistically to the detriment of the others<sup>87</sup>.
- When uncertainty is high (and cannot be reduced by accumulating information), for example when consumer tastes shift or are found to have been misinterpreted, the situation will be different and the district or cluster formula will be more appropriate than the network. This uncertainty means that the aspects of the product and the factors of production used must be promptly redefined<sup>88</sup>. Networking will no longer work, for there is no reason to think that the partners in a network can cope with radical changes. On the other hand, geographic proximity may offer “weak ties” that can be drawn upon immediately to deal with unforeseen changes (Granovetter, 1973). Thanks to their close proximity, there will be a certain flow of information among these firms on their respective possibilities. Moreover, there exist a great variety of production factors that can be more easily captured. While seeking to join a network reflects a long-term outlook among firms facing comparable challenges, the idea behind clustering is to adjust more effectively to sudden shifts in demand<sup>89</sup>.

Cultural products are subject to high uncertainty. Because they are by their nature new, they are hostage to the whims of public tastes, and the equally unpredictable appearance of other cultural products. Producers will of course try to reduce this uncertainty by researching market tastes or attempting to revive and recycle former successes. But cultural activity remains in its essence uncertain, and this will encourage firms to network their projects with others, even though a single successful hit can offset cumulative losses for many of them.

Maskell and Lorenzen have shown that in the pop music industry, where there is great uncertainty about tastes and the status of demand, there has been a heavy

territorial concentration of composition, recording and publishing activities, while in the furniture industry, where demand trends are less volatile, networking has won out over clustering (Maskell & Lorenzen, 2004). They explain this uncertainty by the conjunction of several factors:

- the product cycle of a CD album is very short,
- consumer tastes and a product's acceptance are unpredictable, and
- there are many partners that have to be mobilised to introduce a new album, some of whom will be involved in only part of the process, with others remaining for the duration of the project.

New partners must constantly be brought in, hence the importance of locating where the visibility of the cluster as a whole will be greatest. This means that it can reap more information, reduce transaction costs, and build up social trust. It is only the major cities that can offer the required music schools and conservatories, recording studios, and skilled labour.

#### **Cultural and creative districts**

The two characteristics of a cultural good — constantly shifting production and uncertainty — can be resolved through geographic concentration or clustering<sup>90</sup>.

The cluster then appears as a place where the levers of exogenous and of endogenous growth come into play.

- Exogenous growth occurs to the extent that the district can meet outside demand for its cultural goods, even when that demand will be satisfied on-site, for example through visitors' attendance at museums or festivals.
- Endogenous growth will occur to the extent that the proximity of "players" allows the conception and production of new products that, it is hoped, will be in demand once they are released.

It was long thought that in this field, as in others, the emergence of new information and communication technologies would lessen this need for proximity, just as some writers insist on distancing themselves the city so they can be "more creative". Assuming that this is true, however, it is at best only part of the creative process. Some artists are relatively immobile, and their products cannot be readily digitised, starting with tangible works of art, which require direct interaction.

### ***A typology of cultural and creative districts***

These districts are varied.

- Some are created spontaneously by the agents themselves (artisans, artists, publishers, producers), while others are deliberately established by political initiative.
- Some are specifically urban, while others involve agricultural products or land-based cultural activities that give rise to large complexes.
- Some enjoy no legal protection, while others will be awarded labels or designations of origin (like the *appellations contrôlées*) that will convey intellectual property rights, with the dual effect of encouraging innovations on one hand and creating economic rents for producers on the other.
- Some will largely escape the locational constraints of demand (publishing, arts and crafts, design) while others are subject to such constraints because of their inputs (wood, aromatic plants, etc.).
- The first type corresponds to the establishment of heritage or museum districts in response to strong tourist demand.

At the outset, there may be an important heritage resource such as a well-known monument or a neighbourhood with exceptional heritage value. The proactive element here may involve renovation work carried out by the public authorities, or the organisation of protected areas, renovation and redevelopment zones, pedestrian streets, etc. The cultural tourism goals will often be achieved, but at high cost in terms of alterations to public amenities, the destruction of some traditional activities, real estate speculation, etc. Over time, such changes have led to rethinking these choices and, in consultation with the local populace, putting the stress on heritage items that may be less prestigious but are better integrated into local economic life. Cultural tourism development has in fact sparked some interesting dynamics. In France, two forms of heritage district organisation were introduced successively, but now coexist: in 1962, at the initiative of André Malraux, “protected sectors” were established for monuments of evident heritage value, while in 1983 the Architectural, Urban and Landscape Heritage Protection Zones covered areas that had an equally evident social dimension.

- The second type of cultural district is the result of geographical clustering and the organisation of production within that area.

There is no better illustration of this kind of “cultural-industrial” district than Hollywood, although the more recent example of Babelsberg is also very interesting<sup>91</sup>.

Initially, the only reasons for moving the studios to Los Angeles — they had originally been located on the East Coast — were its climate and the price and availability of land. The sunny climate made it possible to shoot films year round (even though they would soon be largely made indoors), and the real estate available in the Hollywood hills made it possible to purchase large tracts of land at low cost. The clustering of a number of studios soon created an artistic and technical labour market that gave producers ready access to the resources they needed, and allowed actors and technicians to find work. It is somewhat paradoxical that the economic image often associated with Hollywood is that of a Fordist type of organisation, when in reality it has essentially been an “open-air” market, where adjustments could be made virtually instantaneously — and, in fact, this continues to be the case. This pattern is also found in multimedia districts, which combine all the activities connected with production: equipment, software, written and audiovisual resources, and final products. At the heart of these multimedia activities, the cultural components (written and audio-visual resources) may act as a bottleneck.

- A third type of cultural and creative arts district associates the producers of objects that have both an artistic and a commercial dimension, such as arts and crafts, fashion, design, or the production of crystals and enamels.

They can be analysed in reference to the preceding type, since they also involve districts that produce goods. The artistic element appears in their inspiration, their production techniques and their idiosyncratic nature, as well as the use of what are essentially craft techniques (but that can also incorporate leading-edge technologies), and the recognition of intellectual property rights (although they are rarely patented). These different elements are combined to varying degrees. They are generally based on long-standing historic traditions, and more recent creative districts are rare, with exceptions such as the audiovisual district of Montreuil or the film district of Angoulême. These districts can quickly become creativity clusters once their purely cultural products yield to goods that have both a cultural and a strong utilitarian dimension, such as clothing, perfumes, ceramics and glassmaking.

- Yet another type of district, identified by Walter Santagata, is tied in with the legal recognition of the specific features of cultural products and of the environment in which they are produced. By according legal recognition to certain local products (textiles, furniture, agricultural products or wines), the authorities confer genuine property rights that are much like intellectual property rights, so that the district's name is protected and can be used to market its products. A good example is the use of the *appellation d'origine contrôlée*, which conveys legal protection on territories producing a specific good that is rooted in local know-how and traditional skills. In comparison to the previous districts, we may say that the rural dimension is what is most important here. Like them, these districts are sharply delimited geographically and

their distinctive character is exploited by adding trademarks, such as that of the perfumes of Grasse.

Like many medium-sized Japanese towns, the city of Nagahama, in Shiga prefecture, underwent a wave of modernisation that was detrimental to its traditional heritage. When the bubble of the 1990s burst, it was compelled to seek new sources of development, especially in view of its decreasing population. A potential opportunity arose when the Kurakabe Bank relocated, abandoning its previous premises for demolition. While the building, which dates back to the turn of the century, lacked great architectural distinction, it did possess a certain character and could boast a centre-city location in Kurakabe Square. Under pressure from a number of non-profit organisations, the municipality took over the property so as to turn it into the Kurokabe Glass Craft Building – a showcase for a craft that had once been a cornerstone of the local economy. But establishing this showcase was just the beginning: a mixed enterprise with capital from both the public sector (the municipality and the region) and private enterprise (glass firms) decided to surround the building with display workshops and showrooms featuring the various techniques of glass craftsmanship. The joint venture was managed by private partners, and before long about ten such facilities had been established. Activities were interlinked on both an intangible level and with more tangible marketing strategies. Lastly, the joint venture created its own brand – Reflection Kurokabe. A further consequence of this renaissance of an activity that had existed for four hundred years, but most of whose firms had shut down during the 1980s, was that restoration work was undertaken all around the Square, including Museum Street, where a systematic renovation of old houses was begun. Tourist attractions followed, and the number of tourists, which had been under 300 000 in 1981, exceeded two million in 2001.

Even so, this did not solve all of the problems: the population continued to wane, and only 10% of these tourists stayed even one night in Nagahama, diminishing their economic impact. Yet a number of factors were identified to explain the success: a capacity to combine tangible and intangible heritage; the role of third-sector organisations; the extent of private-sector management, which attained its marketing objectives; and, not least importantly, the ability of this traditional craft to address a yearning to improve the quality of everyday living (Kakiouchi, 2003).

- Finally, we may identify metropolitan cultural districts that can appear in the form of an extension of a museum district but will be much larger.

They attempt to breathe life and activity into an area by associating the performing arts, museums and producers of audiovisual or other cultural goods (such as radio and TV stations, film and recording studios). They often present a core and two peripheral circles. The core includes the key cultural institutions: theatres, museums,

concert halls or art galleries. The first, inner circle includes creative workshops and recording studios. The second, outer circle embraces hotels, restaurants and souvenir shops. In many cases, these districts emerge without the presence of monuments or historic sites, and they will tend therefore to highlight their recreational, entertainment or “edutainment” attractions. Such districts have often been created in big cities, in neighbourhoods that were abandoned and where land was available at a cost acceptable to those footing the bill. Derelict industrial sites have often been converted into arts facilities, and have become prime inner-city attractions for places including Marseille, Liverpool and Boston.

One of the best examples of the metropolitan culture district is that of Los Angeles, which embraces several types of cultural districts. These include, first, the culture industry districts, beginning with the most famous of all, Hollywood, the boundaries of which in fact extend well beyond that city to cover the entire LA basin. Nearby we find entertainment districts. A second type of district is the design district, the activities of which reach in many directions: fashion, automobiles, architecture etc. Finally, there are the idiosyncratic cultural product districts, producing perhaps garments or furniture. Scott estimated the number of people employed in these districts in 1996 at 412,392, or nearly 12% of the workforce.

Table 3.2. **Recent studies on cultural districts**

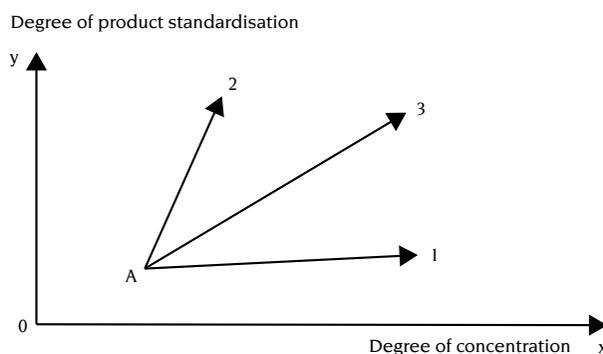
Design	Music
Molotch (2002)	Hudson (1995)
Vervaeke & Lefebvre (2002)	O'Connor & Cohen
Book and magazine publishing	Power & Hallencreutz
Norcliff & Rendace	New media
Films and television	Scott (1998)
Storper & Christofferson (1987)	Brail & Genter (1999)
Images and comic books	Porcelain and tableware
Grefe & Pflieger (2003)	Grefe & Pflieger (2003)
Jewellery	Advertising
Scott (1994)	Grabber (2001)
Scott (2002a)	Urban entertainment quarters
Furniture	Zukin (1995)
Harner (2002)	Sassen & Roost (1999)
Fashion and clothing	Restoration of old furniture
Pietrobelli & Barrera (2002)	Lazzarretti (2004)
Museums	
Santagata (2002)	
Van Alst & Bogaarts (2002)	
Grefe & Pflieger (2003)	

### ***The dynamics of districts and their implications for local development***

The districts examined are often those that have retained the specific nature of their expertise and their products. They may well have redeployed these to produce or make use of certain resources, but essentially their ongoing expertise is the key factor for their survival. This stability and their essential expertise can be combined with changes in the technologies employed and, of course, in the types of products, if only to keep up with market trends. If we consider their entrepreneurial makeup, the changes can be noticeable. Where there were once many artisans or workshops, we may now find only one firm, while in other places the diversity of establishments has not been erased by concentration. These dual transformations of products and of establishments are interrelated and can represent a threat to the cultural district's long-term survival. Standardisation of products may occur simultaneously with concentration of the industrial fabric, even if some big manufacturers continue to turn out high-quality goods.

The dynamics of culture and creative arts districts can be represented by the following graph (Table 3.3.), where the degree of business concentration in the district is shown along the horizontal ( $x$ ) axis. The further one moves along that axis the higher becomes the degree of concentration, until at the limit there is only one firm left. The

Table 3.3. **The dynamics of cultural districts**



vertical ( $y$ ) axis represents the degree of product standardisation, which departs increasingly from the arts-and-crafts ideal. The further we move along that axis, the greater the degree of standardisation of the product, with generic skills gradually replacing specific know-how, until at the limit the product is so uniform that it can be produced by an assembly line.

Suppose that, at the outset, the district finds itself in situation A, with a great number of firms producing a wide variety of products (even if they are of the same type and meet the same kind of needs). This is the typical case of the arts and crafts industry, where many establishments produce goods that are differentiated while respecting common quality standards.

- Initially, the district remains at A. Despite potential problems of coordination and governance, as discussed below, the district is essentially sustainable as it is.
- The district may then shift towards point 1. One factory begins to dominate the market, but it still produces a great variety of goods, thereby preserving the existing craft skills (Wedgwood in Great Britain, Baccarat or Bernardaud in France, Rockwood in the United States). In managing their dual nature, which is both capitalistic and artistic, they stress the quality of their products by entering them regularly in major international competitions and fairs, or by organising museums (Burton, 1976). They will refresh their product line in keeping with historic artistic standards in order to position their products successfully in buyers' eyes: Wedgwood's *Etruria* collection remains the best example. They arrange for newspaper articles and critical reviews and thereby make their new series seem like works of art<sup>92</sup>. They have their artisans sign the works to reinforce their unique nature.
- With a certain inevitability, the district may move on to situation 2, where product standardisation and industry concentration are gathering momentum. This can be seen in the glass and porcelain industries, for example, where some firms are seeking to capture ever greater market share in order to defray fixed costs that are themselves ever higher.

-While situation 1 is sustainable only with difficulty, and situation 2 is hardly desirable, the best thing may be to control the trend and try to maintain a situation of type 3, which leaves open the possibility of rationalising production without degenerating into an assembly line operation. Controlled concentration might also be pursued to some degree through technological and marketing investments, without standardising the product to the point where the specific know-how is useless.

#### ***Enabling factors***

##### *The sociological components*

In her 1961 book, *The Death and Life of Great American Cities*, Jane Jacobs drew a connection between economic creativity, urban vitality, and population diversity (Jacobs, 1961). Other geographers have in turn found a link between a certain artistic

gentrification and the most creative cities or neighbourhoods. Official agencies such as the New England Council have recently confirmed the existence of such a link. But the linkage has been hard to achieve, because the rationale and the measures are far from perfected.

The factors cited often include the proportion of young people in the population, and their educational level, for these have an impact both on increasing consumption and on cultural production. This thesis is today known as the “bourgeois bohemian” or Bobo theory. Economics traditionally addresses the bohemian theme in two distinct manners:

- One is to examine the variety of lifestyles and its effects: the bohemian consumer seeks to mark himself off from others, and in this way to assert his freedom (Frank, 1997). In fact, there is a bit of the Bobo in every consumer.
- The other is to investigate the role that lifestyles play in the capacity for inventiveness (Brooks, 2000).

In support of these ideas, Richard Florida came up with a model that he applied to the United States (Florida, 2002). He constructed a “bohemian index” comparing the percentage of bohemians in a given territory with the percentage of bohemians nationwide. As bohemians, he identified musicians, artists, writers, designers, photographers and people in related trades. They are generally creators or producers of cultural assets. Florida found a good number of correlations between this indicator and the indicators of cultural endowment, population mix, skill qualifications and human capital. He then examined concentrations throughout the country and found that the most important, by far, were in New York and Los Angeles. The ratio of concentrations between the least bohemian regions and the most bohemian regions is 1 : 25. This pattern corresponds to that for education, especially in areas where bohemians are numerous<sup>93</sup>.

He then performs regressions between talent and bohemianism, and finds a strong correlation between the latter (as the independent variable) and the presence of high-technology or high value-added products (as the dependent variable): the coefficient is very strong (2.055) and highly significant. A second point - the link between bohemianism (as the independent variable) and the area’s openness (as the dependent variable)<sup>94</sup> - is perhaps more debatable : one could as well postulate the reverse, which leads Florida to take a different tack and to build a hypothesis of correlation between Bobos, the percentage of the homosexual population, and an index of racial diversity (the “melting pot” idea). He arrives at a significant coefficient of 0.505<sup>95</sup>. The resulting interpretation is this: a high concentration of Bobos implies an open and tolerant place where those who want to express their individuality and take advantage of it, i.e. everyone with specific talents, will feel at home.

More recently, Florida has broadened his analysis somewhat by putting forward the idea of the “creative class” (Florida, 2004). Finding that people with high human capital are quite ready to leave the big industrial centres for more dynamic cities, he deduces a link between the creative population and the creative district. Creative people will seek out a district that offers cultural amenities, high-tech services, good living and recreational conditions, and an atmosphere of freedom and respect for identities. The district, in turn, will benefit from this population “whose function is to create meaningful new forms ... scientists and engineers, university teachers, poets and writers, artists, entertainers, actors, designers, and architects” [*quote confirmed*]. This super-creative core can be expanded to include the class of clerical staff and other applied-intelligence workers: while they may create less than the others, they must also use their more generic knowledge to solve specific problems.

Is it possible to come up with an indicator identifying the threshold where this osmosis between the creative city and the creative class kicks in? Once the creative class represents at least 35% of the workforce, the city will be truly creative and will remain so. Florida notes, incidentally, that the ambitions of some big industrial cities to remake themselves have stumbled not for lack of investment but for their inability to attract this type of population. He concludes, then, that there is a second type of indicator: a city’s ability to recognise the specific needs of this class<sup>96</sup>.

#### *The land-use dimension*

Cultural districts often originate in urban neighbourhoods where artisans once gathered, especially under the guild system. Located in the heart of the city, and thus immersed in its markets, their existence was closely linked to the availability of working and living space. In the meantime, urban development patterns have worked against them. The processes of speculation and gentrification have reduced available space and shunted their workshops beyond the cities, or to their peripheries. These changes interrupted their traditional trading networks, in which they frequently dealt face-to-face with their clients. Artisans were obliged to work through intermediaries, and this gradually led some of them to become dependent on merchants who preferred to deal in standardised products that bore less and less of the artisan’s personal stamp<sup>97</sup>.

Today, cities are trying to reverse this movement and to revive or refurbish their urban cores or their rundown neighbourhoods, or more generally to improve their urban image as a whole. The establishment of cultural districts featuring heritage and creative activities is one approach, as we shall see below (see Chapter 4). The main obstacle to these efforts is not financial, since there are many willing partners. Instead, it lies in the fact that these policies for reconciling local and global cultures can lead to gentrification and to the disappearance of the last traditional cultures.

### *Coping with technological innovations*

Creative arts districts can today take two forms, with some intermediate gradations. In one case, such a district will rely initially on recently developed technologies, such as in the audiovisual industry, and then follow these up with further innovations. In the other case, the district will try to revive inherited know-how, and may then be confronted with the challenges of technology and competition. The simplest case is clearly that of a radical shift in production technology, as happened to the *images d'Épinal* (a predecessor of the comic strip). Another might be a product that evolves because some of its factors of production change source, as in the case of perfume districts. Or again, technological change might be such as to induce the district to invest in new product lines, using its know-how to recast its output, as the jewellery or watchmaking districts have done.

The introduction of microcomputers and microtechnology plays a key role here, implying changes of a new kind — the opening of interfaces with research, and the abandonment or at least the marginalisation of skills that might otherwise still be employed. If these districts do not modernise, their cost structures may soon overshadow their quality advantage, which may in any case become less visible in comparison with fully industrialised products. If they do modernise, they may lose their originality edge over mass-produced goods of the same kind. Districts producing furniture, textiles and even cutlery thus find themselves balancing on the edge, and they must cope constantly with this dual risk. By the end of the process, the customised work that highly skilled artisans turned out for the carriage trade will have given way to making “personalised” products in small batches, and perhaps even to mass production.

Of course, there remains the option of producing to a “model”, which can incorporate many allusions, but even this will not necessarily be immune to commercial pressures. As soon as direct contact with the customer is broken and costly equipment has to be amortised, there is a great risk that products will be designed with a view to sales and not to their creativity. This process is cumulative, and it is hard to see how it can fail to change the power relationships between professional artists and the lesser-skilled trades involved in production. For the districts described, model creation represents the highest level of an artisan's achievement: for him, it is a question of designing and making an original object, regardless of whether it is in response to a particular customer<sup>98</sup>.

Another phenomenon now appears, the copy or reproduction of an original, which may be a last resort for remaining in the field of “arts and crafts” or of “cultural products”. Making such copies gives the craftsman's work an undeniable stamp of aesthetic quality, but it also signals the end of the craft, for it will soon be taken over by large-batch producers. Cabinet making districts have slowly become furniture-making districts, reflecting this trend<sup>99</sup>. The only road open to these trades, then, is to reinvent themselves: whereas

the transmission of knowledge was based on jealously guarded trade secrets, it will now be important to exchange experience, information and viewpoints and to emulate successful products for the benefit of the entire profession and its output. Agreements will be negotiated to respect codes and standards, and to present the sector as something new, and efforts will also be made to attract a new clientele on the basis of new skills<sup>100</sup>. This authentically “heritage” approach is similar to that of the old royal manufacturers and the quasi-museum approach, and it deepens the gulf between the old and new districts. The new trades may also try to present themselves as “heritage restorers” in a particular field, but this will not necessarily bring in new clients.

#### *Protecting intellectual property rights*

The protection of artistic property rights is a constant issue for products with a significant intangible content that can be readily copied as soon as they hit the market. Without the benefit of copyright or a patent, the producer has only his trademark to fall back on, and this is the weakest form of intellectual property protection.

A question that is very much at issue today is how to protect a collective trademark, following the example of the *appellations d'origine contrôlée*. In many cases, producers have organised themselves in networks to come up with a logo or trademark, which they award only to members of the club, but this does not afford much protection, especially when those members are small enterprises or individual artisans. They will have trouble finding the means to enforce their rights, and in many countries they will have no chance at all. For many producers located in these districts, governments might try to win recognition of collective artistic property rights by the European Union and the WTO, but the debates currently underway suggests that the tendency is rather to reduce those rights where they exist (e.g. farm products) than to extend them into new areas.

Counterfeiting is a great threat, and here the individual producer must look to his own protection, for the district cannot do it for him. This is all the more true in the luxury goods sector, where knock-offs may be defective in several aspects and can undermine the product's overall image.

Counterfeits are becoming increasingly dangerous because they can be sold along with the original in parallel markets. Moreover they are often linked to organised crime some countries, which makes it difficult to arrest the culprits. Traffickers sometimes make false objects from real ones: a watch, for example, may contain an authentic movement, and another may have an authentic case. They will be sold at prices only slightly lower than the original watch, and the average buyer will then have great difficulty distinguishing them either by their appearance or their price. There are also crude knock-offs that are made in Southeast Asia and sold at bargain-basement prices, particularly in centres of mass tourism. In this case, buyers are fully

aware that they are getting a fake. And with the development of distance sales, counterfeiters now have a wider field of action.

Counterfeiting, then, is important, but it concerns mainly the fashion and clothing industries. For other products, production costs are sufficiently high and markets sufficiently narrow that it is difficult to turn much of a profit from making fakes. Thus, a whole range of products situated at the interface between trades and crafts are safe from such risks. But who is to say that the new digital technologies will not soon broaden the opportunities for counterfeiting?

### *International openness*

The confined nature of some districts may suggest that they are hardly interested in an international dimension. But in fact, their artistic dimension places them squarely in the flow of new ideas, from which they are unlikely to insulate themselves, and this is in itself enough to give them an international outlook. The real question is how their development can be linked to sales and investments abroad.

Exports, particularly of luxury goods, can play a significant role: such goods are very sensitive to the domestic economic cycle and international markets can thus take up the slack when required. The lace industry in Calais sells as much to America and to Asia as it does in Europe. Other products are more difficult to export: Quimper sells 40% of its faience output within the region, and only 20% is exported beyond France.

Other products that are less well known than the big brands have trouble achieving recognition. Winning a prize in a competition or exhibition may be a necessary condition for these products, but to establish a lasting export presence will require appropriate marketing channels<sup>101</sup>. Smaller firms that venture out in this direction are likely to succeed only with exceptional effort.

When clusters invest abroad, they generally do so by setting up partnerships. Such investments often involve the purchase of stores in major cities, which may not offer a continuous or significant outlet. Here again, the lace makers of Calais took an original tack. Their customers are made-to-order clothing manufacturers that are steadily moving their production abroad, particularly to low-wage countries. Thus a large portion of the lace produced in France will, surprisingly enough, end up in India, Thailand or China. Once it is turned into a finished product, it will be re-exported to European and American markets.

### *The transmission of know-how*

With the possible exception of self-training, apprenticeship is the dominant form of training in cultural districts. But the more important the district becomes, the more

likely are firms to introduce generic qualifications that require more standardised training systems. When we speak of apprenticeship, we must therefore consider two types of situation.

The first involves apprentices who are starting out very young in a trade, in the manner of the guilds that dominated these activities in the past. Now that the guilds have virtually disappeared, official agencies (trade councils, employers' organisations) have filled the gap by reorganising this type of apprenticeship in the form of "virtual workshops". This implies a degree of organisation in the trades, as well as government support in providing the equipment and training the instructors.

The situation is even more complex when it comes to young people who have spent longer in school and are entering the trade at a relatively later age. The quasi-workshop does not work for them, because of their higher initial skills level and their aspirations. A new approach is needed, drawing upon partnerships that may be private-private or public-private.

A successful example can be seen in the glassmaking industry of Lorraine, where a decision was made in 1991 to place greater emphasis on training. The glass and crystal trades are highly specialised, and training is essential for maintaining product quality and ensuring the local industry's survival. In 1991 two agencies, the Association ID Verre, which focused on tourism and communication, and the European Centre for Research and Training in Glassmaking (CERFAV), founded the National Apprenticeship Training Centre. Through it, CERFAV is addressing the special challenges inherent in the trade<sup>102</sup>, by providing initial apprenticeship training as well as on-the-job training, and helping firms to adapt<sup>103</sup>.

Training of this kind highlights the sharp distinction that exists in many countries between art schools and applied art schools. There are many of these institutions, founded by local governments or, in the second case, by industry associations. Both types of institutions are today facing problems that are undermining their effectiveness.

- The art schools are often focused on purely artistic training, where the use of materials is overlooked in favour of the more traditional artistic instruction (history of art, drawing).
- The applied art schools often have trouble keeping abreast of technological developments and their financial base is threatened by weaknesses in the local economy.

One of the most important issues today is to bridge this traditional divide, a holdover from the era of the fine arts academy, and to establish centres of excellence that can draw upon a broader economic base<sup>104</sup>.

The new cultural and creativity districts have brought changes to this model, for several reasons. Basic skills requirements are rising, and a growing number of them are being taught at the university level. The project approach that some universities are now using serves to introduce young people to this way of acquiring know-how. Some universities have established important links with these districts: an example is Weltech (Wellington-based Polytech) in New Zealand, which has set up a Creative Faculty on its campus and is networking with a number of local design firms<sup>105</sup>.

There is yet another obstacle to this transmission of know-how. In many districts, what really counts is not a diploma or a professional degree, but competence. This means that the recognition of vocational skills and experience is becoming at least as important as the existence of formal education systems. Such a system of accreditation requires cooperation among businesses.

Switzerland and France share a cultural and creative district, called the “time measurement district”, that is attempting to address this problem in order to deal with the cross-border movement of workers. A cross-border directory has been prepared, and a common training programme, leading to a watchmaking skills certificate, is available to firms. In 1994, a charter was signed, introducing cross-border training in watchmaking.

### *Business succession*

The difficulty in the economic transmission of cultural activities of a creative kind lies in the fact it often relies on family or occupational continuity. *Transmission* is not considered something that can happen in a manner independent of a certain history. It is seen as a loss of identity, and at worst as abandonment, given the new commercial approaches that can intervene .

All of this means that the determining factor is less the transmission in itself than the environment of this transmission, and that the territory’s stakeholders as a whole should be just as interested in that environment as are the entrepreneurs or the artisans directly involved. Preventive measures can create an atmosphere favourable to transmission, for example by setting up service centres to mobilise all those devoted to maintaining these activities, in order to assure the development of their territories. Assistance to young people can also be important. The point is to attract young people into the trade, rather than ensure continuity of the firm, although the first step may result in the second. In effect, the people in place will be more willing to hand their business on to a person whom they have been able to observe at work, and in whom they can recognise professional quality and devotion to the culture of their trade.

#### ***Governance issues***

A cultural and creative arts district is only sustainable if the aspirations and the demands relating to it can be linked in a positive way, i.e. if the people expressing them become true partners. As with any cluster, its players may be mutual competitors and at the same time complement each other's efforts. This is true of cultural producers, who may be in competition with each other to meet demand. The same may be true of private players in conservation work or in the hotels business, for example, whose interests may diverge when it comes to exploiting a common heritage resource.

#### ***What are the conditions that make a cultural district viable?***

We might of course hope that good governance will result if all these firms, training institutes, heritage protection associations and governments share the same values, and that this will be enough to ensure proper cohesion. They might for example be agreed on the value of perpetuating an inherited production system, because it is consistent with the desired lifestyle or with conservation of the environment. We can then turn to games theory or the "core" approach to social interactions.

Without falling back on such a strict hypothesis, we can refer to the existence of a "bargaining set". Some stakeholders will want to depart from this development path, believing that they can do better for themselves by pursuing a different one. The other stakeholders will quickly bring them back to their senses by showing them that if they leave the ultimate cost will be much higher than if they stay on the initial path. Such a situation might arise, for example, in an industry that works with highly skilled labour and high-quality materials, where some firms begin to debase their quality standards in order to boost short-term profits — in the long run, this will undermine the product's cachet and make it indistinguishable from mass-produced items that are more cost-competitive. Essentially, the long-term interest demands that they renounce their short-term interest. To achieve this, a bargaining set must be introduced, i.e. a cooperative system for keeping watch over behaviour and, if necessary, compiling evidence and preventing any deviations. In this case, a label can be the element for crystallising the bargaining set, for it will induce producers who want to use it to embrace the arguments for maintaining the district's long-term sustainability and preventing opportunistic behaviour.

#### ***The steps towards good governance***

In light of these difficulties, we may start with a more general interpretation. Partnership offers a situation where social interactions are characterised by entry and exit costs, and there is a direct relationship between its members. The rules or conventions that a partnership adopts will seek to catalyse behaviour, keep action

cohesive, and satisfy the desired objectives. They will also try to prevent situations where the pursuit of private interests or rent seeking would be detrimental to the partnership as a whole. The partners will try to achieve a desirable equilibrium through “positive attitudes” and they will see to it that those attitudes are fostered, disseminated, copied and maintained. If the partnership is to last, four conditions must be satisfied:

- In a repeated “game”, the partners have an interest in acting on the basis of positive attitudes and in behaving in such a way as to inspire positive behaviour on the part of the others: this is the “reputation condition”. The partnership is viable only between players who regard each other’s reputations as good. This implies a dense information system, without which there is the probability that negative attitudes will win out over positive attitudes, inevitably causing the partnership to weaken or collapse. The *appellation d’origine contrôlée* is a means of regulating the organisation (and sanctioning) of this information, but for territories such as industrial districts that cannot organise it, other systems, such as the label, must be used.
- With repetition of the “games”, participants must know that if they misbehave today they risk being punished tomorrow by losing their rights to the label: this is the “reprisals condition”. The difficulty is that reprisals, even if properly organised, may be impossible to enforce. In some cases, firms may no longer behave as required because their operating conditions do not permit it. Counselling or financial support from the partners may help them do so. The history of cultural and creative districts provides examples of such mechanisms, in varying degrees of formality. It also demonstrates the importance of cultural, ethnic and religious factors in the way certain districts function. But in an atmosphere where individualism reigns supreme, as is often the case in artistic circles, such arrangements are unlikely to be accepted spontaneously.
- Existing players may upset the initial equilibrium over time, as their size or their market fluctuates. Interactions will then become less random, but will take place through alliances and counter-alliances. There is nothing to guarantee that such alliances will not work against the viability of the district. Thus, we have a “proper segmentation” condition. The divisions that may appear must not interrupt the invisible exchanges and the networks of trust that were built up over time. A segmentation that is not necessarily harmful might occur in training mechanisms, where some for example want to replace specialised initial training with on-the-job training. There is disagreement, but it does not bear on objectives, merely on the means for achieving them. A harmful segmentation might emerge when some partners want to revise product quality and labelling systems to accommodate larger-scale operations, while others insist on maintaining small-scale “craft” production methods.

- Finally, new players may appear, which will pose a problem of homogeneity for the underlying partnership, or at least for the segmentation condition. The preferences of these new players will have to be essentially compatible with those of the existing partners if the district is to survive: this is the “proximity condition”. Normally the existence of charters or labels should lead to such a situation, because they establish reference points. But opportunistic behaviour cannot be excluded: the new partners may alter their behaviour once they are inside the district. It is not surprising, then, to find here some vestiges of the old trade guilds, where entry conditions are backed up by very strict rules for running the district.

#### ***Can a creativity district (or cluster) be built from scratch?***

Recognising the contribution that cultural and creative districts can make to local development, many territories have deliberately set out to build such a cluster, if necessary from scratch. There is a growing proliferation of manuals and workshops on how to do this, and even on how to evaluate them when they are still on the drawing boards (Clusters Navigators, 2003). Yet experience shows that districts of this kind usually spring up in places where traditions are conducive, or only after long and determined efforts have been made to establish them. Any attempt to simply will a cluster into existence is unlikely to prosper.

With this word of warning, we may still ask what is the best way to go about guiding its development or adding new elements, and there are a number of approaches available<sup>106</sup>.

- The first step is to identify what the cluster is to be or is to become. This will involve analysing:
  - the activities that constitute its core;
  - the service infrastructure that it can rely on; and
  - the physical facilities available or needed.
- The second step will be to analyse the type of development inherent to the cluster. This is not a matter of deciding whether the cluster is to grow in an organic way or whether it must follow a linear path from analysis to strategy to recommendations. It is the district's stakeholders themselves who will define its path. The best approach is to identify those elements of excellence that can foster its development. It is better not to get into a debate over top-down versus bottom-up development, or to try to plan the internal linkages that will hold it together. The most important thing is to identify the players or the points of intersection that are likely to have an influence, and the potential activities portfolio.

- The third step will be to identify cluster facilitators, recognising that the underlying approach must be one of teamwork, formal or not, that needs to be nudged along rather than directed. Being able to supply new information can play an important role here.

### **Identification and statistical measurement of cultural and creative districts**

There are a number of criteria that can be used for identifying a cultural district and measuring its importance. As a precondition for any such analysis, however, the basic fields of activity must be identified. While there is generally no problem in identifying artistic activities and cultural industries, compiling the list of “creative” activities where culture plays a key role in determining new products is more complicated. The range is broad enough to include musical instrument making and advertising, wood sculpture and perfume making. The Annex provides three typologies used in the United States, in France and in the United Kingdom. On that basis, we may use three criteria: specialisation, concentration, and synergy (Grefe & Simmonet, 2003).

#### ***Specialisation***

A specific district or cluster can be identified on the basis of a local specialty. There are several criteria to be applied:

- Paid employment: there must be a minimum number of wage earners in the activity.
- The number of establishments: the district must have a minimum number of employers in the same activity.
- Degree of concentration: the number of establishments within the district must be at least double the average national density.
- Degree of specialisation: the degree of specialisation among establishments in the district must not be less than the national average.

This method is very difficult to apply for cultural districts where employment levels are low. Moreover, even if the number of jobs exceeds a certain threshold this may not be very meaningful if it is still low, for example below the national average for this type of employment (Grefe & S).

#### ***Concentration***

Indicators of concentration take the ratio of the percentage of employment in the given sector to the average percentage of this kind of employment in the economy. There are several indicator series available. (See Annex 2.1.)

These indicators can be used to identify territories, while at the national level they identify different degrees of concentration for sectors of activity. Thus, in the case of France, if we distinguish the arts, culture (the arts plus cultural industries) and creativity (culture plus certain so-called creative industries) by increasing order of extension, we find growing indices of concentration (Table 3.4.). This reinforces the hypothesis of cultural and creative arts districts as opposed to the notion that these activities are scattered throughout the territory. (Paris has been left out of the sample to avoid biasing it through that city's very high concentration of artistic, cultural and creative activities, and to provide a more useful overview of the hypotheses tested).

Table 3.4. **Concentration indices for three types of activity  
(France excluding the City of Paris)**

	HERFINDHAL	GINI 1	GINI 2
Art	0.12	0.11	0.03
Culture	0.19	0.13	0.25
Creativity	0.29	0.18	0.44

Source: Greffe X. & Simmonet, V. (April 2004), *Analyse de l'identification des concentrations culturelles*, Paris: DATAR, p.23-6

### **Synergy**

Specialisation and concentration may not be enough to define a district or cluster, because the determining factor will be the quality of interdependencies among the industries in the territory concerned. Yet, as with concentration, synergy only deserves attention if it appears more prominently than does synergy among the same activities at the national level. For example, while it is logical to expect a certain flow of trade between book publishing and image publishing at the national level, a district for these businesses will not appear unless the flow is greater than the national figure. The first step is to define the correlations between activities that appear logically at the national level. The second step is to identify the quality of synergy within a given territory, in order to determine whether it is of greater quality than synergy at the national level (See Annex 2.2).

These three series of statistical methods can produce some surprising results. For France, principal cultural districts identified were different, depending on the technique used (specialisation, concentration or synergy). The specialisation approach tends to confirm a priori impressions. The concentration analysis shows that those impressions are false, and that some cities are either more or less creative than expected. With the most rigorous approach, that of synergy, the results are surprising. Thus, the city that comes out as the leading cultural and creative district is Besançon, whereas Avignon, with a very strong reputation in these fields, turns out to be particularly poorly

placed. This highlights the fact that the local development contributions of culture have at least as much to do with ongoing ferment within the local creative fabric as it does with large-scale cultural events that attract tourists but spawn no follow-up (Grefe & Simmonet, 2003).

## *Chapter 4*

# **The cultural fabric of cities**

This chapter is dedicated to culture's role in urban organisation. A fundamental characteristic of today's cities is their systematic use of cultural resources to enhance living conditions, the environment or even their image. The cultural fabric of a city takes on different aspects, depending on its heritage. In some cases, it involves the institution of cultural districts. In other cases, such as cities in which art is a dominant feature, it is indistinguishable from overall urban management. Lastly, it can lead to the very concept of a "fantasy city". Yet whatever the case may be, the potential held out by culture will hinge to a great extent on how cities can manage to cope with the associated tensions, including property speculation, the degree of flexibility of labour markets, whether there are appropriate systems of qualifications, and so on.

## *Chapter 4*

### **The cultural fabric of cities**

Cities cannot be analysed today without looking at their cultural investments. The preceding chapters have illustrated how many cities, faced with the disappearance of their traditional activities and a resulting identity crisis, have made cultural events or sites into a lever for affirming their identity. Such projects often carry symbolic value. As with cities of the Middle Ages that made the height of their bell towers or steeples the symbol of their independence, today's cities will use the presence of a museum or the revival of cultural activities as the emblems of their determination to redevelop. The following two cases illustrate different approaches.

#### Birmingham

Situated close to the heart of Birmingham, the jewellery quarter is a symbol of the city's industrial past (Pollard, 2004). In recent years the city has attempted to reinvent its image and to move on from its former reputation as the "city of a thousand trades" to the new status of "Crossroads of Europe" (Webster, 2001). Many projects have been undertaken, all reflecting some underlying principles: attracting relatively well-off social groups by offering them stable property values, taking their aesthetic sensitivities into account, and keeping to the minimum the inevitable displacement of the poor that will result.

Since the 18<sup>th</sup> century, Birmingham has been a centre of the jewellery business, which started with the production of buckles and buttons, and then small chests and jewellery boxes. An entire profession came into existence around St. Paul's Square, taking advantage of the absence of working space constraints. Throughout the 19<sup>th</sup> century, this quarter thrived from growing demand and from business or technological advances (discovery of gold mines, use of electroplating) and even legal innovations (such as new gold content regulations allowing 9, 12 and 15 carats).

Shortly after the second world war the industry, which then employed nearly 70,000 workers, fell into a steep decline under the influence of several factors, including competition from producers in Southeast Asia. Firms began turning out mass-produced items of low value (nearly 70% of items had a gold content of nine carats), thereby

exposing themselves further to foreign competition. In 1998 more than a quarter of the district's industrial establishments were vacant, and only 3 percent of the area was occupied by families. Commercial life and stores virtually disappeared, and few people ventured into the area. Its future was often debated, but proposals always stumbled over the volume of financing that would be required to convert the area into a home for new activities, assuming that the days of the jewellery industry were over. The district did however benefit from certain provisions, such as its "conservation area" status, that had allowed some retailers to return.

The most important initiative was the "urban village" project, summarised in a study known as the Jewellery Quarter Urban Village Prospectus. That study was the result of cooperation between the municipality of Birmingham, the English Heritage organisation, and the Urban Villages Group (Aldous, 1992). The objective, simply stated, was to turn this quarter into an urban village associating traditional and new activities, production, and entertainment, and in the process to make it one of the most attractive places in the United Kingdom.

The ingredients of the new programme were fairly conventional: reviving the local jewellery industry, improving local public services, promoting the creative and tourism potentials of the renovated quarter, and providing investment security for households and businesses moving into the area.

But the backdrop to the programme remained the jewellery industry, and the image of this traditional luxury-goods craft made the quarter, as English Heritage describes it, "a national treasure ... a place of unique character ... a particular combination of structures associated with jewellery and metalworking which does not seem to exist anywhere else in the world"<sup>107</sup>. Increasing the number of permanent residents was considered essential for reviving the quarter, making public services possible, and creating a setting that tourists would want to visit. New art galleries and exhibition halls were opened, pedestrian routes were laid out, urban fixtures in keeping with the jewellery tradition were installed, and a design centre was established.

The programme was not universally welcomed.

- Many jewellers felt they were being "used" for an urban planning experiment that would do nothing for them, at least in the short run (Smith, 1997).
- They also feared that the influx of other activities would lead to land speculation and raise the cost of local services.
- The jewellery business needed room for the three operations involved in the process: cutting the stones, preparing the settings, and overlay or finishing.

- On top of this, there was the security argument: precious metals had to be shipped in, stored, and move from one production site to another. There was an entire system of virtually secret porters and delivery routes that it was feared would be disrupted by large inflows of people. The jewellers objected to the opening of stores selling - of all things - imported jewellery.
- Finally, they saw no need to introduce housing, often of the luxury kind, in a quarter where noise and physical pollution was heavy (vibrations, ammonium fumes, dumping of wastewater and used materials and other nuisances inherent to jewellery manufacture).

They were not opposed to the quarter's renovation as such, however, and the municipality took account of their concerns by attempting to rein in the high-end housing programme, the idea being that under no circumstances should renovation result in driving out the jewellers and their families. In January 2001, a new plan was introduced with revised quantitative standards, and the jewellers were at last treated as full partners. The experience of another Birmingham neighbourhood, the Gun Quarter, where the same strategy had been tried and the local character had as a result been destroyed, had also put the municipality on guard against strategies that seemed initially worthwhile but that could destroy the fabric of the city<sup>108</sup>.

#### Essaouira

Many cities in the Maghreb have a fine building heritage that can constitute a rich cultural resource if it is properly maintained and upgraded. In most cases, it is the poorest people who live in these quarters, the Medinas, and they are unable to maintain this patrimony. What happens then is a vicious circle: the better-off people leave the Medinas, the buildings become more and more dilapidated, and they are finally threatened with destruction and disappearance.

In the mid-1990s, Essaouira (Morocco) was facing seemingly insoluble problems because of its isolation and the decline in its fishing industry and related economic and commercial activities. The situation was having a negative impact on the state of its natural and cultural heritage, and in particular the historic buildings and monuments of the Medina. The city fathers, with the support of various United Nations bodies (UNESCO, UNDP, UN-Habitat) and international cooperation, took the decision to launch a dynamic local programme for sustainable development (El Mouatez My Abdelaziz, 2003). It all started with recognition that the cultural and natural heritage could be the driving force for turning the city into a cultural and ecological tourism site, as the basis for its sustainable development. An action plan, Agenda 21, was drawn up with three main themes:

- rehabilitation and restoration of the Medina and its surroundings;

- protection of the sand dunes, establishment of a greenbelt and a city park;
- and developing tourism facilities along the seafront and the Bay of Essaouira.

Restoration work on the ramparts began in 1999, with a pilot project supported by UNESCO in the Mellah quarter. This work provided young men with training in traditional masonry; a training workshop was set up and journeyman masons from France, specialised in traditional masonry and stone cutting, trained several dozen apprentices who then carried out the restoration work on the monumental doorways and arcades of the *souks* in the middle of the Medina. The Agenda 21 team also persuaded the local authorities to abandon a number of real estate projects that would have been harmful to the city's heritage and its image. These efforts, conducted jointly by the local authorities, the national ministries, associations and support groups, and international cooperation, were so successful that the Medina of Essaouira was placed on the UNESCO World Heritage list.

In terms of tourism, an association of Essaouira residents looked for ways to take advantage of the city's assets: its ramparts, musical culture, and a woodworking craft industry based on nearby cedar groves. A popular music festival was launched and proved a great attraction not only for tourists from Morocco but also from abroad. Foreign artists were also drawn to the festival, further enhancing the city's artistic potential, for example through the arrival of art galleries. One tangible outcome of the event was the creation of an autumn university session that attracts intellectuals interested in the city. A second festival was then established, the Alyzées festival of classical music. A virtuous circle had begun: the inflow of tourists supported the establishment or maintenance of hotels, restaurants and guesthouses. At the same time people undertook to renovate their dwellings, the woodworking crafts flourished, and the airport was upgraded. The city now has an international reputation, and filmmakers have returned to the place where Orson Welles made *Othello* more than half a century ago. The number of tourists rose from 60,000 in 1995 to 200,000 in 2001, visitors extended their average stay from 2 to 4 nights, the hotel occupancy rates multiplied by a factor of 3 or even 4, and in 2001 there were some 700 jobs catering to tourism. Considering the cost of investments and public subsidies that went into the festivals, and the revenues from visitors, the cost-benefit ratio was calculated at 0.7 in 1998 and 0.4 in 2001.

The city now finds itself at a crossroads, and it will have to find ways to keep some control over tourism (one possibility for "smoothing out" the impact of tourism would be to promote surfing possibilities along the very windy coast) and over foreign investment (largely European). It will have to protect its ecosystem and undertake reforestation to compensate for the city's expansion. It will also need to introduce a labelling policy to protect its craftsmen, in light of illicit trafficking in wood.

The contribution of culture to the urban fabric needs to be integrated more thoroughly into the city's strategies, for only in this way can one measure the extent

to which culture is actually performing its expected development functions. Urban development strategies were long based on land-use controls, with the help of tools such as land occupancy plans, building permits, and development rights. Urban planning now supplements these top-down tools and policies with decentralised and horizontal approaches where the aggregation of pre-targeted activities is expected to produce spin-offs that will have a positive impact on the contours of a district or a city. While “flagship” cultural projects are the major focus today, it must be recognised that the contribution of culture to the urban fabric also comes from the conversion of old industrial sites, the creation of culture quarters, and the development of a city’s artistic life and heritage. It is in all these ways that a city can affirm its identity, its attractiveness, and its determination to exploit new resources for development.

### **Culture-based urban renewal**

Experiments establishing a link between culture and the city reveal some common traits: culture enhances a territory’s image and gives it a new perspective, it strengthens social cohesion, it causes the inhabitants to pay more attention to their territory, and to undertake projects (Bianchini and Parkinson, 1993). In his 1996 study, “The Art of Regeneration: Urban renewal through cultural activity”, Landry points in particular to the behaviour of people who perceive positive effects from such cultural investments (Landry, 1996). By contrast, the idea that culture can have economic effects other than through tourism, such as developing a skilled renovation industry, or spearheading the growth of creative industries, is hardly mentioned. Another effect that is often overlooked is the impact on real estate values, although this can be a two-edged sword: on one hand, higher property values will be regarded as a positive increase in assets, while on the other hand it has the negative effect of displacing low-income groups from their traditional areas of residence (Zukin, 1992).

This traditional role of culture has related primarily to its heritage aspects (monuments, museums, public art) or events (festivals, exhibitions), although more recently the linkage between urban development, culture and creativity has been noted. We may even say that, when it comes to urban planning, heritage is the prime consideration. Heritage is assigned a major role in the rehabilitation of city centres and their image. With the recognition of new forms of ethnic or artistic heritage, culture has also sparked the rehabilitation of more distant neighbourhoods (Garreau, 1991). Today we find that these rehabilitation strategies, where private promoters play a growing role, require a new approach to urban governance. Thus the role of culture, often justified by the desire to develop an image and to promote practices that will rally the inhabitants and their communities, has often entailed the growing privatisation of public spaces and a new division of responsibilities between the public and private spheres (McGuigan, 1997).

Beyond these elements (many of which were discussed in the preceding chapters), we must note the variety of underlying approaches to implementing these strategies. While there is an element of culture in most urban renewal strategies, it does not always play the same role. If we consider monuments on one hand and public art on the other, the former will be expected to change radically the look and feel of the city, to residents and outsiders alike, while the latter has more to do with improving day-to-day life and communication among the city's inhabitants. Beyond the specific contributions of different forms of cultural expression, culture can either give rise to or support urban renewal strategies.

#### ***Culture as an end in itself in urban strategies***

The first case can be illustrated by American or English cities that, with their inheritance of sizable industrial or port facilities, have sought to transform them for cultural and recreational purposes and use them as spearheads for redevelopment efforts. Baltimore and Nottingham are prime examples. While the Baltimore case is well known, and has been taken as a model by several European cities (such as Liverpool and St Nazaire), Nottingham has not attracted the same attention. The renovation of one of its southern suburbs, the Lace Market, which was once a centre of the lace industry, marked the starting point of a thorough urban renewal. In 1989, a public-private partnership created the Lace Market Development Company and set out to renovate the district from a cultural and an economic viewpoint. The project involves renovating heritage (which is why English Heritage was involved in the partnership), reorganising the lace industry, and introducing daytime and nighttime recreation activities (Crewe and Beaverstock, 1998). The key to the city's redevelopment was the revival of the lace industry, and the new design skills that then spread to other sectors. Today there are probably more than 15,000 people working in design and related activities.

As this last example shows, it is rare for culture to serve as the sole basis for urban redevelopment. In the case of Baltimore, recreational development was just as important as culture in supporting the renewal strategy. In the case of Nottingham, the modernisation of management methods and the development of lacemaking skills went hand-in-hand with heritage work, as it did in Calais, where we find exactly the same experiment. In fact, the only cities where the pure version of this strategy might be found would be some of the "art cities", where heritage renovation and related activities, such as the artistic trades, play the central role.

Moreover, a strategy based almost exclusively on culture is unlikely to be sufficient for long. In La Rochelle, the development of port facilities and the university campus broadened the city's development prospects, which could not rely solely on restoring its physical heritage. Paradoxically, we may say that a strategy of this type, where culture plays the central role, will be more feasible for a smaller city, where the tourism dimension will be seen as its salvation.

### ***Culture as a dimension of urban strategy***

The second case is more widespread. It involves efforts to renovate certain districts, generally as part of a broader strategy, such as that for the Jewellery Quarter in Birmingham. It applies to big cities that bet on cultural investments to maintain or defend their established position or to create new synergies with other economic sectors, such as the “*grands travaux*” or large-scale public works that Paris undertook during the 1980s, or the countless efforts of other cities to renovate their museums as architectural symbols. For example, the Musée d’Orsay created some 600 direct jobs. The Tate Modern in London is said to have created 500 direct jobs. Other examples also depend on the wellsprings of traditional activity even if they do not date back for centuries. Los Angeles transformed its city centre, which was particularly down-at-heels, by turning old factories into a fashion district, re-creating the atmosphere of a bazaar, and attracting tourists. More generally, this strategy tends to be confused with the development of cultural districts (Greffé & Pflieger, 2003).

In January 2004, the city of Yokohama announced plans to become a creative city of art and culture. This decision followed an awareness, sparked in the wake of the 2002 World Cup soccer final, that Yokohama needed to open up new prospects for mobilisation. Traditionally, the city had tended rather to undertake major capital investment projects, such as the Minatomirai transport line or the new port facilities.

The underlying principle of the plan was to create systematic tie-ins between the city’s infrastructure and development projects and its cultural policies, and to exploit the potential held out by the arts and culture. From this standpoint, and as stressed by the city’s mayor, Hirishi Nakada, it was necessary to consult everyone, so as not to prejudge which artistic forms ought to be supported, and, on the contrary, to create an atmosphere conducive to the development of all possible cultural genres and forms of expression. This was a clear departure from the Japanese tradition that generally tackled problems with extensive physical investment. The project is three-pronged:

- Creation of a *core of creativity*: centre-city areas are being cleared and developed to attract and expand artistic activities. The first project to be carried out was creation of the Bankart Centre, saving from demolition a site that had belonged to Daiichi Bank. Because the Centre is located in close proximity to one of the main railroad stations, it is expected to be patronised heavily by the local population and travellers alike.
- Institution of a cultural image for the city (with a number of film festivals, including one for French films).
- Creation of the National Art Park – a facility reserved for the display of various works of art and for the staging of artistic events by both professionals and amateurs.

To carry out this strategy and see the projects through to completion, a special research centre was set up – the Creative City of Culture and Art Promotion Headquarters, thereby constituting a new way for the local administration to work (Axis, 2004).

An example where culture provided a potential basis for urban renewal without closing the door to other activities (and even if the initiative has not been fully carried through), can be seen in the reuse of port facilities at Athens and the establishment of a maritime museum (2004). The city of Piraeus was at the forefront of Greece's economic development, as a port of entry and a manufacturing and trading centre. Successive waves of industrialisation had produced a setting that was in glaring need of renovation. The Piraeus authorities found themselves torn between the need to modernise the port facilities so they could handle new forms of shipping traffic, and the need to preserve a precious architectural heritage. But conflicts over land use and ownership became increasingly violent, and it took a major event, namely the Olympic Games, for which preparations began in 1998, before decisions were finally taken. The result was the adoption of an archaeological heritage conservation plan that calls for reuse of the old warehouses and industrial sites located along the seafront, in particular the Stone Loft located near the Vassiliades shipyard. A maritime museum had been established there in 1992, bringing together private collections illustrating the different ages of Greece's maritime heritage. It was now time to expand that museum by making available to it other spaces where uses had to be redefined.

The project has now run into a number of problems that have also cropped up in other restructuring attempts of this kind:

- too many stakeholders and intense conflicts over land-use;
- an increasingly diverse local population, with the attendant concentration of social problems;
- efforts to upgrade the area through culture clash with a strictly commercial focus;
- "modern" opinion is hostile to heritage conservation.

Generally speaking, American cities provide good illustrations of this willingness to enlist culture in broad-based development strategies.

The cities of Pennsylvania, for example, stand in the midst of a region that has seen its traditional industries wither and collapse (Kresl, 2004)

- Harrisburg, the state capital, enjoys a degree of stability in its civil service employment, but has nonetheless sought to attract young people to offset the aging of the local population. It has gambled on the cultural dimension as a means to this end: a number of theatres and museums have been developed, and 3rd Street would be renamed "Arts Street";

- Pittsburgh, which undertook massive urban renewal as its traditional heavy industries disappeared, has completely redeveloped its downtown and established a central goal of attracting people to the Fifth-Forbes corridor. A Cultural Trust was set up in 1984 to purchase properties, some of which were devoted to housing and others to cultural activities (theatres, concert halls, galleries) and these were extended by a pedestrian walkway to the new Andy Warhol Museum;
- Far from resting on its laurels as a cultural centre, Philadelphia has sought to renew its base: the new Kimmel Center will house the Philadelphia Orchestra and the city theatre, and a section of Broad Street has been renamed Avenue of the Arts.

Another example comes from the city of Milwaukee, in Wisconsin. A one-time fur trading post not far from Chicago, Milwaukee suffered the fate of many major American “Rust Belt” cities during the 1980s. Civic and business leaders agreed to pool their efforts and to make the city a focal point of the northern United States by building on its mechanical engineering and brewing industries. At the same time they agreed to set up a number of cultural facilities. The city’s cultural life is now enlivened by five theatres offering varying types of fare, a major museum, concert halls, and many amateur production associations. Even outsiders agree that this dimension, pursued in parallel with other activities, has played a key role in making Milwaukee economically attractive, as evidenced by the arrival of General Electric, which has highlighted this cultural potential as a factor in its decision to make the move.

Such strategies can also be applied in smaller portions of major metropolitan areas, where they can have important fallout. The City of Pantin, which is adjacent to Paris and only a few hundred meters from the Parc de la Villette, one of the capital’s most important cultural resources, was home to processing industries and warehouses that had been crowded out of Paris. Faced with the gradual disappearance of many of its businesses, Pantin adopted a strategy, as did other cities surrounding Paris, of promoting the services sector and attracting middle-class residents who could no longer afford Paris housing prices. Yet the decline of the working-class city was so steep that its lifestyle image changed completely. In particular, local residents took no interest in the many cultural activities at the Parc de la Villette.

An opportunity came along when the French government decided in 1990 to create a National Dance Centre, devoted to the promotion of creative modern dance. Initially, this was a national project with clear goals: to develop the choreographic culture by providing artists with rehearsal and performance studios and the possibility of hosting resident companies; to organise training, to provide counselling services to help dance professionals in their careers; to create an audiovisual library (*médiathèque*)

that would function as a combined archives, documentation and information centre. Following public tenders, the City of Pantin agreed to provide the Centre home, and in so doing it was able to convert a downtown architectural site of the “brutalist” school, a now-disparaged vestige of the time when the city was ruled by Communist Party. Thus, the initial effort amounted to grafting an especially “recherché” form of artistic expression onto a population with virtually no cultural pretensions.

The team in charge of the new facility was careful to cultivate the local ground as assiduously it promoted the Centre nationally. Local people were invited to the project’s launch, and urged to take part in performances and make use of its services, including the audiovisual library. The Centre’s managers used every tool at their disposal to mobilise the neighbours: they provided information through the schools, they placed posters in doctors’ offices, they held meetings with associations. In the end, the renovated site became a real emblem for the City of Pantin, replacing the old city hall that had long been its only symbol. While it was not exactly a lever for development, culture brought about a very positive change in the city’s image. (Greffé & Pflieger, 2004).

### **Cultural quarters**

Cultural quarters offer development opportunities as well as an alternative approach to urban planning. In the place of cumbersome, top-down programming, they introduce a more flexible and independent perspective, one that can directly engage the energies of consumers and producers. In any urban redevelopment programme, there are two possible sets of linkages: there is the vertical chain, that of the official public sector, and there is the horizontal chain, made up of small, interdependent units generating, and benefiting from, external economies. When flagship cultural projects are undertaken, the vertical chain wins out over the horizontal. When strategies for rehabilitating or creating cultural quarters (generally of the audiovisual type) are implemented, the two chains intersect, and the project’s success will depend on their ability to create proper synergy.

### ***The purposes of cultural quarters***

Cultural quarters are seen as serving many purposes:

- Reinforcing a city’s identity, attractiveness and competitiveness. But in this field no success is permanent, and it must constantly be renewed, for example by seeking to attract cultural tourists in the wake of more traditional tourists (Richards, 2001). Moreover, as the authorities seek to extract themselves from cultural or intangible investments, this capacity will come to rely increasingly on private sector players, commercial or not.

- Stimulating an entrepreneurial approach to the arts and culture. In the digital age, conventional public interventions are losing much of their appeal and their ability to exert leadership, and new processes are now empowering stakeholders and creators<sup>109</sup>. Culture is the basis of the new economy, and is giving rise to many creative activities that produce high value-added. The city becomes creative by using culture as one of its possible levers. We may introduce here the “bohemian” model, as reflected in the neighbourhoods of Montmartre, Montparnasse, or SoHo, but giving it today at business-oriented side.
- Finding new uses for deteriorated or derelict sites.
- Fostering cultural democracy and cultural diversity. This is the urban doctrine developed by Bianchini, where culture becomes a political rather than an economic instrument (Bianchini and Parkinson, 1993). With it, new channels and new means of expression can be created that will allow traditionally marginalised or even excluded groups or communities to express themselves and enrich public spaces.

### ***Examples of cultural quarters***

Take the museum district of Rotterdam: following the Baltimore model, the city set out in the late 1980s to renovate an area with museums and to transform the urban landscape, giving it a new image and a new potential to attract cultural consumers (Moomas, 2004). There is a museum of fine arts, a museum of contemporary art, the renovated nature museum, an architecture institute, and an art exhibition space (the Kunsthal). This district is linked to the western part of the city, where tourists tend to congregate, by a cultural boulevard lined with art galleries and cafes. Success has not been complete: some of the galleries have left the quarter, and the prevalence of “hard investment” at the expense of “soft investment” is often a complaint.

Amsterdam’s Westertgasfabriek, northwest of the city, is a district that was formerly devoted to coal processing and gas production. Environmental conditions were dreadful: the soil was polluted and physical spaces were deteriorating. During the 1990s this area was redeveloped to house cultural activities. Renovation was initially limited, but the project was turned over to a private developer.

The Cultural Industries Quarter of Sheffield was created at private initiative more than 20 years ago, with the founding of the Yorkshire Art Space Society<sup>110</sup>. It has tried to take advantage of the existence of many abandoned industrial sites to provide proper accommodation for artists. The municipal council quickly saw an interest for the city in having a creative community at its heart, in place of the long-gone traditional industries. Today, the quarter hums with the activity of nearly 3000 people and 300

organisations working in fields as varied as filmmaking, music recording, and the development of new digital media. The municipality is now seeking to boost activity in the quarter by attracting creative industries, i.e. “those industries that have their origin in individual creativity, skill and talent and that have the potential for wealth and job creation through the generation and exploitation of intellectual property” (Sheffield City Council, 2001). These creative industries will expand the quarter to embrace cultural industries in such fields as advertising, architecture, fashion, crafts, and the design of electronic components. There is an agency to coordinate all development activities in the quarter. There is no single landlord, but rather many owners, including the universities (Sheffield Hallam University).

The cultural quarter of Roubaix (France) is intimately linked to the history of the wool industry<sup>11</sup>. In 1911, Roubaix was one of the major European textile centres. The city was then home to the International Textile Exhibition that drew 1.7 million visitors. Subsequently, for a number of reasons, its leadership position collapsed, and the industry had virtually disappeared by the 1980s. In 1994, the unemployment rate stood at 30% and the city, aware that it could not live forever on government handouts and that it would have to take some economic initiatives, decided to create a “centre of excellence” for fashion and creativity, and to restore its heritage. This initiative gave rise to the Fashion Quarter, which includes a museum of decorative arts and textiles (installed in a former municipal swimming pool that harks back to the city's glory days), two technical schools for the decorative arts and textiles, and a *Cité de l'Initiative* or textile business cluster. By pooling certain equipment, this cluster has allowed textile firms to regain their competitive position. The quarter attracts tourists and visitors and is now home to fashion designers (clothing and accessories) and decorators. It is also facilitating the overhaul of the local textile sector and (something that was not necessarily wanted) is contributing to the redevelopment and renewal of a district of the city that was hit particularly hard by its recent history.

#### ***A typology of cultural quarters***

Today we are witness to an impressive number of local development initiatives seeking to institute cultural quarters. To clarify the various forms and the effects they may produce, several classification criteria are available.

- The first distinguishes cultural quarters by the range of activities they embrace: some are horizontal (where different cultural sectors coexist), and others are vertical (where cultural activities in the strict sense are accompanied by consumer or entertainment activities).
- The second distinguishes cultural quarters by the way they are financed. Government funding is usually more important than private, but the two forms often succeed each other in cycles.

- The third distinguishes cultural quarters by their accessibility. If the quarter is physically shut off, and squeezed into a single site, it will be a ghetto that will be hard to change. If the quarter is more open and spread across the urban space, its atmosphere and its identity will be altered, and opportunists will move in to capture economic rents, ultimately denaturing its contents.
- The fourth distinguishes cultural quarters by their organizational approach: some are top-down, while others are grassroots-inspired. Generally speaking, consumer-oriented quarters are often organized by government fiat, while those organized around production represent slower and more decentralized approaches.
- The last criterion distinguishes cultural quarters by their location within the city. Heritage or museum quarters are usually found in the city centre, redeploying a classic urban hierarchy, while others will be located on the margins of traditional spaces, thereby altering those urban hierarchies. Inter-quarter linkages will then appear, and they will reduce transaction costs, speed up the circulation of capital and information, and reinforce social intercourse and solidarity (Landry, 2000).

### ***Cultural quarters on a tightrope***

Things do not always take their expected course. Public programs can often spark a host of private initiatives that will take a completely different tack from that planned. Culture in this case can turn city centres back into pure consumption centres. It is quickly relayed by the marketing of values, spaces and relationships. Culture will be condemned, then, to walk a tightrope. In her work on [New York City's - as confirmed from Internet sources] SoHo district, Sharon Zukin [*note spelling - cf. endnote*] showed how the district progressed from a depressed rag-trade area into a zone for the expression of ethnic cultures, which was indeed its desired state, and then on to a zone for the consumption of works of art, an activity that led to “ghettoisation” and gentrification of the quarter (Zukin, 1992).

Many such experiments show that anything that can be reopened or renovated — warehouses, convents, quays, monasteries, gas plants, or military barracks — can also become a source of exclusion. Art becomes a pretext, a kind of lure to which commercial and political interests flock. Experience shows that when a cultural quarter is created and promoted, this can spark a jump in property prices and the rejection of young artists. Where some had hoped to see new movements emerge that would clearly track progress, ruptures, and occupational refinements, they find instead that entertainment, fun and commerce have been telescoped together (Hannigan, 1998). The people managing these quarters have trouble themselves in arbitrating between public and private, entertainment and creativity, respect for traditional cultures and

immersion in a global culture. These balances become ends in themselves, where they should be only the means. These situations are not always happy, because many “post-modern” consumers will only accept economic values if the underlying cultural value is respected.

The cultural quarter can thus lead to antagonism instead of the desired synthesis. Some cultural quarters that have welcomed big retail chains selling products that are “cultural” to some degree have been promptly transformed into commercial districts, such as Tilburg’s Veemarktkwartier<sup>112</sup>. This outcome was not bad from the viewpoint of renovation and enlivening the urban landscape, but it came at the price of banishing the cultural quarter’s role as a lever of creativity and sustainable development. This trend also raises questions about the governance of cultural quarters. They are often based on a few projects that are considered worthy, but the sum of these projects does not guarantee the hoped-for result, because other interests - real estate, politics or business - may be pushing in other directions. The situation is made worse by the fact that the national authorities do not recognise the originality of such quarters and continue to hand out subsidies without looking at the specific projects (Bilton, 1999). While past cultural policies were often compromised by an approach that was too vertical, a purely horizontal approach based on lining up projects does not always produce the desired result.

### **“Art cities”**

Culture is basic to some cities, which we shall call here “art cities”. Venice, Bruges, Toledo and Krakow are good examples. This does not mean that they rely solely on tourism, and they often benefit from the presence of a university. Some of them can also exploit certain niches in the arts and crafts, whether in the old or in the new economy.

### ***A dual economic challenge***

For these cities, their heritage and artistic resources constitute their real raw material. At first glance, they offer a great opportunity. But just as economists have identified the “Dutch disease” in countries that were flooded with foreign exchange from the export of a natural resource, we may wonder whether these art cities are not suffering from something that we might call the “Venice disease”, through inundation with tourists and foreign currencies.

These cities have two outstanding features : they constitute a collective good and also a joint product with multiple use.

- Great numbers of visitors, whether tourists or residents, can use the art city and derive satisfaction from it without necessarily preventing others from visiting

and enjoying the place. Yet as soon as we consider its more precise attributes, a monument, say, or an archives collection, the impact of numerous visitors on the quality of the service can quickly become negative. It is the city as a destination, an environment and an atmosphere that has this nature of a collective good. The main challenge for the art city and for its capacity to draw tourists and serve as a lever of development will depend, then, on its “carrying capacity”: how many tourists can it handle before the quality of the visit deteriorates? Can it, if necessary, move that limit back, or alternatively keep the number of visitors below that limit permanently? These thresholds, which are hard enough to set, are often exceeded because visitors who come for strictly cultural reasons will be joined by others who will come without having a real need. In the case of Venice, we may speak of “non-cultural demand for cultural sites”, a demand that is clearly stimulated by the city’s hotel and transportation capacities. There are a number of forces, particularly on the business side, that profit from such inflows and that will push to have the carrying capacity exceeded, or at least insist that there should be no limit placed on admissions to cultural sites.

Several solutions have been proposed to keep the number of tourists to this carrying capacity.

- These include introducing rules governing waiting lines or admissions, but the things that can be done to limit admissions to an exhibition and protect its quality cannot be done when it comes to a city.
- Again, replicas might be considered, but while this is possible for a cave like Lascaux it cannot be done for a city.
- Redirecting non-cultural demand for cultural sites by offering a greater variety of recreation and entertainment services can also be considered, but not everyone agrees with turning culture into a Disneyland in this way.
- Art cities constitute a joint product with multiple users. They offer a whole series of closely related services: an attractive site for tourists, a comfortable environment for residents, models and know-how for certain crafts and businesses. Thus some resources, and in particular land and buildings, can be exploited by being put to alternative uses, and this can generate conflicts. Moreover, users may find themselves in competition over some resources: a museum or a garden may offer both aesthetic satisfaction to tourists and an amenity for local residents. This diversity of demands will show up in prices, as the difference of motivations should produce a difference in the fees charged (Grefe and Roche, 1998). But it is not clear that the prices charged can maximise the surplus both for tourists and for local residents. These conflicts will grow with the nuisances created by the

pressure of numbers, as some resources are distorted to meet external demands, or as the public spaces and transport routes are rearranged to the benefit of one group and the detriment of others. These conflicts add, we might say, a more qualitative dimension to the quantitative problem of carrying capacity, as the characteristics of the multi-use product diverge from those demanded.

By combining these two characteristics, we can examine the potential dynamics of the art city, as in Table 4.1.

Table 4.1. **The dual characteristics of art cities**

"Joint product" constraint	"Collective good" constraint	
	Respected	Exceeded
Respected	1	2
Exceeded	3	4

Situation 1 is the best. The art city can derive all possible benefit from its resource without compromising its development and without provoking negative reaction from residents or businesses.

Situation 2 commonly prevails today. There may be too many tourists but, in the short run, this does not yet evoke negative reactions from residents. In fact, this implies that the city is not yet too far beyond its carrying capacity, and that the negative effects in terms of gentrification, property speculation or environmental damage have probably not reached the critical threshold that would spark opposition to this inflow. But the situation is unstable, because the arrival of flocks of tourists will change the expected return on investments and those who derive the greatest benefit may be tempted to downplay the importance of carrying capacities and environmental constraints.

Situation 3 is the worst. It represents in a sense the logical extension of situation 2, when there is no longer any control over tourist numbers. The processes of gentrification, speculation and environmental collapse are now clearly apparent, and residents begin to question the existing use to which cultural and heritage resources are being put. Residents may find themselves divided between those who welcome the inflow of tourists, and those who see it as a threat to their own situation. Moreover, the authorities may differ over the best course of action. The local government may be inclined to curb tourism, while the national authorities may prefer to let it run, because they see in it a significant return for the country's economy.

Situation 4 is not unrealistic, but it tends to appear when decisions are taken to invest in more facilities rather than to limit the number of tourists.

### ***The varying geometry of economic spin-offs***

It is easier to assert that there are tourism spin-offs than to demonstrate their exact scale. It is often assumed almost automatically that art cities will benefit from tourist spending, without considering the leakage or displacement effects it may cause. Yet whether the expected impacts are achieved will depend on two types of factors:

- the territory's capacity to satisfy new demands through its own resources, on one hand, and
- the relative factor scarcity within the territory and the consequent price changes that will be sparked by growing tourism expenditure.

The first point was examined in Chapter 2. There, we showed that the more integrated a territory is, i.e. the more resources it can use or redeploy for productive purposes, the better it can absorb the tensions created by artistic and tourism investment, thereby making sure that the positive effects outweigh the negative ones. Conversely, the less integrated a territory is, i.e. the fewer resources it can use or redeploy, the sharper will be the tensions created by the investment, and the negative effects will outweigh the positive ones.

To this integration yardstick we must add the relative weight of the cultural or heritage sector in the local economy: the greater that weight, the greater the risks of upsetting the balance through price effects.

By combining these two criteria — the degree of integration and the relative weight of the artistic sector — into a model of variable-price multipliers we can identify four potential situations as shown in table 4.2.

Table 4.2. **Differential effects of artistic investment on local development**

	HIGH INTEGRATION	WEAK INTEGRATION
HERITAGE WEIGHT IMPORTANT	Zone 1 $E_p (<0) < E_{np} (>0)$	Zone 4 $E_p (>0) < E_{np} (>0)$ _
HERITAGE WEIGHT LIMITED	Zone 2 $E_p (>0) < E_{np} (>0)$	Zone 3 $E_p (>0) > E_{np} (>0)$

Following McGregor & al (2000: "Neoclassical economic base multiplier", *Journal of Regional Science*, vol 20, n°1, page 15)

**Notes:**

$E_p$  is the change in employment in the artistic sector.

$E_p (<0)$  means an negative change in artistic employment.

$E_p (>0)$  means a positive change in artistic employment.

$E_{np}$  is the change in employment in the local non-artistic sector.

$E_{np} (<0)$  means an negative change in non-artistic employment.

$E_{np} (>0)$  means a positive change in non-artistic employment

- In the first case, with high integration and limited heritage weight (zone 2), the shifts are both positive, and employment rises faster in the non-artistic than in the artistic sector. This is likely to be the case with heritage investments in large cities, such as the establishment of heritage or museum districts. Use of the heritage causes employment to rise despite higher real wages: the economic fabric is sufficiently dense for creating non-artistic jobs in response to the higher purchasing power induced by tourist spending (which raises the incomes of local service providers). At the same time, the relative weight of the artistic sector is sufficiently low that the negative impact of higher prices and wages in artistic-related services will not spill over into other sectors. In short, the positive effects of integration are not altered: the artistic factor's weight is sufficiently limited and the destabilising effect from artistic investment will not be felt. This is what justifies heritage investments in important cities, both in major metropolitan areas like New York or Paris, or smaller ones like Bilbao.
- In the second case, where integration is weak and the artistic weight is limited (zone 3), employment changes are still positive, but this time employment rises less quickly in the non-artistic than in the artistic sector. This is the case with cities where tourism sparks artistic job creation, but where the economic fabric cannot meet the needs of artistic workers or the non-cultural needs of visitors and tourists, meaning that goods must be imported rather than produced locally. The positive effects of integration are no longer there, but the weight of the artistic factor is sufficiently low to prevent excessive destabilising effect artistic investment. This is exactly the situation in art cities like Krakow, Bruges or Toledo, where the lack of structural diversification makes it impossible to take full advantage of tourism activities, which can even induce inflation and speculation damaging to other activities (heritage cities).
- In the third case, with weak integration and a major artistic element (zone 4), the employment change is positive in the artistic sector but negative for all other activities. This situation is likely to result from highly speculative development of the artistic sector. The price effects will ultimately make other services completely uncompetitive, and may induce tourists to satisfy their housing and restaurant needs elsewhere. In short, we may say that the destabilising impact of the artistic factor's weight is catalysed by the weakness of integration. This is the case with stand-alone artistic sites like Mont Saint Michel. It is also the case in territories where non-artistic economic agents adopt speculative behaviour and seek to exploit location advantage (Venice).
- The final case — zone 1, with high integration and a heavy artistic factor — is more ambiguous, and perhaps surprising. We may interpret it as follows: a major investment in a highly integrated zone can push incomes and prices up to the point where the artistic sector is no longer competitive with other sites,

and may even fall into decline. If prices rise in the artistic sector because productivity has declined or wages have jumped, employment in the artistic sector will be depressed and demand for employment in the rest of the local economy will be stimulated.

This analysis suggests a number of recommendations for choosing an artistic investment.

- An artistic investment will be more sustainable in a territory that is highly integrated and where artistic is not the driving factor. Lack of integration is not a critical obstacle here, but it can expose the territory to risk (as shown in the model, in the shift from the third to the fourth case). If these two conditions are met, local employment as a whole will benefit from artistic activity, as is the case with artistic sites in great metropolitan centres like Paris and New York. But in a poorly integrated territory, artistic employment will be the main beneficiary, and this is the case with artistic or art cities like Venice, Krakow, Bruges and Toledo.
- An artistic investment will cause more problems if it increases the relative local weight of the artistic sector. This is likely to cause significant distortions over time. There is a real absorption problem here, and the final outcome will be determined by success in controlling two things - property rights, and the payroll in the artistic sector.
- Rural territories (and even small towns) are particularly exposed to these risks, when their artistic resource is relatively significant and their degree of integration is low. These territories often place great hopes in cultural tourism, yet the analysis indicates that these investments must be adjusted to the local absorption capacity and must not be based on excessive expectations about artistic demand or employment.
- When a territory reaches the point where workers in artistic-created jobs have developed the skills to satisfy local needs, the high relative weight of artistic employment will no longer pose a risk, and this assures development of types 2 or 3. For example, if skills in the restaurant and maintenance trades can be put to work for the local economy, this will make it possible to meet needs in the construction and public works sectors without having to import resources from outside. (This is the case with the school workshops and enterprise centres in Andalusia).

Artistic investments will promote development only if they are based on a proper assessment of the degree of integration and the elasticities involved, and if the approach to governance of artistic development is sufficiently broad to include such things as occupational training and land management policies.

### ***Art cities in developing countries: unbridled tourism versus prudent conservation***

Debate over the contribution that an “art city” can make to local development takes on some special aspects when it comes to developing countries. There, artistic sites are hard to separate from complex and heterogeneous urban settings that are often the scene of severe environmental problems and of social conflict over the appropriation of lands. The solutions will be more complicated, and the expected spin-offs from tourism may well collide with important social and economic constraints. A case in point is the city of Salvador da Bahia.

Located in the historic heart of Salvador da Bahia in north-eastern Brazil, the *Pelourinho* is an extremely fragile place that is suffering the side-effects of tourism development<sup>113</sup>. Since 1992 it has been the target of a revitalisation policy involving a large-scale public effort to safeguard the historic centre and make it a tourist attraction.

As background, it must be recognised that in the city of Salvador there has been a sharp distinction between the upper town, the political and administrative centre, and the lower town, the business centre<sup>114</sup>. The social divide between the upper and lower towns emerged with the city’s modernisation at the end of the 19th century and the beginning of the 20th, at which time the city’s layout was completely altered. During the process, the Pelourinho was cut off and it was abandoned by its wealthier residents. It came to be populated by low-paid workers, domestics, street vendors, the unemployed, and prostitutes, and by the 1930s it was viewed as a dangerous place. The first efforts at restoration of the historic centre began in 1967. Pelourinho Square, one of the city’s most characteristic features, was restored. Other sites were upgraded, but rehabilitation during this time focused on individual buildings and not on the zone as a whole. In the early 1990s, a more radical approach was adopted with the Recovery Plan for the Historic Centre of Salvador; Pelourinho was to be “the spearhead for marketing the city, the cornerstone of local political consensus, and one of the principal tourist attractions of the State of Bahia”.

As result, use values were banished from the city in the name of conserving its existence values for tourists. In contrast to many artistic forms, the city has a use value for which it was created. It has churches, old dwellings, public buildings, streets and squares, a built heritage that was designed above all to serve the needs of its inhabitants. The risk was that the city would be “sanitised” and that any features that disturbed its “harmony” would be removed<sup>115</sup>.

Since the Nara conference in 1994 (which amended the Venice Charter), we know that the idea of authenticity in heritage is very relative. A city is the result of constant evolution and its architecture remains as testimony to different periods of its past. To favour one period over another implies not only an erroneous reconstruction but the destruction of all other testimony. Yet renovation of the city is most often conceived

as a way of responding to tourists' cultural expectations. The search for authenticity leads paradoxically to an artificial approach. The search for the picturesque often leads to the stereotype. This phenomenon has its origins with the promotion of "destination tourism": in a media-dominated universe, the promotion of tourism offerings necessarily implies "showcasing" products. The tourist, of course, wants to see an image that corresponds with reality.

The first consequence of tourism for a city's economy, then, is to raise prices for goods and services. With such a windfall, merchants are tempted to hike their prices, and local residents can no longer afford to do their shopping in the city. The arrival of tourists causes real estate prices and rentals to soar, chasing away local residents. Small businesses and local inhabitants are offered compensation to give up their premises. Today, the paved streets of Pelourinho are lined with tourist shops and services, restaurants and music cafes. Property owners have signed agreements whereby, in exchange for its investment, the State of Bahia has gained complete control over use of their premises for three years, five years or even 10 years. With the change in the stage setting, the players change too: merchants with a "suitable" profile are invited by the planners to set up shop in the "new" Pelourinho<sup>16</sup>.

By contrast, in the early 1970s Pelourinho experienced a cultural phenomenon just as impressive as its restoration. The quarter gave birth to a lively cultural movement to promote black identity. The "*blocos*" (musical bands) attracted thousands of spectators at Carnival time, reviving the deep-rooted African traditions of the local populace (history and slavery having made Salvador the "blackest" city in Brazil), and adapting them to the contemporary *Bahiana* context. These *blocos* sprang up all over the city, and it was in Pelourinho that the "Olodum" group was created in 1979: "The growth of these *blocos* is going to reshape the image of Pelourinho as a centre of Afro-Bahian culture, a symbol of the new feeling of black pride".

The experience of Quito, described earlier, stands in contrast to this case. When that city's old quarter was placed on the list of world heritage, the principle adopted was that of integrated conservation. No major restructuring was planned. While historic monuments were thoroughly restored, private owners were offered incentives to renovate their residential or commercial properties by themselves, through the offer of microcredits and assistance in securing architect services, building supplies, and skilled workers.

### ***From art city to fantasy city?***

The building of a city, although it may begin with its cultural resources, rarely relies on this base alone. It is often combined with entertainment-based strategies, as John Hannigan showed in his 1998 work "Fantasy City".

This idea is not entirely new. The beginning of the last century saw many initiatives to develop large-scale urban recreation and amusement facilities. But except in rare cases they did not make much impact on the city as a whole, and they did not alter the nature of its economy. We might even say that they represented a kind of social safety valve as much as a new economic function. Today things have changed, and the combination of amusement with cultural functions has become the lever for urban reconstruction. People come to these places not just for the momentary distraction they offer but also to find cultural enrichment, a chance for risk-free adventure and discovery, to enjoy an atmosphere that is physically and even emotionally attractive.

Using kitsch-culture as the embracing theme, the city sets out to offer a place of entertainment, culture, education, and commercial tourism — hence the expressions “edutainment”, “shopertainment” or “eatertainment”. In fact, “shopertainment” has made great strides, from *Bon Marché* - “*bonheur des dames*” (a French department store chain with the slogan “dedicated to women’s happiness”) to a place like Nike Town Stores, with its interactivity and excitement. “Eatertainment” is not new either, but chains like Planet Hollywood or the Hard Rock Cafe have given mass appeal to what was once an elite pastime. By contrast, whether museums can be turned into amusements is less clear, to judge by the reaction of professionals who are bound to a museum culture that, while not *a priori* hostile, is not in favour of such a symbiosis. And so it is primarily through the use of new technologies that this link between culture, knowledge and entertainment is attempted. This tendency in today’s cities seems to be taking three directions.

- The first is the McDonaldisation of retailing, i.e. organising it along lines that reflect the core values of the McDonald’s culture, namely efficiency, predictability, and control. Public spaces and commercial streets, theme parks, sporting events and public concerts are now organised in this way. This approach has many underlying rationales. One is economic — it is a way of reducing costs. Another is psychological — it is a way of reaching consumers who may initially have different tastes but who over time acquire a familiarity with these places of consumption, which reduces their doubts about what they will find there. There is a tourism rationale, because these places can accommodate a great many visitors. Finally, there is a cultural rationale in establishing bridges between global culture and specific local cultures, thereby offering a situation in which every possible user can feel comfortable.
- The second is the change in a city’s appearance. The monochromatic city of the 19th-century has yielded to one that is a cluster of images, where structures are physically stamped with images that appeal to consumers and their pocketbooks. Downtown cultural quarters, where it is difficult to disentangle commercial from entertainment activities, thus sprout architecture that associates modernity with themes of an old familiar world. The city whose meaning was restricted to enabling the division of labour now becomes a city that is viewed as a theme or an entire environment.

- The third tendency involves entrepreneurs who exploit the linkages between the various possible strategies for boosting economic activities, and thereby change the production-consumption profile of cities. New projects remodel cities both from the productive viewpoint, by drawing upon the creative classes, and from that of consumption, by diversifying the range of potential products and activities. They do this by putting their trademark on various types of activities (for example, Virgin), by making their presentation and packaging a lever to attract consumer interest (for example, Sony) or by developing new activities under their own brand (for example, Viacom).

Behind these new landscapes combining culture and entertainment, there are some very significant economic strategies aimed at restructuring city centres, cultural quarters, and brownfield sites. At the beginning, these territorial overlays were primarily the work of a few big cultural or entertainment entrepreneurs. But other partners are rapidly being drawn into such activities. Their opportunities or their risks will generally depend on how they deal with the real estate problem. Traditional real estate agents have the advantage of knowing about opportunities and anticipating them, but they do not have the capital needed to finance operations. In contrast, the entertainment business does not know much about real estate, but it has all the ingredients needed to put together new activities. The banks have the capital, but they cannot always count on reaping their return within the desired time limits. Finally, traditional commercial players are a varied lot: some will be reluctant to venture forth in such vessels. At the outset, the links between these players may depend largely on personal initiatives.

Over time, partnerships are structured, for example under the impact of policies such as those of the Urban Land Institute in the United States. Yet the authorities have gradually become more involved in these operations, for two reasons: they have the power to regulate property use and award development rights, and they express the popular will, which may be initially resistant to such projects.

As significant as it is on the economic front, this shift towards the entertainment city leaves open several possible interpretations. Are we in fact bringing together all of society's members and communities in places where they can together enjoy a new sociability? Or are we instead speeding up the destruction of vernacular spaces and cultural identity by eliminating what is left of public spaces in the post-modern city?

### **Measuring the contribution of culture to urban development**

Over the past decade, a number of methods have been proposed for measuring the place of cultural activities in the urban economy, calculating their contribution and showing the authorities when and how to take action to promote their development.

### ***The spatial distribution of employment, by industry***

The first, and most widespread, approach is that taken by Scott in his work “The Cultural Economy of Cities” (Scott, 2000). Using employment statistics for different economic sectors, he attempts to demonstrate linkages between the degree of concentration of such employment and urban phenomena. He shows, for example, that in the United States the cultural industries are concentrated primarily in metropolitan areas (cities of over one million). These cities are home to 52% of the American working population, yet they account for 96.8% of jobs in moviemaking, 77% in architecture, and 66% in book publishing. Table 4.3. shows that the urban concentration of cultural industries is very high (with the exception of radio and television, which reflects the great number of local broadcasting stations), while other industries that we might class as creative industries are less highly concentrated: musical instrument making, decorative wooden objects, etc..

Table 4.3. **The urban concentration of cultural industries**

Activity	Number of jobs in metropolitan areas (000)	Number of jobs in the USA (000).	% of sector jobs in metropolitan areas (%)
Cinema	241	249	96.8
Radio/TV	102	221	46
Book publishing	53	79	66
Newspapers	190	417	45
Architecture	93	121	77
Musical instruments	3	12	26
Jewellery	29	46	63
Leatherworking	4	11	42
Woodworking	26	121	23
Metalworking	9	25	35

Source: US Department of Commerce (1992) and Scott, A.J. (2003): “Cultural Capital and the Theory of Development”, ILO, p. 7

There is nothing surprising about this result. As indicated in the previous chapter, these project activities thrive best in close proximity to each other, which explains such groupings. But this analysis, while it identifies an important fact, does not always explain the local dynamics: for this, there are other possible methods.

### ***The cultural value chain***

In his study on the city of Manchester, O'Connor resorts to the “production chain model”<sup>117</sup>. He starts by defining the cultural production sector to cover various activities (Table 4.4.):

Table 4.4. **Activities in the cultural production chain**


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• craft/design	• performance
• music	• visual arts
• photography	• heritage
• multimedia	• film/media
• advertising	• architecture
• authorship	• education

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*Source:* O'Connor, 1998

Through surveys and interviews he identifies the strengths and weaknesses, the opportunities and the threats that each of these components poses for a given city. The information is then organised so as to identify the problems encountered throughout the genesis and functioning of a particular cultural activity, in this way forming a value chain:

- Beginnings: ideas generation capacity; creativity/training.
- Production: people, resources and productive capacity to transform ideas into marketable products — (producers, editors, engineers, architects).
- Circulation: impresarios, managers, agents and agencies, distributors, packagers, as well as catalogues and directory archives, all of which circulate and popularise these cultural products.
- Delivery mechanisms: platforms that allow cultural products to be consumed — theatres and concert halls or book and record shops.

### ***Identifying a city's creative capacity***

To move beyond the descriptive aspect of each cultural product identified, another model has been suggested, one that attempts to take into account all of these approaches from the city's viewpoint: the Creative City Development Scale.

The task here is to identify the city's creative capacity and to give its authorities the diagnostic elements for taking action. We may identify a number of stages, which are summarised below (Table 4.5.)

Table 4.5. **The stages in determining creative capacity**


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<b>Stage</b>	<b>Characteristics of the local cultural economy</b>
1	Are basic activities identified? Are they publicly supported?
2	Sector origins and self-awareness. Identification of its attitudes.
3	How to recognise it and give it the means for development
4	Are these activities recognised locally? Is the territory attractive? Does it retain the benefit of the values thus created?
5	To what degree is it recognised internationally, and what tools could reinforce that recognition?

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*Source:* Landry, cited in O'Connor, 1998

## *Conclusion*

# **Designing local public policies**

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### **Designing local public policies**

Artistic and cultural activities today form the basis of much economic output. Some of its products are in the conventional cultural domain, while others, in increasing numbers, appear under the heading of cultural and creative industries.

In both cases, the development interest in this activity is often measured by the number of jobs created, expressed as a percentage of the work force. Those numbers are significant: depending on how the cultural field is defined, the proportion may lie anywhere between 2 and 4%. Locally, these proportions will vary widely, and some territories will have the appearance of true heritage or cultural districts, while others will seem by their nature to be lacking in cultural assets. What we want to do is to measure the spin-offs for a territory: those from attracting visitors and tourists, those from exporting cultural goods, and of course the social, environmental and “image” spin-offs.

#### **Contributions vary depending on the context**

We may look at the contribution of cultural activities to local development from three angles:

- The first locates this contribution in terms of the drawing power of cultural activities. These activities — restoration of monuments, festivals, performances, exhibitions — attract tourists as well as local visitors who will come for various goods and services. In doing so, they raise local incomes and stimulate the economy.
- The second locates this contribution in the power to create new goods and services that will be sold largely outside the territory but that will bring in new revenues.
- The third, and the longest-standing approach, looks at culture as a system of values and references that can foster communication among different groups of people within a territory, the preparation of projects or the taking of common risks. This is a more anthropological approach. We may speak here of the

contribution (if any) that a territory's culture makes to its development. This represents an extension of the analysis of the role of collective behaviour in development, but at a point where everyone is aware of the logical interference between a territory's culture and the culture of the businesses and players located there.

The conditions for eliciting these development effects will vary depending on the type of process considered:

- If we take the “attraction paradigm”, the importance of the contribution of cultural activities to local development will depend on the territory's population, its integration and its extent; on the length of the season for cultural activities, on their synergies, and on their local employment content.
- If we take the “dissemination paradigm”, the importance of the contribution of cultural activities to development will depend on how concentrated cultural activities are locally; on their capacity to transmit and adapt their specific knowledge and know-how; on their capacity to balance production and marketing dimensions; on their potential to win recognition, or even protection, of their originality.
- If we take the “territorial culture paradigm”, the importance of the contribution of cultural activities to development will depend on their capacity to reveal and disseminate values and reference points that will encourage players, individually or collectively, to think to the future, to devise new plans and projects, and to pool their defences against the unforeseen.

### **Towards local policies for culture and creativity**

The variety, the complexity and the fragility of the impact of cultural activities are often overlooked, and policies to promote artistic and cultural activities tend to focus exclusively on final consumption and on tourism. Cultural activities need then to be considered as a whole, with particular attention to the artistic creativity that lives and breathes at their core. As Venturelli put it (Venturelli, 2003), “the real issue is also less about the handful of giants that dominate the history of arts (the aesthetic claim to culture) or the essential qualities of cultural practices (the anthropological claim), or the size of the market for mass produced cultural products (the industrial claim). Instead the most significant issue confronting us today concerns the possibility available for most people in a society to participate in originating new cultural forms. Hence, the environmental conditions most conducive to originality and synthesis as well as the breadth of social participation in forming new ideas comprise the true test of cultural vigour and the only basis of public policy”<sup>118</sup>.

To get there, both national and local measures would seem to be necessary. We shall focus here on the latter.

### ***Education and training to build up cultural capital***

Cultural activities constitute a source of creative capital for all economic activities. Formation of such capital must be constantly nourished and this requires first distilling and then instilling the knowledge and skills that form the basis of that capital. There are two major obstacles to creative capital formation.

- In many cases, capital formation is done through formal training in art schools or applied arts schools. The art schools are often isolated, cut off from the applied arts schools, and they neglect the kind of training needed to convert artistic resources into economic activities, among which design ranks first. These divides between training systems, often of long-standing, reproduce themselves at the local level where they impose a high financial burden. It is a striking fact that the emergence or rebirth of cultural districts has often been linked to the introduction of a new training approach that combines general arts training with applied arts training, starting typically with the latter.
- These skills are also acquired on-the-job, and they disappear with the job. In the days before art schools, training in cultural activities was traditionally done through the guilds, and their traditions of journeymen and apprentices have not completely disappeared, even if the academies system has downplayed their importance. Today, these systems, which have the feature of being immersed in their local setting, are under threat. The demand for general knowledge often drives students to other places, and the financial instability of artistic production facilities makes it difficult for them to take on young trainees. For these two reasons, many people with specific knowledge and know-how will retire without having passed on their expertise. If a territory fails to respond to these challenges, it puts the maintenance of rare knowledge and skills at risk. Mechanisms are needed to encourage this training and its renewal, ranging from supporting creators to managing the transfer of businesses.

### ***A quality approach to managing human resources***

The low quality of cultural jobs can impede the development potential of cultural activities. Cultural work is often sporadic and low-paying. While it is true that the on-and-off nature of such work depends on the unique characteristics of each cultural production and the specific skills it requires, the situation nevertheless poses a constant risk to people devoted to the cultural trades. Low pay is a persistent obstacle that cannot be masked by the occasional breakthrough to stardom. It is a problem

as much for artists as it is for the crafts, as can be seen in the trouble artisans have in finding apprentices to carry on their businesses.

This is not to say that government needs to subsidise artists' incomes or, as many governments do, to underwrite markets for their products. On the other hand, governments can help to reduce operating costs. For many artists, their low income makes it impossible for them to pay off the cost of their facilities and equipment or to purchase raw materials. Organisation of the local environment can play an essential role here. This is particularly desirable when it is recognised that many enterprises in this field are one-person businesses that have trouble making contacts and pooling their costs.

### ***Workable distribution networks***

The distribution of cultural products has always been a problem, whether we speak of works of art, the cultural industries, or the creative industries. Moreover, many local producers have no ready access to markets.

- The conventional formulas, such as exhibitions or competitions that showcase the quality of certain products and boost their prices, are not sufficient: time and cost constraints prevent many artists and artisans from taking advantage of them.
- Today there is increasing resort to the more traditional approaches, such as the standard commercial channels. For example, some large department store chains offer cultural products alongside more generic goods. But this approach does not inspire much enthusiasm, and is open to three criticisms.
- Cultural products may become trivialised if they are used as promotional come-ons for run-of-the-mill goods that may serve the same purposes.
- The cultural product in this case has to be delivered in mass quantities, and this may run counter to the artist's interest.
- Finally, the economic benefit is not always up to expectations: the big stores know that they make a high profit on generic goods and they are inclined to push them, thereby confirming the role of cultural products as lures.
- Another approach is to put exhibition halls in cultural product firms, at least for products where this is feasible. This is a frequent practice in Quebec, for example, where "economuseums" have been set up as businesses to demonstrate, exhibit and sell cultural products. This approach has been found effective, especially since the revenues generated stay within the local community.

But some cultural product firms do not have the physical or human wherewithal to set up such systems, and this is where government could come in, if only to organise a local facility that they could all use.

In some countries, museums have agreed to reserve space for local craft exhibits. There is an essential difference here between the normal “museum shop”, which sells products made for the most part outside the territory and therefore contributes little in the way of local value added, and these local product boutiques.

- Many point to Internet sales as the miracle solution. Here we must distinguish two different selling situations, one where the order is placed via the Internet, and the other where the good is sold and delivered via the Internet. The issues involved here go well beyond the local level, though it is true that governments could help establish local sites.

### ***Avoiding another “tragedy of the commons”***

While this issue is much broader than the local development context, property rights pose a constant problem for promoting a territory’s cultural assets. Generally speaking, recognition of intellectual property rights is supposed to provide an incentive to creativity. Only in this way can creators hope to reap benefits from their activities and protect themselves from counterfeiting. Although this is a very controversial issue for those who insist that creativity does not respond to monetary incentives, it must be admitted that innovators will not be able to cover their costs unless they can make a profit over some period of time at least.

Whatever approach to intellectual property rights is adopted, it must afford effective protection to creators. When it comes to local development this is not always the case.

- Copyright applies only to unique creations, and provides a protection mechanism that must be initiated by the creators themselves, which is not always easy.
- Moreover, the Internet is multiplying the challenges to this form of property to the point where some are rethinking it completely.
- Patents could be a more useful form of protection here, since they can be enforced through government-organised mechanisms. But cultural works are rarely patented, because the award of a patent requires strict rules of originality and process.
- We are left, then, with the idea of the trademark, which is generally the weakest of all forms of intellectual property.

From the local development viewpoint, the real challenge today relates to idiosyncratic products of what are usually called the art crafts. These products are vulnerable to copying and counterfeiting, and they usually have no possibility of obtaining copyright or a patent, or even a trademark. The question, then, is whether some minimal form of protection can be given to the geographic origin of cultural products, in the way agricultural products benefit from designations of origin. Currently, industrial goods cannot use these territorial labels, and must rely on their own trademark.

There is a great deal of controversy over the introduction of such protection, which is in effect labelling. Debates within the European Commission and in the World Trade Organisation have done little to move the idea forward.

Some countries have therefore adopted another approach, providing for labels that allow creators to achieve greater visibility, at least, and to make use of existing mechanisms in their country. This is the case in Japan, with the “Living National Treasure” label, and in France, with the “Living Heritage Enterprise” label.

In both cases, the intention is to recognise the specific features of a craft or an enterprise and to highlight the originality of the knowledge and skills involved, and its economic vulnerability. The need to maintain and, one day, to pass on their knowledge, the problem of finding rare or almost unavailable materials, and the difficulty of making contact with buyers means that these individuals and firms must operate within constraints for which they are not always prepared, and which they may not even recognise. The purpose of the label, then, is to draw attention to these situations and help to sustain the specific art.

### ***Preventing a tragedy of artistic property privatisation***

In contrast to the risk discussed above, there is today the threat that intellectual property rights will be extended well beyond their appropriate application. Recognising property in the content and not only in the expression (which is generally accepted) will constrain the use of ideas or allusions that are already public and will prevent some creators or innovators from defining new products. This represents a kind of entry barrier to the market in ideas, a barrier that is particularly objectionable if the first person to put an idea to use is not necessarily its inventor. At the local level this poses some paradoxes: the originators of a musical or decorative theme may suddenly find that their own “work” has been protected by someone else, and that they now have to pay to use it. Local governments would surely do well to conduct an inventory and take steps themselves to protect the intellectual resources in their territory.

### ***Local policies for promoting creativity***

Culture and creativity districts can appear in many contexts, but they can never be artificial or automatic. Recognising that such a district cannot be willed into

existence, we can identify some factors that will help a territory to foster the required links between culture and creativity<sup>119</sup>.

- As a starting point, people and communities within a territory must be “immersed” in the consumption and the production of cultural goods. This can be achieved by promoting online culture as a new learning resource<sup>120</sup>. But it can just as well be done by offering free access to museums or public libraries. This can be an appropriate point for introducing training in artistic skills, provided it is cast in terms of the development project dimension and of incentives to the creation of artistic enterprises.
- Developing cultural entrepreneurship in this way requires specific physical and financial facilities, such as those funded by Britain’s National Endowment for Science, Technology and the Arts (NESTA), which uses proceeds from the National Lottery to create and support entrepreneurship incubators.
- Such initiatives require sturdy, long-term partnerships between the artistic and non-artistic sectors, or between private businesses and associations or non-profit enterprises. The risky and shifting nature of cultural goods means that enterprises must be mutually “plugged in” so that they can respond promptly by redefining and recombining their products. Finally, these partnerships must provide for the oft-missing strategic links between production and marketing.

These needs are even more strongly felt in developing countries, where there is a general lack of support for artists; the creative crafts are gradually disappearing; there is no protection for artistic property or, worse, existing protection is counterproductive; there are no local markets to encourage the emergence of cultural goods and, generally speaking, local governments fail to take account of such production<sup>121</sup>.

### **What role is there for national or regional policies ?**

While recognising the importance of local policies for making culture a lever of development, we must not overlook the role of national or regional policies.

The potential contribution of national policies is not always given its due. There are several reasons for this :

- National or regional policies relating to culture are, of course, horizontal policies that seek above all to improve the environment within which cultural projects can flourish. They make themselves felt primarily through offering training for artists, protecting intellectual property rights, preserving heritage, providing

information to consumers, and sometimes granting subsidies to make cultural goods and services more accessible.

- When they become specific, these policies will observe scientific or political criteria, but rarely will they reflect a desire to redistribute cultural activities within a territory.
- Any specific government intervention in culture can lead to the substitution of collective or even bureaucratic choices for private choices, something that is traditionally subject to criticism in the field of culture.

These factors explain why it is so difficult for governments to support local initiatives in this field, unless of course such initiatives have a scientific rationale or are based on redistribution goals openly espoused by governments. This view is fairly traditional and takes no account of the new roles that culture plays in local development, those relating to producing a culture for the territory, or to instituting creativity districts. In adopting too narrow a view of culture — reducing it essentially to its tourism aspect — these other effects may be overlooked. Governments can have a role to play, whether it is in training, in providing information on cultural product markets, or in doing the research needed to maintain and adapt artistic knowledge and know-how:

- by ensuring that ministries and departments understand and accept their responsibility for such objectives (education systems can instill a project culture; the justice system must guard against fakes and counterfeits; land-use legislation must allow craft enterprises to continue operating under reasonable conditions in traditional districts, etc.);
- by fostering an environment conducive to the local contributions of culture: supporting a system of artistic training; recognising, classifying and protecting heritage resources; helping certain professions to survive and to pass on their know-how; combating forgeries, etc.;
- by offering a decentralised decision-making framework where local stakeholders can debate the issues among themselves and with central authorities;
- by developing incentives in the form of contracts, funding competitions, etc.

We must certainly not ignore the risk of bureaucratising culture through a centralised approach to interventions. But neither can we ignore the existence and use values that culture generates to the benefit of local development.

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## Annex 1

### CHAPTER 2: LOCAL DEVELOPMENT BASED ON ATTRACTING VISITORS AND TOURISTS

#### Effects, spin-offs and impacts

#### *Multipliers*

##### Annex 1.1. The Keynesian-type multiplier

The Keynesian multiplier,  $k$ , is formulated in terms of revenues, thus:

$$k = 1 / 1 - c = 1 / s + m$$

where:

- $k$  represents the value of the multiplier.
- $c$  is the propensity to consume.
- $s$  and  $m$  are the propensity to save and propensity to import, i.e. leakages

In fact, we can derive a more complex formula if we think long-term. We will then have to consider the capital outlays and new public spending that the territory will require as tourist outlays increase. At that point, we must take account of leakages through direct and indirect taxes, but we must also add in transfers. If  $i$  is the marginal propensity to invest,  $g$  is the marginal propensity of local government to spend (or consume),  $t_i$  is the marginal indirect taxation rate,  $t_d$  is the marginal direct taxation rate, and  $b$  is the marginal rate of transfer, the value of the multiplier  $k$  will be:

$$k = (1 - F) / (1 - c(1 - t_i) \cdot (1 - t_d - b) + m)$$

The term  $F$  designates here the initial flow of direct leakages. The long-term effects will only be felt if the initial flow, net of leaks, is renewed and thus allows investors and governments to plan for their territories' development.

This distinction between short-term and long-term multipliers is important, for it leads to divergent values. For the following scale of values:  $F = 0,5$ ,  $c = 0,9$ ,  $m = 0,7$ ,  $t_i = 0,16$ ,  $t_d = 0,20$  and  $b = 0,2$ , the short-term multiplier will be 1.25, while the long-term multiplier will be 0.40.

These multipliers are generally estimated at the national level. There are many illustrations for the area of tourism receipts, although not for “cultural tourism”. Table 1 provides a few examples. It shows that this multiplier varies inversely with the degree of territorial integration. Thus it is much higher for the United Kingdom than it is for Egypt or Mauritius, where tourism goods are typically imported.

Table 1. **Value of tourism multipliers at the national level**

United Kingdom	1.73
Republic of Ireland	1.71
Egypt	1.23
Cyprus	1.14
Mauritius	0.97

Source: Cooper, CH. & al. (1998), *Tourism: Principles and Practice*, Longman, pp. 142-143

At the local level, estimating these multipliers is a complicated affair, subject to several difficulties. The current benchmark study is still the one done some time ago by John Myerscough<sup>122</sup>. Analysing several local territories in the United Kingdom, he cross-referenced three sources: reports from artistic activity surveys, reports from tourism surveys, and consumption studies. He established an average value for the multiplier of around 1.4, a value that has since been used as the benchmark for most studies. But this value changed with:

- The territory's population density: the higher the density, the higher the multiplier, explained by the fact that the demand for services can be more readily satisfied by local supply.
- Territorial size: the larger the territory, the higher the multiplier, because leaks become relatively less important.

Table 2. **Value of tourism multipliers at the local level**

	MUSEUM	THEATRE
High population density	1.42	1.40
Medium population density	1.28	1.26
Low population density	1.26	1.23

Source: Based on Myerscough, J. (1988), *The Economic Importance of Arts in Britain*, London: Policies Study Institute, p. 88 ff.

- The nature of activities: the higher the production share of local employment, the higher will be the indirect and induced effects, and hence the multipliers for museums will be greater compared to those for theatres (see table 2).

### **Annex 1.2. The ad hoc multiplier**

The ad hoc multiplier attempts to specify the previous data using possible behavioural differences between tourists within the territory. According to Archer, this is defined by:

$$K = \sum_{j=1}^N \sum_{i=1}^n Q_j K_{ij} V_i \cdot 1 / (1 - c \sum_{i=1}^n X_i Z_i V_i)$$

where:

- $j$  represents the different categories of tourists ( $j = 1 \dots N$ ),
- $i$  represents the different types of businesses ( $i = 1 \dots n$ ),
- $Q$  represents the proportion of total tourist spending by tourists of type  $j$ ,
- $K_{ij}$  represents the proportion of spending by tourists of type  $j$  in enterprise category  $L$ .
- $V_i$  represents direct and indirect revenues generated per unit of expenditure by businesses of type  $i$ ,
- $X_i$  is the proportion of total spending by local residents to the benefit of business  $i$ ,
- $Z_i$  is the proportion of spending that benefits the territory,
- $c$  is the marginal propensity to consume.

### **Annex 1.3. The input-output multiplier**

This multiplier analyses the territorial development effects of cultural spending using relational techniques that associate different sources of production in the territory, thus bringing great accuracy to the conclusions<sup>123</sup>. The main difficulty in using this multiplier is to distinguish clearly between initial expenditure effects that will be felt in the territory and those that will be felt outside the territory, which requires a detailed analysis of the expenditure flow sector by sector.

The local economy is represented in the form of an inter-industry flowchart (Table 1). In the initial matrix, which constitutes the upper left portion of the table, each vector-column represents purchases of goods and services from other sectors of the local economy, and each vector-line represents sales of goods and services to other sectors of the local economy. These exchanges define intermediate consumption. To this we must add a lower left quadrant that represents factor purchases and payments (wages, profits, taxes, imports). The upper right quadrant represents final

consumption sales of each sector, and the lower right quadrant establishes the relationship between factor remuneration and final consumption.

Table 3. **The economy according to the input-output matrix**

	Sectors	Users	
Sectors	Intermediate consumption	Final consumption	Total
Primary factors	Factor purchases	Outlays	Total
	Total	Total	

More precisely, the matrix can be represented by the following system of equations:

$$X = A.X + Y$$

Where:

- X represents the vector of final sales for each sector.
- Y represents the vector of final demand.
- A represents the matrix of relationships between inputs and outputs.

We may deduce successively:

$$\begin{aligned} X - AX &= Y \\ (I - A). X &= Y \\ X &= (I - A)^{-1}. Y \end{aligned}$$

and:

$$\Delta X = (I - A)^{-1}. \Delta Y$$

where I this time represents a unitary matrix equal to 1. Any variation in final demand (for example due to a shift in the demand for cultural goods) will translate into a variation in activity levels, which can be analysed here sector by sector.

In fact, this system is still oversimplified: a central element for understanding the local development impact will be the capacity to meet demand from local output rather than imported products, which implies examining their relative competitiveness in terms of intermediate consumption and not only final consumption. To this end the formula:

$$\Delta X = (I - A)^{-1} \cdot \Delta Y$$

will be transformed into

$$\Delta X = (I - K^* \cdot A)^{-1} \cdot \Delta Y$$

where  $K^*$  is a matrix in which the diagonal values represent the relative competitiveness indices for imports, and hence reductions in local intermediate consumption.

We can then deduce the effect of a shift in tourist spending  $\Delta T$  in terms of changes in local output  $\Delta P$ , given here by:

$$\Delta P = (I - K^* \cdot A)^{-1} \cdot \Delta T$$

Finally, if we have a matrix of employment coefficients by product  $E$ , we can deduce from this change in expenditure the corresponding changes in employment:

$$\Delta L = E \cdot (I - K^* \cdot A)^{-1} \cdot \Delta T$$

The advantage of this method is that we can define employment volumes accurately, and show whether the skills required for responding to an increase in tourism spending can be supplied or not within the territory, and what vocational training strategies might be necessary to fill any gaps.

## Annex 2

### CHAPTER 3: PROMOTING LOCAL DEVELOPMENT BY CREATING CULTURAL PRODUCTS

#### Identification and statistical measurement of cultural and creative districts

##### *Annex 2.1 Concentration*

It is useful to look next at indicators of concentration, taking the ratio of the percentage of employment in the given sector to the average percentage of this kind of employment in the economy. If:

- S is the sector of activity,
- Z is the territory of reference,
- $N(S,Z)$  is the number of jobs or establishments in activity S in territory Z, and
- $N(S)$  is the total number of jobs or establishments in the activity, then an initial concentration index is given by:

$$N(S,Z)/N(S)$$

This index is not very satisfactory because it does not take into account the unequal distribution of jobs and establishments. We must then standardise this first index in order to compare territories, and for that we need data on a territory's relative share in the economy. If:

- T represents the total number of jobs or establishments in the economy,
- $T(Z)$  represents the total number of jobs or establishments in the territory Z, then the concentration index is:

$$[N(S,Z)/N(S)] / [T(Z)/T]$$

There will be concentration when this index is greater than unity. For a given sector of activity, that means that the importance of this territory is greater than its weight in the French economy.

This indicator may also be written as follows:

$$[N(S,Z)/N(S)] \cdot [T/T(Z)]$$

or, after transformation:

$$[N(S,Z)/T(Z)] \cdot [N(S)/T]$$

where  $N(S,Z)/T(Z)$  is the share of sector  $S$  in employment in territory  $Z$  and  $N(S)/T$  is the share of that same sector in the national economy. The concentration indicator measures, for a given sector, the degree of a territory's specialisation compared to the nationwide degree of specialisation. It allows territories to be compared among themselves, and it can be used as a first approximation to the existence of districts. The higher this ratio is above 1 the stronger is the presumption of a cluster.

We may also use other indices for identifying the concentration for each branch of activity and for each territory.

Taking  $k$  as the index for the sector and  $i$  as the index for the geographical unit, the Herfindhal index is defined by:

$$H_k = \sum_{i=1}^m (s_k^i)^2 = \sum_{i=1}^m \left( \frac{n_k^i}{n_k} \right)^2$$

where  $n_k^i$  is employment in sector  $k$  in unit  $i$  and  $n_k$  is total employment in sector  $k$ . The Herfindhal index falls between  $1/m$  and 1. As it tends toward 1, concentration is maximised, and as it tends towards  $1/m$ , geographic dispersion is maximised.

Because this index does not account for the structure of employment by sector or by geographic unit, and seems to measure specialisation rather than concentration, we use another index, the GINI, to control employment in sector  $k$  by employment in all sectors in the zone. There are two possible measures of the GINI index. The first, or Gini  $G_i$ , is given by:

$$G_k = 0,5 - \sum_{i=1}^m \frac{s_k^i x^i}{2} - \sum_{i=2}^m x^i \sum_{j=2}^i s_k^j$$

with  $x^i = \frac{n^i}{N}$  which represents the share of total employment in region  $i$ .

The index falls between 0 and 0.5. If it is 0.5, concentration is maximised, and if it is 0, dispersion is maximised.

The second measure is given by  $Gb_k$ :

$$Gb_k = \frac{2}{m^2 \bar{Z}_k} \left[ \sum_i \lambda_i (Z_k^i - \bar{Z}_k) \right]$$

with  $Z_k^i = \frac{s_k^i}{x^i}$  and  $\lambda_i$  is the ranking of the geographic unit when units are ranked

by increasing order of  $Z_k^i$ . This index falls between 0 and 1. If it is 1, concentration is maximised, and if it is 0, dispersion is maximised.

These indicators can be used to identify territories, while at the national level they identify different degrees of concentration for sectors of activity. Thus, in the case of France, if we distinguish the arts, culture (the arts plus cultural industries) and creativity (culture plus certain so-called creative industries) by increasing order of extension, we find growing indices of concentration. This reinforces the hypothesis of cultural and creative arts districts as opposed to the notion that these activities are scattered throughout the territory. (Paris has been left out of the sample to avoid biasing it through that city's very high concentration of artistic, cultural and creative activities, and to provide a more useful overview of the hypotheses tested).

Table 1. **Concentration indices for three types of activity  
(France excluding the City of Paris)**

	HERFINDHAL	GINI 1	GINI 2
Art	0.12	0.11	0.03
Culture	0.19	0.13	0.25
Creativity	0.29	0.18	0.44

Source: Greffe X. & Simmonet, V. (April 2004), *Analyse de l'identification des concentrations culturelles*, Paris: DATAR, p.23-6

### **Annex 2.2. Synergy**

Specialisation and concentration may not be enough to define a district or cluster, because the determining factor will be the quality of interdependencies among the industries in the territory concerned. Yet, as with concentration, synergy only deserves attention if it appears more prominently than does synergy among the same activities at the national level. For example, while it is logical to expect a certain flow of trade between book publishing and image publishing at the national level, a district for these businesses will not appear unless the flow is greater than the national figure. The first step is to define the correlations between activities that appear logically at the national level. The second step is to identify the quality of synergy within a given territory, in order to determine whether it is of greater quality than synergy at the national level.

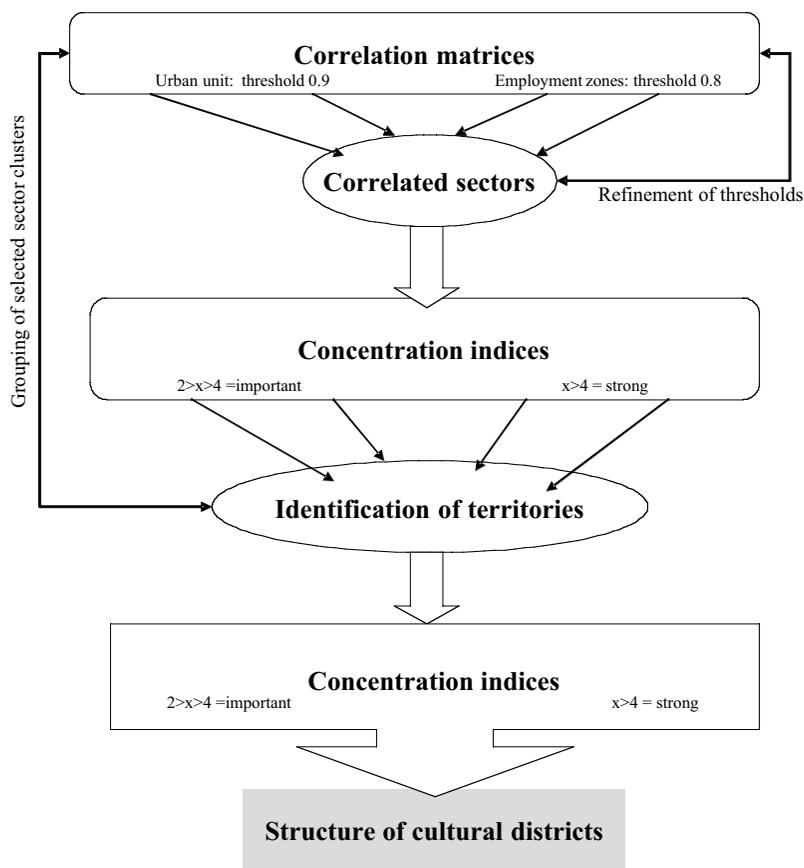
The first stage, then, is to construct correlation matrices. Their number will depend on the type of indicators (jobs or firms) and of reference territories (regions, cities etc.). These matrices provide correlation coefficients: coefficients of + 1 reflect maximum synergies and coefficients of - 1 imply the weakest linkages. We cannot expect to find coefficients that are too high, and so we will look first for intersectoral linkages with coefficients of at least 0.9, then 0.8, 0.7 and so on.

Having identified clusters of two or three sectors of activity that, at the national level, show positive interdependence ratios, we then look for territories that meet these hypotheses as a minimum. For this, we have indices of concentration by activity-territory. This index gives the ratio between the proportion of a cultural sector for a territory and its proportion for the whole economy. If the ratio exceeds 2, the concentration is considered significant, and if it exceeds 4, it is considered very strong.

When these clusters involve only two sectors, those two sectors within the territory must show significant concentration if the territory is to be considered a district. For other clusters, consisting of a greater number of sectors, the concentration rule can be relaxed. In effect, the correlation coefficients underestimate the existence of intersectoral links, which would show up only rarely at the territorial level, and so it is better not to discard potential districts. At this point, some clusters are regrouped if they are found within the same units of territories, on the condition that the correlation coefficients are greater than 0.5

We can now go on to describe the district more precisely, the using the analysis of concentrations in terms of enterprises, jobs, etc. Table 1 shows this approach as applied to France in 2003.

**Table 1. The identification of cultural synergies**



## Notes

1. Scott, A.J., (2000), op. cit., p.462
2. idem, Chapter 3.
3. We define the creative industries as those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property. This includes advertising, architecture, the art and antiques market, crafts, design, designer fashion, film and video, interactive leisure software, music, the performing arts, publishing, software and computer games, television and radio. DCMS: [www.culture.gov.uk/creative\\_industries/default.htm](http://www.culture.gov.uk/creative_industries/default.htm)
4. "that the activities concerned involve some form of creativity in their production, that they are concerned with the generation and communication of symbolic meaning, and that their output embodies, at least potentially, some form of intellectual property", Throsby, D. (2001), *Economics and Culture*, Cambridge: Cambridge University Press, P.76
5. "those involved in the creation of new product or content, which is the basis for the creation of value across the sector"(O'Connor, 1998).
6. Morishima, M. (1982), *Why Japan succeeded: Western Technologies and the Japanese Ethos*, Cambridge: Cambridge University Press
7. Keating M. (2004), "Governing Cities and regions: territorial restructuring", in: Allen J. Scott, ed. *Global City-Regions: Trends, Theory, Policy*, pp. 371-88, Oxford University Press
8. V. Ponthieux S. (2003), Que Faire du 'Social Capital ?' INSEE, Documents de Travail N°F0306, p.33
9. V. Ponthieux S. (2003), Que Faire du 'Social Capital ?' INSEE, Documents de Travail N°F0306, p.60
10. OECD (2002), *Social Capital: the Challenge of International Measurement*, OECD-ONS Conference, London, 26-27 September.
11. idem, p.45
12. idem, p.45
13. V. Ponthieux S. (2003), p. 19
14. idem, p. 22
15. Fukuyama, F., (2002), "Social Capital and Development: The Coming Agenda", *SAIS Review* 12(1), 23-37, p.35

16. V. Ponthieux S. (2003), p. 37
17. [www.worldvaluesurvey.org](http://www.worldvaluesurvey.org)
18. Attempts to measure social capital, moreover, make more use of indicators of networks or institutions than those of culture, hence the stress on the relationship between capitalism and democracy.
19. Democracy and economic development are linked by a system of time-lags that covers all possible interpretations, and the results show a doubly positive linkage, from democracy to development, and from development to democracy (Barro attaches a number of reservations to these outcomes however).
20. By giving priority to games and institutions over values, social capital may be likened to a resource that is as favourable as it is significant. A more controversial viewpoint sees social capital as a matter of conflicts that are costly to society and a source of social differentiation that can work against development (Bourdieu).
21. Landry C. (2003), p.21
22. idem, pp.52-53
23. This ability to think in terms of plans and projects does not automatically imply an ability to manage complex and random relationships, to recognise and appreciate individual initiatives, and to work with market mechanisms
24. The social attitude that fosters, prolongs or stifles individual initiatives is specific to each territory. Drawing upon values and the institutions that have shaped them, the entrepreneurial culture is a result of their history, an element of their heritage.
25. The survey was conducted in 1995-96 for DG V as part of a programme to analyse local development. It covered zones in Germany: Oberhausen (Westphalia), in Austria: Graz, in Belgium: Genk, Liège, in Denmark : Lolland, in France : Roubaix-Tourcoing, Saint Etienne, Saint Nazaire, in Greece : Tripolis (Arcadia), in Ireland : Cork, Shannon; in Italia: Ravenna, Turin; in Portugal : Covilha; and in the United Kingdom: Nottingham, Armanagh (Northern Ireland).
26. Having capital is an important factor, as three results testify: having received capital or money early in life is an important factor for independent employment, as was demonstrated in a longitudinal study by the National Child Development Survey; those whose projects failed always cite the difficulty of getting start-up capital; owning a house can produce capital gains that one can reinvest, or it can be used as collateral for a bank loan.
27. An example is the *Futuroscope* programme of “innovative pilot high schools” that provide training for young people and adults in France. They seek to develop a project and enterprise culture in various ways, through teaching, apprenticeship and the demonstration of new technologies. This culture becomes the driving force of the training institute and allows it to appropriate the values of creativity, communication, association, adaptation, etc. In the teaching of the enterprise culture, students learn about economic issues, project management, and running a business. Useful as they are, these studies are limited by their abstract nature. Learning the project culture therefore also includes a period of apprenticeship in industry for all trainees. The enterprise culture is also appropriated through the practical use of new technologies, stressing some of the values of that culture: creativity, with the help of design software, word processing, CAD etc.; mobility and flexibility, with IT tools now used on a time-sharing and networking basis; information processing; managing complexity.

28. The history of the United States reveals that immigrants will seize this possibility by drawing initially upon their family and support networks and, if necessary, upon their own community.
29. Council of Europe Publishing (1997), *From The Margins: A contribution to the debate on Culture and Development in Europe*, European Task Force on Culture and Development.
30. Molotch, (2003), *Where Stuff Comes From?*, Routledge, London, p.88
31. Some political regimes manipulate culture as a weapon for ideological and social struggle, combined with violent political levers.
32. *Friches industrielles, lieux culturels*, Proceedings of a Conference held on 18 and 19 May at *La Laiterie* in Strasbourg, pp. 12-15
33. *Les annales de la recherche urbaine*, "Les itinéraires de l'insertion", n°70, March 1996
34. Since they were there themselves because of their poverty and their rejection of the statist approach to culture.
35. The Radazik, a cultural retrofit in Les Ulis in the Paris region, had to close for several months for reconstruction following an arson attack. The neighbours had never accepted it, and they continuously vandalized it as they did other city structures.
36. In the mid to late 1990s these include O'Brien and Feist's (1995) *Employment in the arts and cultural industries: an analysis of the 1991 Census*, which identified a total number of 648,900 individuals employed within the cultural sector (2.4% of the totally economically active population), rising to 664,400 if self-employed crafts persons are included in their definition of the sector. The study also showed that the cultural sector was unevenly distributed across Britain, with the heaviest concentration in London, and that there had been a 34% increase in the number of individuals with cultural occupations between 1981 and 1991.
37. CGP (1989), *Nouveaux besoins, nouveaux services*, Paris : La documentation française.
38. The choices were explained at length to 500 randomly selected households, and the response rate was 50.5%, which was deemed satisfactory. The researchers then tried to determine the factors underlying the positive or negative responses, and identified as the main factors the household's tax burden, age, education level, disposable income, and an indicator of preferences with respect to heritage.
39. The income effect is eliminated in paired comparisons.
40. The choices were explained at length to 500 randomly selected households, and the response rate was 50.5%, which was deemed satisfactory. The researchers then tried to determine the factors underlying the positive or negative responses, and identified as the main factors the household's tax burden, age, education level, disposable income, and an indicator of preferences with respect to heritage.
41. For the first group it was the equivalent of €58, while for the second it was only €8.80.
42. idem, p. 20
43. Information accompanying the questionnaire pointed out that, without renovation, not only would the Medina's physical aspects deteriorate, but its more intangible aspects (traditional crafts, atmosphere) would disappear and the place would lose all its value.

44. [www.ntcicfunds.com](http://www.ntcicfunds.com)
45. *idem*, pp.50-2.
46. *idem*, p.51.
47. Another source of difficulty here is that, while we can measure jobs created, we cannot measure jobs lost.
48. On average, two nights for the first group and three nights for the second. The amount of their daily spending varied with their country of origin. The French/foreign split among tourists was 30%/70%: under the low hypothesis there were 6.3 million foreign tourist overnights and 1.8 million French tourist overnights; and under the high hypothesis, the respective figures were 8.6 million and 2.6 million.
49. Higher spending by Americans and Japanese offsets by far the lower spending of tourists from poor countries.
50. In this particular case, and for the particular year in question, this amount was higher than total government spending on heritage throughout France, and the number of jobs was nearly double that in the publicly assisted hospitals of Paris.
51. Broadway's Economic contribution to N Y C 2002-2003
52. This theatre contributes at two levels to local wealth: direct spin-offs (local spending by visitors and wages paid to employees, which are then converted into local spending), and indirect spin-offs as the initial wave of spending ripples through the economy.
53. In the wake of changes to their unemployment insurance benefits.
54. To these direct effects we could add the economic impact of the "shows" market in Avignon, which attracts French and foreign theatre professionals during the festival.
55. The permanent exhibit displays the history of the French comic strip since 1830, but it also covers other countries, starting with the United States. The most famous comic strip artists are represented, and several archive collections have been compiled, from artists such as Rob Vel and René Bastard. The library has nearly 10,000 reference books and periodicals. In addition, the museum has been designated the legal depository for comic strips, which gives it special status.
56. The Digital Imaging Laboratory (LIN) works in cooperation with industry to train personnel and to develop the use of new technologies, and it now in fact has a major training programme. The Centre supports the LIN by letting it extend its activities over more of the year. The Centre has also negotiated partnerships with universities and research labs, including the *Cité des Sciences* in Paris, with which it is setting up a New Images Interpretation Centre. That centre, which is to open in 2005, will have a museum and an interactive laboratory. While the comic strip aspect has been somewhat downplayed, these institutions in Angoulême have been striving from the beginning to disseminate a digital imaging and multimedia culture to businesses and individuals.
57. The impact of this training activity goes beyond the strictly economic sphere: many of the trainees are from disadvantaged backgrounds and this training helps them make their way into show business and more generally into society.

58. Economic spin-offs are estimated at 625 francs per spectator in 1995. Taking the known average visitor stay of 2.5 days, and the 85,000 tickets sold, we assume a visitor will attend two shows a day, which yields a total of 17,000 (85,000/5) spectators, and total spending of some 10.6 million francs (including ticket sales).
59. The Berlin Festival, the *Berlinade*, is another of the most important international film festivals, drawing 400,000 spectators. Monetary spin-offs for the city are estimated at some €30 million, including €9 million in tax revenues. The spin-offs from this Festival are spread more widely than those from Cannes, in the sense that Berlin is a huge city and is much more of a mass tourism centre than Cannes.
60. For example, in 1997 the Basel Fair was emptied after its first day as visitors flocked to the Venice Biennial, which opened the next day.
61. 20% of visitors to Documenta are foreign, and they generate 98,000 bed-nights.
62. Origet du Cluzeau, Cl. (1998), *Le tourisme culturel*, Paris: PUF, pp.4-6.
63. Viel A. & A. Nivart (2004), "Quand les parcs se font culture", Conférence à l'École Nationale du Patrimoine, Paris: 3 Mars, p.7
64. A good example is the debate over "pollution rights".
65. Colbert (F) – Boisvert (JM) : *Étude de certaines dimensions économiques des activités à caractère culturel : le cas de l'Orchestre symphonique de Montréal, du musée des beaux-arts de Montréal et du festival international de jazz de Montréal*, City of Montréal (CIDEM-Tourism) and Quebec Ministry of Cultural Affairs, May, 1985.
66. Another concept could come into play here as a constraint: that of non-cultural demand for cultural services. Non-heritage businesses may insist that cultural services be offered, because they benefit from the spin-offs. They do not consume these services, but they derive benefits from others' consumption. The entire tourism industry relies on this principle. This demand by businesses has a very original aspect. The prices they are willing to pay will have to rise as cultural consumption rises, producing thereby a positive "quantity-price" relationship that translates into a causality that is the reverse of traditional demand behaviour. A second characteristic is that this demand will only appear beyond a certain threshold of cultural consumption, i.e. at the point where a change in the number of consumers unleashes a positive change in their activity. The problem, of course, is that these businesses will not necessarily make the required investments, and will merely act as stakeholders or pressure groups. As taxpayers, these firms will expect the government or the municipality to find ways to meet cultural needs. Local or national policymakers indeed have a tendency to meet such needs, even if they will recuperate a portion of the investment through taxes. In some cases, these firms will state their demands to the private owners of cultural goods, and may even enter into a partnership with these owners, by pooling services for example. But the most frequent response is to organize pressure groups to lobby government. Seeing themselves as taxpayers, cultural businesses consider they have already paid their dues for such facilities. Moreover, some members of the group may behave as "free riders": they will not reveal any particular preference, since this might increase their expected contribution, but they will hope that others will reveal their preferences and be willing to pay for them.
67. Greffe (2000), *La gestion du patrimoine culturel*, op. cit., pp. 104 and ff.
68. Supporters of this reasoning will invoke heritage sites and museums for two reasons: they are generally permanent in nature, which avoids the problem of temporary consumption; there may be some doubt about the consumption motive, whereas this will be less true in other situations such as attendance at a concert.

69. Caserta S., & A.P. Russo (2002), page 250.
70. Which will spread out from the centre, in contrast to the previous case.
71. Lazzaretti L. (2004), p.39.
72. Deep recesses are made in the base and are then filled with powders; with firing, the vitrified enamel bonds to its base.
73. DRIRE - ARD Limousin « L'industrie en Limousin », 1999.
74. Allia, Jacob Delafon.
75. apd@orac.net.au.
76. Scott A., (2000), p.24
77. Cited in Molotch H., (2003), p.55
78. Barthes R., *Mythologies, 1993, Vintage, London, p.88*
79. Jacobs, Jane (2000), *The Nature of Economies*, New York: Random House, 26.
80. Vicki Torres: "Bold Fashion Statement: Amid Aerospace Decline, L.A. Garment Industry Emerges as a Regional Economic Force", *Los Angeles Times*, March 12, 1995, D-1.
81. Molotch H., op. cit. (2003), p. 176
82. Paul Lienert: "Detroit's Western Front", *California Business*, December 1989, p.38.
83. Molotch H., (2003), p.164
84. Chevrolet Malibu, Pontiac Ventura, Chrysler Cordoba, Buick Riviera, etc.
85. In the moviemaking business, the Hollywood majors regularly negotiate partnerships with foreign studios or filming locales, and this may also help later in marketing films. The relationships between the American and the Indian movie industries may be taken as an example: Disney, EMI, Polygram and Sony are increasingly involved with the studios of Bollywood in Bombay (Mumbai), and this makes it easier for them not only to export their products but also to mobilize new creative resources. More generally, we may say that basic centres exist in many countries, reflecting both historic traditions and market size. These centres are increasingly less likely to work alone, and they are quite willing to specialize in providing services to others, thereby putting to work the principles of comparative advantage in certain components of their production.
86. If a firm ventures into markets where it has no personalized relationship with other companies, and intends to conduct only one transaction, it will not be necessary to build this type of configuration. On the other hand, the firm may have an interest in forging more permanent links with other firms that may have the resources needed to launch new projects. As well, they may be a source of new knowledge that can be used to design new products and services. Furthermore, this permanent relationship can lead to the development of trust which, in turn, will help to reduce transaction costs.

87. This trust also serves as a lubricant and can facilitate dealings that may not be strictly reciprocal at a given point in time.
88. It is no longer a question of tinkering with some element of the production process, but rather of immediately changing certain characteristics of products and of factors.
89. In the first case, shareholders must be created, in the second case, stakeholders. In the first case, the accumulated trust between a limited number of partners will act as an unrecoverable cost, while in the second case, there must be above all the solid social recognition among all the firms.
90. We may distinguish two types of clusters: those that involve activities implying an existing division of labour in producing cultural goods (e.g. concept and design, which are concentrated in major centres), and those that flow more directly from a craft, where there is less if any division of labour (found typically in smaller cities and especially in rural areas).
91. At once ancient and recently “re-created”, Babelsberg, near Berlin, offers an example of a cultural district created largely by private initiative. The idea was not so much to create a district as a cluster of skills and activities at a site that once played a key role in moviemaking but that, in the wake of German reunification, found itself stranded. The site was initially renovated by French investors who rebuilt the infrastructure, studio access roads and artists’ housing, and set up IT networks. At this point the High Tech Babelsberg centre was set up, in recognition of the growing importance of the new audiovisual production technologies for “special effects”, soundtracks, editing etc. Since these activities are typically spread among small, independent firms, the principle is to provide a logical platform joined by broadband networks so that all firms can be interlinked through their computers. 300 jobs have already been created, and a thousand are expected. The centre does not exclude the big firms by any means: in fact, they can find there the resources that they are unwilling or unable to provide themselves. Finally, the centre is running training programs and creating an atmosphere that fosters the dissemination of new skills, even ones that have yet to be identified by training institutes or certification programs.
92. Rockwood in Cincinnati systematically publishes articles in the local and national press.
93. Florida R. (2002), p. 64.
94. *idem*, p.67.
95. *idem*, p. 66.
96. [www.creativeclass.org](http://www.creativeclass.org)
97. A good example of this phenomenon can be seen in the history of the Faubourg Saint-Antoine in Paris, which had been a centre of European cabinetry since the 17th century. Hausmann’s grand reshaping of the city in the 19th century scattered the district’s trades and its artisans gradually lost contact with their clientele, who tended to patronize the merchants. Over time, the organization of the craft shifted from one where independent cabinetmakers made and sold their own articles to one where they were essentially suppliers to the merchants, a shift that was accelerated by competition among the merchants. The change in the district’s layout disrupted and ultimately dissolved the Faubourg’s close-knit cabinet-making community, as its numbers declined and the cohesion bred of its self-sufficiency was undermined. In this way, projects to maintain these activities in city cores often pose issues that go beyond land-use aspects and can transform the very nature of the activity concerned.

98. The craftsman will retain the exclusive right to this model, which he can then reproduce for other clients, all the while keeping its distribution limited. But technological changes and a shifting commercial environment will tend to reduce the creative part of his work, and the technical quality of execution will gradually come to prevail over artistic creativity.
99. Artisans used to take just as many pains in their restoration work as they would in making their own piece of furniture. One of the goals of traditional restoration was to retain the normal use of the article. It had to be solid, and a broken leg would often be replaced for fear that the glue might not hold. Making the restoration durable, in fact, was the criterion for selecting materials and glues. A “good product” had to last as long as possible, and glues were expected to be hyper-resistant and virtually indestructible. With this approach, once an item was glued together it would never fall apart and it could not be taken apart. The frame of mind of the traditional craftsman was perfectly reflected in his know-how, in the attention he paid to the solidity of the furniture, and in his use of irreversible glues. Sometimes his efforts would save a piece of furniture from total destruction. Unfortunately, this approach to restoration takes a little account of the article itself: technique is more important than the object. The article must bend to the technical imperatives of the cabinetmaker, and not the other way round. Traditional finishing operations are good example. In order to produce a hand-rubbed varnish according to the tradition and rules of the art, the restorer had first to make the surface perfectly flat — any unevenness in the veneer was unacceptable and this often called for vigorous sanding. The veneer was thus reduced to the thickness of a sheet of cigarette paper, and might even be worn right through, all for the sake of the precious hand-rubbed finish.
100. In the Faubourg Saint-Antoine, the restorers are now taking a new approach to their trade: whether the restoration involves a light touch-up or a complete overhaul, it will be done in full respect of the integrity of the piece and its history. Scraping and sanding are no longer allowed. Because any remaining slight unevenness in the veneer is now tolerated, the traditional hand-rubbed varnish is not normally applied. The finish will be less brilliant and less thick, and the effect will be that of a matte finish, waxed or wax-filled. Beyond these questions of craft technique and practice, there is also a new frame of mind. Furniture is no longer considered as just a utilitarian and decorative object but also as a work of art, a witness to its time, a living work, and it must be preserved both in its authenticity and in the hallmarks of its usage.
101. Firms in Lorraine or in Limoges, which export more than 40% of their output, have had to establish their own marketing channels, at least initially. By way of illustration, Baccarat has always sought international markets to avoid the hazards inherent in having all its activities tied up in a single territory. Thus between 1992 and 2000 the number of its retail stores rose from 4 to 47. The most recent ones were opened in India, China, the Middle East and the United States. Today, Baccarat has a presence in 85 countries, and exports account for 80% of its sales.
102. In the glass and crystal industry, the work force focuses primarily on productive know-how and knows relatively little about technological trends. The particular feature of training in this industry is that it resembles “on-the-job apprenticeship”, and it has always been this way in the traditional crystal works. Training must be seen, then, as a means of passing on know-how, while taking due account of the largely implicit knowledge, which by definition is hard to formalize and communicate. On the other hand, apart from this on-the-job apprenticeship, holding a CAP-type diploma is a key asset, recognizing that any person who has taken initial training can be put to work faster than someone who has not done so.
103. In 1995 the Leonardo da Vinci Program was launched with the support of the European Commission. Drawing on a network of 70 European firms, CERFAV takes in 150 apprentices every year from participating countries and trains them in the glassmaking arts, in an effort to fill the shortage of skilled

workers in the industry. The program also allows CERFAV to bring in foreign instructors who can contribute know-how and innovations to the local industry. As well, thanks to this program, the Centre can now award European grants to apprentice glassmakers as an incentive to enter and pursue this vocation.

104. Epinal has developed high-quality training programs to preserve the long tradition of its particular form of popular art. The Municipal School of Fine Arts and Printing was created in 1996 to provide specialized training in the graphic arts and to meet the printing industry's need for skilled workers. In 1999 severe financial problems, due in part to the cost of new technical equipment, threatened to shut down the school. But the school reformed itself and became the *Ecole Supérieure d'Art d'Epinal - Ecole de l'Image*. The Epinal context has led it to specialize in the theory and practice of signs and images, and in relating image and text for communication purposes, in the fields of graphics, illustrations and multimedia. More recently, creation of a Master (advanced scientific studies diploma) in digital imaging with the universities of Nancy has reinforced this approach. The training is vocationally oriented and prepares its graduates to join production teams (cinema, audiovisual, press and printing, Web site or CD-ROM/CD-I/DVD) or to do professional digital imaging work in such fields as medicine, geography, meteorology or agriculture.
105. [www.nzte.govt.nz](http://www.nzte.govt.nz)
106. « Stimulating local Clusters – The local growth engines », (1998), Australian and New Zealand Regional Science Association Journal
107. <http://quarter.members.beeb.net>
108. Pollard G.S. (2004), op. cit., p.190.
109. Training has gone from a classical approach to a more sociological one.
110. <http://www.ciq.org.uk>
111. The city's textile tradition goes back to 1469, when Charles the Bold granted Pierre de Roubaix the "Drapers' Charter", giving its citizens the right to manufacture and sell cloth. This charter was the starting point for the city's subsequent economic growth
112. Moomas H. (2004), p.528.
113. The *Pelourinho* (named for the "pillory" that stood in the main square of colonial Brazilian towns and was used for the public punishment of slaves) was an old quarter of Salvador. Today the term refers to the entire historic centre of the city (the quarters of Pelourinho, Maciel and Terreiro do Jesus), covering some 800 hectares.
114. The upper town, now the historic centre, was home to royal officials and the well-to-do, but it also housed a large black population composed of freed slaves, crowded into hovels called *cortiços*.
115. Serge Viau, Director of Urban Development for Quebec City, was quoted by Nancy Bouché as denouncing this policy at a conference on urban tourism, in these terms: "You have restored old façades, eliminated jarring or anachronistic intrusions, and re-created a formal and contrived harmony that projects more image than reality. Heritage is not just stone and marble, and especially not pulpboard and fibreglass. It is much more than the container, for it is the content that makes it breath, it is urban life in all its manifestations and complexities that makes it live and evolve."

116. de Filgueiras Gomes M.A. (1999) *Au cœur de Bahia: le Pelourinho, histoire et défi contemporains, Tout pour plaire Multimédia*, Paris, p.12
117. The resultant report suggested that some 18,058 direct jobs and 14,446 indirect jobs were attributable to the cultural sector, which had an estimated turnover from direct jobs of £627 million.
118. Venturelli C. (2003), « From the information economy to the creative economy », *Centre for Arts and Culture*, [www.culturalpolicy.org](http://www.culturalpolicy.org).
119. Conference on The Role of the creative industries in local and regional development, Alfred McAlpine Stadium, Huddersfield, UK, 12 February 1999.
120. Culture and Creativity: The Next ten Years, London: Department of Culture media and sport, London. [culture.creativity@culture.gov.uk](mailto:culture.creativity@culture.gov.uk)
121. Santagata, W., Moreno Yasmin Jalil & Arif Tabassum (2004), "Material Cultural Heritage, Cultural Diversity and Sustainable Development", ACEI 13th International Conference on Cultural Economics, June 3,4 & 5 2004.
122. Myerscough, J. (1988), *The Economic Importance of Arts in Britain*, London: Policies Study Institute, p. 88 and ff.
123. Fletcher, J. (1989), "Input-Output Analysis and Tourism Impact Studies", *Annals of Tourism Research*, 16(4), pp.514-529.

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