

Arts Entrepreneurship and Economic Development: Can Every City be “Austintatious”?

By Ronnie J. Phillips

Contents

1 What is Arts Entrepreneurship?	244
1.1 Defining Creative Industries	248
1.2 The Impact of the Creative Industries	251
1.3 Defining the Creative Economy	256
1.4 Arts Entrepreneurship	257
1.5 Geography and Arts Entrepreneurship	260
1.6 Are the Arts “Special”?	261
2 What are the Characteristics of Art Entrepreneurs?	264
2.1 Exploited Workers or Budding Entrepreneurs?	269
3 What are the Best-Practice Strategies for Cities Promoting Arts Entrepreneurship?	271
3.1 Defining a Creative City	271
3.2 Problems of the Creative City	273
3.3 Creative Workforce to Creative City?	275
3.4 Case Studies of Creative Cities	277
3.5 What have We Learned?	286

4	What is the Proper Role of Government in Promoting Arts Entrepreneurship?	288
5	Can Education and Training Increase Arts Entrepreneurship?	293
6	What is the Future of Arts Entrepreneurship?	300
	References	304

Arts Entrepreneurship and Economic Development: Can Every City be “Austintatious”?*

Ronnie J. Phillips

*Senior Fellow, Networks Financial Institute, Indianapolis, Indiana, USA
rphillip@me.com*

Abstract

In the past decade, an increasing number of cities have sought to use the promotion of the arts, and especially arts entrepreneurship, as a path to economic development and revitalization. The work of Richard Florida has been important in contributing to the implementation of these strategies, as has the success of cities such as Austin, Texas in attracting high-tech industries and a creative and diverse populace. The purpose of this survey of the academic literature is to provide a definition of arts entrepreneurship, delineate the characteristics of art entrepreneurs from other types of entrepreneurs, assess the best-practice strategies for cities promoting arts entrepreneurship, examine

*The term “Austintatious” is attributed to Kerry Fitzgerald aka Kerry Awn an art entrepreneur living in Austin, Texas and a founding member of the satirical rock band the Uranium Savages of Austin (USA-709; <http://www.myspace.com/kerryawn>).

the proper role of government versus the private sector in promoting arts entrepreneurship, and to evaluate whether education and training can increase arts entrepreneurship. It concludes with prospects for the future of arts entrepreneurship.

Austin, Texas is viewed by many as an example of the ideal city for the twenty-first century. A highly educated and diverse population, an enviable geographic location, and cultural amenities make Austin a fun place to live and work. Many believe that Austin's vibrant music scene and adoption of the promotional slogan "Live Music Capital of the World" contributed substantially to its success in attracting knowledge-economy entrepreneurs and firms. Though the idea that the arts help improve a city's external image and cultural life has been around for a long time, it was after the publication of Richard Florida's *The Rise of the Creative Class* in 2002 that many city managers, community development activists and arts advocates sought to find in the promotion of the arts the key to local economic development. Florida's thesis about the creative class was about more than just promotion of the arts, however. His thesis was that technology, talent, and tolerance were the keys to a creative city that would help attract entrepreneurs and other members of the "creative class" and thus provide the foundation for economic growth in the knowledge economy of the twenty-first century.

But is it in fact the case that geographic regions with more musicians, more artists, more playwrights, and/or more authors have both higher economic growth as measured by the traditional metrics such as income and employment growth and a higher quality of life as measured by those factors that people find important in their lives? How important are the arts in promoting a creative city and can cities use arts entrepreneurship as a path to a creative city? Is it just the jobs in the arts industries or are there further impacts by attracting creative people?

Though his book was a best seller, and Florida's work was praised from many quarters, it was not without its critics on both the political left and right. The distinguished Harvard regional economist Edward Glaeser, while finding Florida's work interesting, found that using Florida's data the so-called Bohemian or diversity index used by Florida, once you control for human capital, was not a significant statistical factor in explaining the growth of cities (Glaeser, 2005). Glaeser sees Florida's work as a popularization of the idea that human capital is what is critical to economic development which is a mainstream urban development idea. What is in question is whether adding Florida's idea

that the diversity of the population in terms of culture and sexual preference makes an additional contribution to economic development beyond factors like education and training. Though critics on the political left might be sympathetic with Florida's expansion of government and taxation, there would also be a concern about the displacement of those who were living in the communities that are ripe for Florida's prescription for economic development. Further work by Glaeser and others also cast further doubt on aspects of Florida's main thesis (Glaeser and Resseger, 2010; Glaeser, 2009; Glaeser et al., 2009).

The economic development strategy that emerges from Florida's analysis embraces a larger role for government at all levels and this has brought a critique from those who favor more market-oriented policies and a smaller role for government. Malanga (2004) argues that cities that have adopted a strategy of trying to attract diversity as a means of economic development have been led astray by Florida's thesis. The result has often been the use of taxation of business and the general populace in order to promote policies intended to increase diversity and enhance the role of cultural activities. But as Malanga points out, what if such policies are effectively a zero-sum game with respect to employment? Is there really an advantage to having more employment in music venues while employment in other service or industrial sectors decline because of increased taxation? Malanga has characterized Florida's policy recommendations as government directed economic development with a New Age twist.

What is beyond dispute is that Florida's depiction of the rise of the creative class has sparked a debate among academics and policy advocates at the local, state, and national levels. Critique of his work from across the political spectrum has fostered a greater understanding of strategies for economic development and the role of government versus the market in the implementation of a successful strategy. Undoubtedly, it is also the success of cities like Austin in the 1990s that has helped promote the idea that the arts were an important factor in a creative city. This debate has generated an enormous literature in the past decade and the purpose of this survey is to review the academic literature in peer-reviewed journals on arts entrepreneurship seeking

answers to the following questions:

1. What is Arts Entrepreneurship?
2. What are the Characteristics of Art Entrepreneurs?
3. What are the Best-Practice Strategies for Cities Promoting Arts Entrepreneurship?
4. What is the Proper Role of Government in Promoting Arts Entrepreneurship?
5. Can Education and Training Increase Arts Entrepreneurship?
6. What is the Future of Arts Entrepreneurship?

1

What is Arts Entrepreneurship?

The industrial economy in the post-World War Two period became characterized by competition among geographical areas to provide tax incentives to attract industrial companies. New approaches were necessary as it became apparent that the “smokestack chasing” strategy was ultimately a zero-sum game at best when viewed on a national or global basis. In the 1990s, as the old industrial and managerial economy was being replaced by the knowledge and entrepreneurial economy, an academic literature arose about the nature and importance of creativity and its contribution to economic growth and well-being. This corresponded with an increased interest in the role of entrepreneurs and entrepreneurship in creating wealth. The rise of companies like Microsoft, Apple, and Google exemplified this burst of entrepreneurial creation of wealth at the end of the twentieth century (Audretsch, 2007; Nakamura, 2000).

As the second decade of the twenty-first century begins, in virtually all countries in the world, policies have been implemented to actively promote economic development at the local, state/regional, or national level. What has driven the economic development debate in the past two decades is globalization and the rise of the knowledge economy.

Though one could endlessly debate what economic development means, a simple definition would include an improvement in quantitative economic measures such as income and employment and a higher quality of life as measured in broadest terms by how satisfied people are with their everyday lives. The two extremes of a *laissez-faire* approach and a Soviet-style planning model have been rejected and the relevant policy question is how to find the economic development strategy that provides an appropriate balance between private enterprise initiative and an activist role for government in promoting economic development.

Though a wide diversity of strategies for economic development are possible, one way to take advantage of the shift to the knowledge economy and the prominence of the role of creativity that is advocated by many policy makers is promotion of the arts as a means to help establish a new economic foundation for future economic growth. It is the arts industries that many believe attract those creative people in the knowledge-based economy who then through entrepreneurship create new ideas and new things.

In order to delineate the research on arts entrepreneurship to be reviewed in this monograph it is useful to place it within the literature that has emerged in the past two decades on the concepts of creativity, cultural capital, and entrepreneurship. Caves's (2000) influential book *Creative Industries* noted that the study of these industries, in which he includes art, literature, music, film, and the performing arts, has long been ignored by social scientists because these industries do not fit neatly into the neoclassical economic model that is the predominate perspective in economics.

There are a number of reasons why economists have largely ignored the study of these industries. First, the demand for the artist's output is uncertain. For many artistic pursuits, the reaction of the public could vary from wide acclaim to disdain. When the costs of production are very high — movies for example — then the producer's will try to learn as much as possible about the public's taste and preferences. For painters or musicians, such information may be hard to obtain and relatively costly for an individual artist. The problem is not just lack of information which could be overcome with marketing surveys, but really ignorance about how the public might react to the artist's

product. Because of this, Caves notes, the use of the option contract is pervasive in the creative industries. Production of the art proceeds, but during the process of production of the art, new information may determine whether production continues since the contract allows an option to cease production.

Creative workers also care about their product in a way that workers in other industries do not because, for example, the design and marketing of an automobile is not the responsibility of the assembly line worker. However, artists care very deeply about their output because they are interested not only in selling their creation, but also about its technical and artistic achievement and how other artists will respond to it. As Cave observes, the typical artist also has a day job and therefore the amount of effort allocated between artistic creation and a “humdrum” job will vary. Because of this, the artist may put in effort to create the art that exceeds her opportunity costs of income lost at a regular job for which the artist has the skills. Caves calls this property of artistic output “art for art’s sake.”

Yet a third factor is that some art requires diverse skills to produce the desired output. For example, a rock band typically requires a songwriter, a singer, guitar player, drummer, and maybe keyboards. Each of these is necessary to the final product and requires appropriate compensation. This may require a complex contract between the inputs. Though in a rock band, the singer often is the most prominent member of the band, should his compensation be higher than that of the drummer who is usually in the back and seldom seen? Should the songwriter receive a larger share of the band’s income? These are problems in the creative industries that are not present in most other industries.

The recognition that products are differentiated led economists to develop the analysis of the market structure of monopolistic competition. This structure contains elements of competition since economic profits are competed down to zero, but the monopoly elements are present since producers’ choice of price and output can vary. For art with the same price, consumers may find other factors influence their decision about which to purchase such as taste, style, and so on. There can be many factors that affect the quality of a piece of art and thus the number of differentiated products can be very large. Caves calls this the

infinite variety property of art. Because the number of different products can be virtually infinite, this creates a role for an art critic, a disc jockey, or others whose role is to help the consumer evaluate the quality differences in the artistic product. While consumers view the artists differently in unpredictable ways, it is also the case that the skill levels of the artists vary considerably. There are good songwriters and there are great songwriters and this is true for writers, directors, and other artists. Caves labels this the *A List/B List* property of artistic output.

The need for temporal coordination in the performing and creative arts is called the *motley crew* property by Caves. A movie may take five years to make and be very expensive to produce but whether it is a flop at the boxoffice or becomes a classic that will last decades is important to its profitability, but ultimately unknowable during the process of creating the movie. The same is true with songs that may cost the same to produce, but one is on the charts for three weeks and the other is on the charts for ten years. The temporal coordination problem to align costs and revenues Caves refers to as the *time flies* property of artistic production.

Finally, many creative products are durable and when copyrighted have the possibility of collecting royalties over some specified period of time. This durability is the *ars longa* property according to Caves. Songwriters, for example, both license their songs for recordings (mechanical royalties) and collect performance royalties whenever their song is performed in public or played on a radio station and so on.

All of these properties mean that the economic analysis of the creative industries does not fit into a neat formulation by the models of mainstream neoclassical economics. Though mainstream economists' theories postulate that each input involved in the creation of a product will receive a monetary value equal to its contribution and this can be expressed in a very neat mathematical formula, it has little relevance to a rock and roll band whose members jointly produce the output, have differing skills, and who are viewed by the public differently. The art world is quite different from the idealized view of modern economic theory (Caves, 2000, pp. 2–9).

Though Caves's book is important and very influential, in order to understand the concept of creativity it is useful to understand the use

of the term *creative* in three other books released in the past decade that exemplify the evolution of the rising importance of creativity in the modern world: Landry (2000), *The Creative City*; Howkins (2001), *The Creative Economy*; and Florida (2002), *The Rise of the Creative Class*. The different definitions are interrelated, however. Landry's use of the term was a general view that cities need to think creatively about their future. Howkins confined the use of the term creative economy to those sectors which produce intellectual property. Finally, Florida uses a definition that encompasses both the type of job involved in creativity, but also other characteristics of the worker that enable them to be creative. All three uses of the term creative are important in defining the creative industries.

1.1 Defining Creative Industries

The first issue is to define what we mean by creative industries. This may be a more difficult issue to resolve than it appears initially (Taylor, 2009). Though interest in the cultural or creative industries is relatively new among economists, there has long been a recognition by a number of social scientists of the tension between art and artists and society, especially the business or commercial aspects of a market or capitalist economy. Swedberg (2006) notes that in addition to Karl Marx and his later followers such as Theodore Adorno and the Frankfurt School, social scientists who have provided insight into the arts and society are Max Weber, Emile Durkheim, and Georg Simmel.

Swedberg argues that Weber emphasizes the tension between the economic sphere of wages and profits, on the one hand, and the sphere of art that provides existential answers, on the other. One can think of Weber's *The Protestant Ethic and the Spirit of Capitalism* which analyzes the tension between religious values of the community and shared sacrifice with those of a self-interest motivated economic system like capitalism (Weber, 2002). According to Swedberg, Weber believes that art has taken over some of the functions that once fell to religion. Hence, Swedberg states, from this perspective, the creative industries must develop a very special set of organizational mechanisms and procedures to relate the economic institutions of capitalism to the artistic ones.

Emile Durkheim utilizes a similar tension between art and the economy, but for Weber art has the capacity to provide meaning, while for Durkheim art has more to do with emotions. For Durkheim, the creative industries would tend to operate against the values and institutions of society and exploit its *anomie* — the undermining of society's values. What Simmel adds is the concept of design which helps create harmony between art and society, and which Weber and Durkheim ignore.

As Swedberg notes, these sociological analyses tend to put in question the notion of arts entrepreneurship because art and business appear opposed to each other in some way. The economist Mark Blaug believes that cultural entrepreneurs are artists who are also economically entrepreneurial. Swedberg argues, in the spirit of Joseph Schumpeter, that “economic entrepreneurship primarily aims at creating something new (and profitable) in the area of the economy, while cultural entrepreneurship aims at creating something new (and appreciated) in the area of culture” hence the two spheres can be separated (Swedberg, 2006, p. 260).

But what differentiates the artistic sphere from the rest of the economy? What are the artistic or creative industries? A standard approach to defining the creative industries in contemporary society is to use the industrial coding system. Sondermann (2008) notes that in Switzerland the cultural sector is divided into subsectors: public, intermediate, and private with only the latter, which is profit oriented, being considered the “cultural industries.” Within the cultural industries, there are 13 subcategories which, in addition to art, literature, music, film, and the performing arts also include: radio, design, architecture, advertising, software and games, handicrafts, the press, and audiovisual equipment market. Sondermann provides a useful summary of the characteristics of the creative industries in Switzerland based on their industrial classification codes. He discusses the strengths and weaknesses of statistical approaches to defining the creative industries and analyzes the data for Switzerland for the period after 2001.

Moving from a purely empirical definition to a theoretical one, Potts et al. (2008) find that the standard industrial classification approach to defining creative industries is inadequate and propose a market-based definition of creative industries in terms of the extent to which both

demand and supply operate in complex social networks. The creative industries are different because consumer choice does not fit into standard consumer demand theory. Creative Industries are defined in terms of a class of economic choice theory where the predominant fact is that the decisions both to produce and to consume are determined by the choice of others in a social network. Hence, the class of social network choice is the proper definition of the creative industries. This social network-based definition of the creative industries means that they are re-positioned from a lagging to a leading sector. This conceptual change in the nature of creative industries, while interesting and important, requires further theoretical development and empirical application.

Another way to characterize the creative industries that can be used for empirical studies is the “concentric circles model” utilized by Throsby (2008a,b) and others. In this model, cultural goods and services give rise to two types of values: economic and cultural. Those industries in the core are those with the greatest cultural content relative to commercial content and as you move out from the center, the industries have commercial value rises relative to cultural value. Those at the center of the circle are the arts: literature, music, performing arts, and visual arts. The outer ring includes industries that are related such as advertising, architecture, design, and fashion. Throsby finds that this model is useful in analyzing the impact of the cultural industries and applies it to several countries. Figure 1.1 is taken from Throsby (2008b, p. 150).

The concentric circles model helps bring out a seeming contradiction in the discussion of the importance of the arts. Those industries which are viewed as the most important engines of economic development in the knowledge economy are those that in this model have the lowest commercial value relative to cultural value. However, it should be apparent that this is very much in the tradition of the dialectic between art and commerce that the social scientists Marx, Weber, Durkheim, Simmel, and others analyzed. Another way of understanding this tension between art and commerce is to realize that many cities are basing their long-term economic strategies on increasing the number of low-paid musicians and “starving artists.” A Marxist might say that the artist does not reap the full economic value of what he or she creates

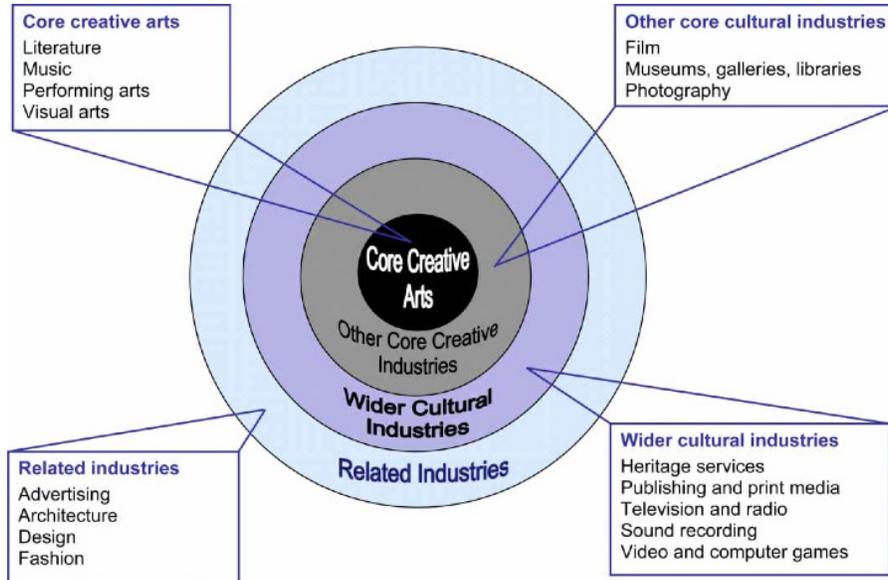


Fig. 1.1 The concentric circles model of the creative industries. (Throsby, 2008b, p. 150).

because creating cultural value generates an economic surplus that is appropriated by others. Not only do the operators of music venues benefit from low wages, the city of Austin, Texas reaps enormous benefit in the form of attracting creative professionals in high-tech firms by having musicians playing for the revenue they can collect in a “tip jar.” This issue will be discussed below in the section on the characteristics of arts entrepreneurs.

1.2 The Impact of the Creative Industries

Those who advocate the arts believe that it promotes economic growth. But what is the process and how is it to be measured? For example, if one measures the impact in number of jobs created directly, then it could be the case that having a cheese factory in your town could create more jobs than having more painters move into your town. What is special about arts entrepreneurship that makes it more desirable than a cheese factory? One group that has long played an important role in promoting and advocating for the arts is Americans for the Arts (2006)

which was founded in 1960. Its Board of Directors include business and community leaders throughout the country. Their publication of *The Arts & Economic Prosperity* is a national economic impact study on the nation's nonprofit arts organizations and their audiences. They also publish *Creative Industries* which uses Dun & Bradstreet data to map and report the number of arts-related businesses and employees in any geographic region or political jurisdiction in the country. There is a consulting staff available for communities and Americans for the Arts also maintain a database where arts policy researchers, advocates, and administrators can access current information on a multitude of topics related to arts policy.

But how are we to understand the process whereby the creative industries impact the economy? Van der Pol (2008) observes that it is generally recognized that creativity and innovation are driving the new knowledge economy. Organizations and regions that embrace creativity generate significantly higher revenue and provide greater stability into the future, according to van der Pol. Increasingly culture and the creative industries are being integrated into the policy agenda of both developed and developing countries. Van der Pol believes that a broader assessment of the economic impact of cultural sectors and products will be key to providing a fuller picture of the real impact of culture.

Potts and Cunningham (2008) provide a summary of four theoretical models which specify how a change in creative industry activity affects aggregate economic activity. These four models lead to different policy recommendations. The models are evaluated with available empirical work to determine the degree to which the evidence supports each of the models.

In the *welfare model*, it is hypothesized that the creative industries have a net negative impact on the aggregate economy because they consume more resources than they produce. This is the type of model implicitly assumed by the Baumol–Bowen cost disease where productivity declines relative to productivity gains in other industries (Baumol and Bowen, 1966). The creative industries are only viable when there is a transfer of resources from the rest of the economy. In the Baumol–Bowen argument, the subsidy comes from the government — meaning the general taxpayer. The reasoning is that the arts provide a benefit

to society that is not quantifiable in terms of economic growth but justified on the basis that the creative industries are welfare enhancing. As the authors note, this is the view of many researchers in the creative industries arena and is not inconsistent with assumptions of rational economic agents. If this model is true, then we should expect to observe in the real world an economically stagnant or low-growth creative sector and one with lower returns on investment and lower incomes.

The second model the authors refer to as the *competitive model* because it follows the standard neoclassical economic assumptions so that the creative industries are not productivity laggards as in the first model. This assumes that the creative industries are nothing special and are indeed “just another industry.” In this model, any policies intended to direct resources to the creative sector will take this from other sectors and hence the marginal benefit of such policies would be zero from a welfare perspective. However, it could still be the case that the creative industries have problems that are different from other sectors. These might include uncertainty of demand, complex labor markets and property rights regimes, information asymmetries, and tendencies toward monopoly among others (Potts and Cunningham, 2008, p. 237). Evidence for this model would be from a comparison of economic indicators for the economy and the creative industries. It is a model in which you would expect a great deal of entrepreneurship and new firm creation, though as the particular creative industry ages, there would be more stability and consolidation such as in film and television.

The third model they term the *growth model* because it postulates that the creative industries have a direct positive impact on economic growth in a way similar to agriculture in the early part of the twentieth century and the industrial sector in the latter part of the twentieth century. The explanation for this could be that there is something about the creative industries that introduces novel ideas into the economy and therefore raises economic growth. This would be the supply-side factor for stimulating growth. On the demand-side, as income grows, there is an increase in demand for goods in the creative industries. Though empirically it may be difficult to separate out the supply and demand factors, this approach assumes that there is in fact something

special about the creative industries in stimulating economic growth. The creative industries are the drivers of growth in the economy. This is the model assumed by many advocates of the arts when prescribing policies to promote the creative industries. If this model is true, there is a clear case for redirecting resources to the creative industries. This model is the opposite of the first model which assumes the creative industries are a drag on economic growth.

The final model the authors term the *innovation model*. This moves beyond the usual characterization of cultural industries and instead views them as “an element of the innovation system of the whole economy” (Potts and Cunningham, 2008, p. 238). This perspective is based on a the Schumpeterian tradition of innovation and rejects the starting point of the first three models which seek to find a direct relationship between the creative industries and economic growth. The innovation model is based on a new conceptualization of the creative industries as a higher-order system that operates on the economic system. In this view, the creative industries originate and coordinate change in the knowledge-based economy in a way similar to how science, education, and technology impact society and places creative industry policy at a level of equal importance. Hence, the creative industries are a kind of industrial entrepreneurship operating on the consumer side of the economy and is an evolutionary model of the creative industries as discussed by Potts et al. (2008) and Potts (2009). Potts and Cunningham offer tentative empirical support for models three and four: growth and innovation. For the future, they expect these two models to be important because of rising affluence, the rise in human capital, the growth in information technology and globalization. They believe these models also imply a greater commitment of public funds for the creative industries.

Sacco and Segre (2009) present the outlines of a new theoretical model of endogenous growth along the lines of the innovation model which focuses on the importance of cultural investment that moves beyond the “black box” mechanism presumed by most cultural-led development strategies. Assuming that consumers are competent to pay for the creative component of a given commodity, and part of the consumers are made up of creative workers, then firms hiring those

workers will take advantage of the creative skills to create better creative goods and services. The firms will thus have an incentive to invest in increasing its creative assets, and will expect a high rate of return on this investment (relative to other investments). In turn, this will result in a menu of cultural opportunities and an increase in the stock of cultural, symbolic, and identity capital. The virtuous circle consists of a relationship between the demand for cultural and creative goods and the corresponding supply, which, by increasing creative choice opportunities, further boosts creative demand.

Writing before Potts and Cunningham, but in a similar vein, Throsby (2004) addresses directly the issue of how “impact” is used in the analysis of artistic or cultural phenomena. Obviously, the direct economic impact is one measure, both one-way (direct job creation for example) and interactive relationships between the arts and other sectors. This type of analysis is amenable to computable general equilibrium (CGE) models. This much broader sense relates to the economic effects of whole industries or groups of firms or institutions in the cultural sector, rather than to a single project. This approach, Throsby notes, enables a clearer understanding of how the cultural industries work and contribute to the overall economy.

Beyond these economic transactions, Throsby states there are also a set of *cultural* transactions. As an example, when artists engage with dealers or consumers who evaluate the quality of their artistic work, these are cultural transactions. Similar cultural transactions occur between the various stakeholder groups involved. In a way similar to the matrix of economic transactions relationships, there is also, in principle, a matrix showing the flows of cultural value resulting from cultural engagements and exchanges within a particular artistic industry and between the industry and the rest of the outside world. To the economic world, there is a shadow economy involving cultural transactions. This is important because the quality evaluations in the shadow cultural economy impact prices in the economic realm. Though many transactions will have both a cultural and economic aspect, when an artist buys supplies, that is purely an economic impact. Similarly, when a person views artworks for free at a museum, that is a purely cultural transaction. Throsby applies this model using data from an unpublished

study to measure these impacts, but further refinement is necessary. The important contribution is the recognition that using a standard CGE model would likely underestimate the economic impact of cultural transactions on the economy.

1.3 Defining the Creative Economy

The difficulty in defining the creative economy is related to the problem of defining the creative industries. Howkins defines the *creative economy* as those industries in the economy that produce intellectual property. He lists 15 core industries in this creative economy: Research and Development, publishing, software, TV and Radio, design, music, film, toys and games, advertising, architecture, performing arts, crafts, video games, fashion, and art. Florida's use of the term *creative class* includes many of the workers in Howkins's creative economy: scientists, engineers, entertainers, actors, poets, novelists, designers, and architects. However, Florida includes university professors and the thought leadership of modern society: nonfiction writers, editors, cultural figures, think-tank researchers, analysts, and other opinion makers. All of the preceding workers are in what Florida calls the *Super Creative Core* of the modern economy. Beyond this core group Florida's creative class also includes "creative professionals" who work in a wide range of knowledge-intensive industries such as high-tech sectors, financial services, the legal and health care professionals and business management. Basically, those individuals who engage in creative problem solving (Florida, 2002, p. 69).

Markusen et al. (2008) seek to clarify definitions of the creative economy and the cultural economy and begin with two ways of conceptualizing creative workers: those who are employed in cultural industries and those belonging to cultural occupations. Cultural industries employ many workers who are not involved with creative tasks and cultural occupations include many cultural workers who are self-employed rather than in a particular industry. The occupational approach is appropriate for analyzing workforce development aspects of the cultural economy and how they are linked to entrepreneurship and new firm formation, they argue. A better understanding of creativity in a

region is acquired by using the data at a regional and national scale from both the industry and occupational approaches. The results of their study find that estimates of employment in the cultural industries vary considerably in the regions they analyze depending upon the approach. Using the occupational approach, they find that some cultural industries would include some sectors, such as religious institutions and scientific services that are included in existing definitions. These definitions and measure of the cultural economy are important because of differing agendas of arts advocates, local and state economic developers, cultural training institutions, city planners, and others. In order to be able to evaluate whether particular strategies followed at various geographical levels are successful requires a clear understanding of the definition of the cultural economy.

1.4 Arts Entrepreneurship

In the present review of the research on arts entrepreneurship, I include those in Florida's Super Creative Core who are in Caves's definition of *creative industries*: music, film, performing arts, publishing, and art. What is produced in these five industries Throsby calls *cultural capital* which he defines as the stock of cultural value embodied in an asset. Cultural values can be thought of in a functional sense as that produced by the cultural industries or as the constituent set of attitudes, practices, and beliefs that are fundamental to the functioning of different societies (Throsby, 2003). *Tangible* cultural capital assets exist in buildings, structures, sites, and locations endowed with cultural significance (commonly called "cultural heritage") and artworks and artifacts existing as private goods, such as paintings, sculptures, and other objects. *Intangible* cultural capital comprises the set of ideas, practices, beliefs, traditions, and values which serve to identify and bind together a given group of people (Throsby, 1999, pp. 6–7; (1995), p. 202).

The final term that must be defined is *entrepreneurship*. There is a long history of the use of term entrepreneurship in the economic literature (Hébert and Link, 2009). In their review of the history of entrepreneurship, Hébert and Link find at least 12 identities to the entrepreneur (Hébert and Link, 2009, p. xviii). Those that apply to

artists are: risk taking associated with uncertainty, innovator, decision-maker, and an organizer and coordinator of economic resources. Artists may also be an owner and employer, but that is secondary to the artist entrepreneur.

The twentieth century economist associated with the analysis of the entrepreneur is Joseph Schumpeter. Though Schumpeter mostly wrote about entrepreneurs in the non-creative sector, Swedberg (2006) examines the first German edition of Schumpeter's *Theorie der wirtschaftlichen Entwicklung* published in 1911 which differs substantially from the second edition of this book which was translated into English after Schumpeter had become a tenured professor at Harvard. The first edition is important, Swedberg argues, because it sets forth Schumpeter's views on cultural entrepreneurship. In this edition, Schumpeter rejects the notion of dynamic equilibrium in economics and suggests that all areas of human affairs can be analyzed from the perspective of the static individual versus the entrepreneur and this includes art. But Schumpeter's idea is little more than an intriguing suggestion which Swedberg summarizes as:

the economic entrepreneur who works in the creative industries can, for example, be conceptualized as someone who makes combinations, where art is one of the elements in the entrepreneurial combination. Or the artist who is interested in economic success may be conceptualized as someone who tries to link up his or her work with other elements in some combination that works (Swedberg, 2006, p. 249).

For Swedberg, it is the element of combining things in a novel manner than is at the very heart of cultural entrepreneurship (and entrepreneurship in general) (Swedberg, 2006, p. 260).

However, the study of entrepreneurs and entrepreneurship was neglected for much of the post-World War Two period which saw the rise of what John Kenneth Galbraith termed "The New Industrial State" (Galbraith, 1967) whose workers were characterized by William Whyte as "The Organization Man" (Whyte, 1956). The rise and fall

of this managerial economy and its replacement by what Audretsch (2007) calls “The Entrepreneurial Society” have been discussed by many writers.

In addition to Schumpeter (1942), the modern use of the term entrepreneurship is also closely associated with the work of the University of Chicago economist Frank Knight (1921). For Knight, profits in a capitalist economy are a reward for taking a risk which is nonquantifiable. In other words, what characterizes the economy is fundamental uncertainty about the future. Those who undertake these risks in business in light of this uncertainty are *entrepreneurs*. For Schumpeter, the essence of capitalism was a process of *creative destruction* — incessantly revolutionizing the economic structure from within by destroying the old and creating the new — something that had not previously existed. The agent of creative destruction was the entrepreneur. Together, the process of undertaking unquantifiable risks and creating something new is called *entrepreneurship*. We can now bring together the understanding of creativity, cultural capital, and entrepreneurship to delineate the literature to be surveyed: *arts entrepreneurship* refers to the process whereby tangible cultural capital is created.

However, it is clear from Caves’s discussion of the “art for art’s sake” principle that the behavior of art entrepreneurs may be very different from entrepreneurs in other areas. In most industries, businesses are started by individuals who have developed a skill set in a particular area and then they ask themselves whether they could earn a larger income by continuing to work for someone else for wages or by going into business for themselves and earning profits. What creates a problem for art entrepreneurs in making such a decision about working for others or working for themselves is that working for someone else usually involves working in some other industry — the day job — instead of creating art. Economic theory would suggest that deciding to be an art entrepreneur when you could earn more working at Wal-Mart would be an irrational decision since it involves accepting a lower income. Caves’s analysis implies that there is something special about work in the arts that leads artist to make such a seemingly “irrational” decision. As we will see in the discussion to follow, it is not unusual for art entrepreneurs

to work a day job and still devote time to their art that would be the equivalent of working a full-time job in another industry.

1.5 Geography and Arts Entrepreneurship

Not surprisingly, much of the literature on arts entrepreneurship has focused on cities and the role local government plays in promoting arts entrepreneurship. However, government has also been involved at the regional, state, or national level. Charles Landry began to use the term *creative city* in the late 1980s as an approach to confronting the myriad of social and economic problems confronting urban areas. It was a call to think creatively in solving these problems. However, perhaps in part due to the work of Florida on cities and the creative class, the term has more narrowly referred to policies to promote the arts. Indeed, the thesis put forward by Richard Florida that creative people are attracted to cities that foster creativity has led to a cottage industry in pursuing strategies for cities both small and large (Florida, 2002, 2005a,b, 2008). The focus on cities as the fundamental geographic unit for creativity undoubtedly owes much to the pioneering work of Jane Jacobs on the decline and revitalization of cities. Jacobs viewed cities as the key economic unit in the creation of the wealth of nations (Jacobs, 1969, 1984).

Scott (2006) develops a theory of why geography is important to entrepreneurship. For Scott, the notion of a “creative field” is defined as “all those instances of economic effort and organization whose spatial and locational attributes, at whatever scale they may occur, promote development- and growth-inducing change.” (p. 3) Though creative destruction is a central element of the competitive dynamic of capitalism, the creative field at the urban and regional scale is of special interest and significance, Scott argues, because it functions as a site of (a) entrepreneurial behavior and new firm formation, (b) technical and organizational change, and (c) the symbolic elaboration and re-elaboration of cultural products. Geography, in other words, is not simply a passive frame of reference, but an active ingredient in economic development and growth. Scott concludes that “the creative field in all its manifestations can never be adequately grasped as a function of a set

of “independent variables,” but only in terms of structures of direct and indirect interdependence that play out in many different ways in different geographical and historical circumstances.” (p. 17) Scott (2008) further develops the arguments about the importance of the creative field.

Scott (2004) reviews the evolution of local economic development policy. He begins with the first generation policies that focused on place marketing and related initiatives and the second generation policies that emphasized local cultural-product industries. On the basis of a critical examination and classification of these policies he offers local economic policy options focused on the cultural-product industries. He gives contrasting examples from major global cities that were once manufacturing towns. Because the world is becoming more and more cosmopolitan and eclectic in its modes of cultural consumption, Scott argues that the growth and spread of localized production agglomerations based on cultural-products industries are leading to greater diversity at the global level and not to cultural uniformity. Even old and economically depressed areas have the opportunity to turn around their fortunes through well-planned cultural initiatives because of this growth in global cultural diversity.

1.6 Are the Arts “Special”?

There is a long tradition among academics that views the arts as a “special” industry. This can be summed up as the view that there is something about the production of everyday goods and services in a capitalist economy as that which is necessary to sustain life on the very basic level of providing food, shelter, and clothing. However, the arts do not contribute to providing the basic sustenance of life. It is for this reason that some Marxist writers have contended that art is inherently antagonistic to capitalism and for others it is what makes the arts special because they are not providing food, clothing, or shelter. This is what complicates the debates over arts entrepreneurship and its role in the capitalist economy. Do the arts do something more than just create jobs and material wealth and do they contribute to a characterization of human life as something more than just a struggle for sustenance?

Another way of viewing this is to say that in the struggle for food, shelter and clothing, humanity is motivated by profits and self-interest. However, when it comes to music and the arts, this is not the case. The arts represent a development of humanity that moves beyond the base desires to consume and produce goods and instead to create something at a “higher” level.

The fact that the arts are treated as “special” leads Taylor (2006) to raise an important issue about research on creative industry policy making and that is whether current research on the topic is disproportionately determined by the demand for evidence for advocacy purposes. By advocacy he means practices of sector representatives to raise awareness of their sector within policy and decision-making apparatuses. In Taylor’s view, there needs to be a proper distinction made between cultural policy and economic development objectives with respect to economic development strategies. In brief, the arguments for the creative industries by advocates may distort regional development policy. Is it really the case that arts entrepreneurship is better in terms of economic impact than a cheese factory? Taylor argues that standards must be met to assure that research is objective. He identifies key issues in developing strategies for evidence-based policy. These are:

- (1) What research designs are appropriate for specific research questions, and what are the methodological characteristics of robust research?
- (2) What is an appropriate balance between new primary research and the exploitation of existing research through secondary analysis?
- (3) How can the need for rigor be balanced with the need for timely findings of practical relevance?
- (4) What approaches can be used to identify gaps in current knowledge provision, and how should such gaps be prioritized?
- (5) How should research be commissioned (and subsequently managed) to fill identified gaps in knowledge?
- (6) How can research capacity be developed to allow a rapid increase in the availability of research-based information?

- (7) How are the tensions to be managed between the desirability of “independent” researchers free from the more overt forms of political contamination, and the need for close cooperation (bordering on dependence) between research users and research providers?
- (8) How should research findings be communicated and, more importantly, how can research users be engaged with the research production process to ensure more ready application of its findings?

Source: Nutley et al. (2002)

Finally, it should be noted that there is another sense in which the arts may be viewed as special and that is research in music education and music therapy that shows direct links to developing special skills, improving health, emotional well-being, and so on through engagement in the arts (see <http://www.musica.uci.edu>). The Walker George documentary “Young@Heart,” about a choral group whose average age is 80 and who perform songs such as punk classics like “Should I Stay or Should I Go” by the Clash or “I Wanna Be Sedated” by the Ramones, provides evidence that the arts add something non-tangible, but real and important to the human experience. Whether Marxist or free-market advocate, there is widespread agreement that the arts are indeed “special” and a worthy focus of research in the social sciences. The degree of their impact and their importance in economic development are subject to great debate, however.

2

What are the Characteristics of Art Entrepreneurs?

Given the view of the cultural industries as in some sense being in conflict with capitalism or something different from other industries in a capitalist economy, it is understandable that the view of arts entrepreneurs embodies these same conflicting views. Whether one is a Marxist or a free market, pro-capitalist advocate, both can agree that contemporary society is divided into two groups that are often viewed as different classes by social scientists. These two groups are workers and capitalists. From a pro-capitalist, neoclassical economist perspective the capitalists are those who are willing to take risks and in doing so use knowledge and technology to employ physical capital and labor. Workers are those who wish to avoid risks and have greater certainty of their income stream. From the Marxist perspective, the source of profits for the capitalist is the exploitation of labor. This occurs, in simplest terms, because the capitalist needs only pay the worker what is necessary for the worker's subsistence, but the worker creates a value in goods and services produced that is the source of the capitalist's profits. Though it is not necessary to enter into a lengthy discussion of these differing views, they are important because these two views show up in the studies about the nature of arts entrepreneurship. In essence,

are artists risk-taking entrepreneurs or exploited workers? What is very clear from the literature about the nature of arts entrepreneurship that is missing in both the neoclassical and Marxists perspectives is that art entrepreneurs are rarely driven solely by the desire for profits. What drives them is innovation and creativity.

The National Endowment for the Arts regularly publishes research on the workforce in the cultural industries. Their most recent report (National Endowment for the Arts, 2008) provides an overview of the characteristics of those involved in the creative industries. As of 2005, nearly two million Americans are classified as artists, which is about 1.4 percent of the workforce. Though the artists are found in all geographic areas, about half of all artists live in 30 metropolitan areas with more than one-fifth of all U.S. artists living in: Los Angeles, New York, Chicago, Washington, DC, and Boston. With regard to educational levels, artists are twice as likely as the overall labor force to have graduated from college with about 55 percent with college degrees as of 2005. While less than 10 percent of the total workforce is self-employed, nearly one-third of artists are self-employed. Though educational levels are higher, incomes are often lower than non-creative sector workers. Artists earn \$6,000 less annually than other “professional” workers while dancers have the lowest median annual income — \$15,000. One of the reasons for the lower income is that more artists are in the nonprofit sector. For example, 40 percent of all musicians work in the nonprofit sector — far more than any other artist group. Artists are also less likely to be employed full-time. One-third of all artists work fewer than 50 weeks a year and 28 percent of artists work for less than 35 hours a week. Perhaps not surprisingly, actors have the lowest level of full-year, full-time employment — 15 percent. The fact that creative workers differ dramatically from other workers in many regards also means that their incentives and behavior toward work may be quite different from those who are not artists.

Numerous researchers have argued that artists do not fit the labor supply model of conventional economics because the work/leisure tradeoff and the disutility of work do not appear to apply to artists. Throsby depicts the artists’ work choices as a two-stage process. The first is related to the artists’ decision to allocate total working time

among a pure creative market for their art or music, an arts-related area such as teaching, and a non-arts-related market which helps support the creative work and the second stage the decision within creative work of the specific form of artistic practice to undertake (Throsby, 2007, 395–396). In an earlier study of Australian artists, Throsby and Hollister (2003) found that only 41 percent of artists were able to work for 100 percent of their working time at arts work (creative and arts-related). The other 59 percent who undertook some non-arts work did so out of necessity rather than choice, but most would like to spend more work time at the arts. The factors most frequently mentioned in limiting their creative work were insufficient income from arts or work was not available. The results of the econometric analysis of a survey of Australian artists find the expected results that artists with greater total income from all sources and more human capital (age, education, training, established artists) are more likely to reach their optimal creative work-time level allocation. These characteristics of creative work, though not typical of those who work for an employee, are characteristics of entrepreneurs in general. Few entrepreneurs have the opportunity to work on their innovations because they have their day job as well that is needed for current income.

The fact that many artists are not able to earn their income from their artistic endeavors but instead must keep a “day job” has led some to conclude that there is an oversupply of artists. As Menger (2002) notes, this question has been around for a long time and data from the U.S.A. and Europe confirm that the growth of labor supply in the artistic industries is much greater than that for the economy as a whole. How do you explain this? Frank and Cook (1995) put forward the thesis of the “winner-take-all” market as one explanation because people enter the industry knowing that only a few “superstars” will earn very high incomes while everyone else will earn substantially lower incomes. Frank and Cook argue that such markets lead to increased inequality and are inefficiency since it allocates resources to a low-paid sector instead of the higher wage alternative. Menger (2002) discusses the historical accounts in Europe of the oversupply of painters, writers, and other artists and reviews the data for the U.S.A. and several European countries in recent times. He notes that casual work and self-employment

are the primary work arrangements in the arts (excluding symphonies, operas, and so on). Instead of long-term contracts for employment, artists are hired on a short-term contingent basis — maybe just a few hours in the case of musicians, for example. The fact that long-term contracts are not widespread means that transactions costs are minimized, but it also tends to raise uncertainty about employment for artists.

This also brings out the entrepreneurial aspects of artists' employment. In the face of such uncertainty, it is not only how well one performs for artistic earnings (as a painter, musician, and so on), but also how well one performs the managerial and entrepreneurial functions of being an artist. This leads to the infamous quote "Don't give up your day job" which implies that artists have a portfolio of earning aspects that is both risky (playing in a band) and secure (day job). In doing so, the artists have diversified their risks with respect to earning income.

Self-employment and contingent work may magnify the oversupply of artists but they do not explain why oversupply has been for such a long time a structural trait of artistic worlds. Why do people expend their labor on an activity that has such a low probability of a high reward or fame? One reason is that people do not in fact have the ability to correctly gauge their chances of fame. If they did, they could make better decisions on whether to continue with their artistic pursuits or find another line of work. But there is something obviously different in the pursuit of being a musician versus being a manager at Wal-Mart. As Menger (2002) expresses it: "The fact remains that the non-routine dimension of artistic creative work is the most demanding, the most rewarding and the most acclaimed one, and that which gives it such a great social value." Certainly the market would be improved perhaps if people could learn more quickly about their chances in the arts. One thinks of the tryouts for *American Idol* where a large portion of those trying out are really untalented and need to be told so directly in order for them to make good choices about their future source of income. However, the fact that many of the artistic occupations are a learning-by-doing process, formal training, and screening may not be optimal solutions to finding the best artists. How many actors have formal training and how many learn on the job, for example?

Neff et al. (2005) offer an explanation of what motivates individuals to continue to pursue occupations in the arts where the expected incomes may be low relative to what could be expected in more routine and less creative jobs. Their argument is that entrepreneurial individuals are attracted to “cool” jobs in “hot” industries. The authors gather their information from personal interviews with fashion models and new media workers (Internet dot coms). This entrepreneurial labor is motivated by the cultural quality of cool, creativity, autonomy, self-investment, compulsory networking, portfolio evaluations, international competitions, and foreshortened careers. As an example, to get higher status, but often lower-paying jobs (top fashion magazine), fashion models may give up higher paying jobs (toothpaste commercial). The authors do not view these developments as favorable to the workers. They point out that fashion models and new media workers are now independent entrepreneurs who are bearing risks that in the past were mediated by a firm. Ironically, they find, culturally desirable jobs bring lowered expectations of economic stability. The end results will be that more entrepreneurial investment will have to be made by workers and this will undermine unionization efforts and push for an ever more market-driven, portfolio-based evaluations of workers’ value.

The views expressed above are in essence saying that something other than money is motivating artists. Darmer (2008), after reviewing the various theories about the motivations for entrepreneurs, concludes from his example that entrepreneurs are not driven by profits, but rather by creating a larger experience of entrepreneurship. This includes the risk-taking and ultimately the satisfaction of providing a good or service to other individuals. Allard (2003) proposes two types of entrepreneurs in the online musical industry. The first is the more familiar notion of the broker: one who is driven by the intent of making profits and is able to more efficiently exploit the commercial potential of the Internet and of creativity. But there is another type of entrepreneur who acts intuitively to use and recombine existing resources that are available on the Internet to create new resources and new conditions for further action. Adopting the terminology of Claude Levi Strauss, Allard calls this type of entrepreneur a *bricoleur*. As a case study, he uses Dafydd Iwan, a Welsh-language folk singer who co-founded Wales’

largest record company, Sain Records. Iwan was motivated by his desire to keep the Welsh language and song alive and this political intention also helped generate direct and indirect employment in the city where his record company was founded. Allard cites Turkle's characterization of the bricoleur as someone who approaches "problem-solving by entering into a relationship with their work materials that has more the flavor of a conversation than a monologue" (Turkle, 1995, pp. 51–52). The Internet opens up the possibility for more entrepreneurs of the bricoleur type but the question of property rights remains an important consideration for all involved as music entrepreneurs.

Though it goes beyond the scope of this review, there is no doubt that the development of the Internet has created the possibility that more artists can earn a living through their craft because their audience is potentially much larger. Musicians in particular through the use of Facebook, My Space, and other social networks have been able to expand their audience so that even a niche artist may be able to collect enough revenue through Internet sales to increase the proportion of their income that comes from artistic endeavors and this of course means less time spent at their day jobs. This phenomenon whereby niche artists are able to have larger potential markets has been labeled "The Long Tail" by Anderson (2006). Whether the Internet helps established artists more than new artists is still an open research question.

There are also a number of other case studies of art entrepreneurs and the common element is risk-taking and innovation. In the music industry there are the following: Alexopoulos et al. (2004), Ó Cinnéide and Henry (2007), and McGregor and Gibson (2009). For other industries see: DiMaggio (1986); Eikhof and Haunschild (2006); Jackson and Tomlinson (2009), and Lounsbury and Glynn (2001). For critical views of entrepreneurial labor see Hesmondhalgh and Baker (2010).

2.1 Exploited Workers or Budding Entrepreneurs?

There remains a dilemma in the characterization of artists as entrepreneurs. This implies that they are self-employed and burgeoning capitalists who, from a Marxist perspective, would exploit workers.

Depictions of working conditions and compensation for artists lead some to believe that because of the crucial role that artists play in the economic development process, that they are in fact exploited and not the exploiter. Pang (2009) provides such a Marxist perspective on creative labor. This is a product of the peculiar way in which the creative industries are integrated into the capitalist economy. An entrepreneur who creates a commodity to be sold in the market is a risk-taking businessperson who will take profit or loss on the basis of their innovation. It is also the case that many entrepreneurs must work other jobs as a source of income during the gestation period of creating their new business. Does this constitute an unfair exploitation? Pang argues that for the artist it does. Is a painter an artist entrepreneur taking risk and looking for reward, or a worker producing piecework within a system that undervalues and under rewards the contribution of the painter? This is the heart of the issue.

Lange et al. (2008) address this issue of exploited worker versus entrepreneur by using the term “culturepreneurship” which they state occurs when traditionally separated societal spheres of culture and economy are bridged with the presence of creative industries. These “culturepreneurs” are urban protagonists who possess “the ability to mediate between and interpret the areas of culture and of service provision.” The authors argue that this helps explain the paradox of creativity discussed by DeFillippi et al. (2007). As the authors show for Berlin, the key to the success of the creative industries is the self-governance of culturepreneurs. This will be discussed further in the section on cities below.

3

What are the Best-Practice Strategies for Cities Promoting Arts Entrepreneurship?

Much of the focus on creativity and arts entrepreneurship has been at the geographic level of the city, especially since Florida's work about the creative class and the need for cities to be creative in order to attract those entrepreneurs and creative individuals who are essential for future economic growth and development. Florida emphasized the three T's of creative cities: technology, talent, and tolerance (Florida, 2002). Dolfman et al. (2007) find that in 2006, one of every four creative sector jobs was either in New York City or Los Angeles. This raises a number of important questions. It is possible for other cities to attract creative individuals? Can cities take advantage of globalization to develop successful local economic development strategies? Is there a blueprint for creativity that is applicable to all cities?

3.1 Defining a Creative City

The first thing that is necessary is an understanding of what we mean by creative city. Hospers (2003) notes that, as Sir Peter Hall (1998) demonstrated, the notion of a creative city has been present in every era (also see Hall, 2000). There are four types of creative cities: technological–innovative, cultural–intellectual, cultural–technological,

and technological–organizational cities. The classic example of the technological–innovative city would be Detroit, Michigan in the era of Henry Ford and the early automobile industry. Examples of cultural–intellectual cities would be Athens of classical antiquity — the cradle of democracy — Florence during the Renaissance and in the seventeenth century London (theater) and Paris (painting), Vienna (science and art) and Berlin (theater) in the early twentieth century are prominent examples of cultural-intellectual cities.

Hollywood in the 1920s and Bollywood in Bombay exemplify the cultural–technological cities in recent years. Technology and cultural combine in these cases to create the film industry. There are numerous other examples around the world, Hospers notes, including Manchester, England (New Wave music), Austin, Texas (vibrant live music scene), and Hamburg, Germany (entertainment and new media). Finally, the technological–organizational cities would be those that have found original solutions to the problems stemming from large-scale urban life. Rome in antiquity would be an example of urban innovation (aqueducts), London and Paris rail systems in the nineteenth century, New York City’s skyscrapers around 1900, and so on. In modern times, Hospers would include Baltimore and Philadelphia for their urban regeneration which utilized the private sector and Antwerp’s revitalization of the harbor area, and Paris’s transit system with its integration of tramway, light rail, and bus way.

How does one account for the union of urban creativity in an urban knowledge economy? Hospers believes that in general the factors are concentration, diversity, and instability and a little bit of luck and a positive image to the outside world. However, there is no recipe for cities to follow to become creative in the knowledge economy. As an example, compare the Detroit, Michigan of Henry Ford with the Palo Alto, California of today. One of the most successful creative cities in the knowledge economy has been Austin, Texas. It has become a high-tech mecca because it combines a highly educated population, a wide choice of life styles and a vibrant local music scene. City government did play a role in the 1980s and 1990s by working to recruit companies such as Intel, IBM, and Motorola, but the culture and higher education were crucial factors in the success of the recruiting strategies.

Table 3.1. Mapping the value orientations and means to achieve the creative city in Canada.

Creative City Orientations	Culture-centric	Econo-centric
Creative City Values	Central value = arts, culture, and community well-being, access and inclusion	Central value = urban economic sustainability and well-being through creative initiatives/industries
Definition of creative city	Place of diverse and inclusive arts and culture	Place of economic innovation, creative talent, and creative industries

Source: Smith and Warfield (2008, p. 289).

Smith and Warfield (2008) set forth two conceptually different approaches to creative cities: the culture centric and the econo-centric. The former sees cultural acts benefiting the populace as primary and the economic benefits as secondary. The latter reverses the priorities: economic benefits are seen as the primary benefit of cultural endeavors while the artistic benefits are secondary. They go on to explore the experience of the creative city in Canada within the context of these two value orientations.

The definitions of a creative city are also different, as can be seen in Table 3.1. For the culture-centric, a creative city is a place of diverse and inclusive arts and culture. For the econo-centric orientation the definition is a place of economic innovation, creative talent, and creative industries.

The authors then examine how these two value orientations might work together in the two most commonly used methods for establishing a creative city: creative governance and direct support to creative ventures. Table 3.2 provides a summary of the aspired results, relation to contemporary Canadian urban discourses (governance, quality of life, and so on), and some theorists who espouse each of these two approaches. The authors then examine Vancouver, British Columbia as a case study.

3.2 Problems of the Creative City

Miles (2005) recognizes that since the 1980s, cultural-led redevelopment strategies have been popular for cities, but he questions

Table 3.2. Mapping processes: The means and methods of fostering or creating a creative city in Canada.

Means to achieve the creative city	1. Creative governance	2. Direct support for creative ventures
Aspired result?	<ul style="list-style-type: none"> • Imaginative, transparent, and democratic governance • Inspiring, imaginative, inclusive, attractive, and adaptable cityscapes 	<ul style="list-style-type: none"> • Strong and diverse local arts and culture expressions • Strong creative workforce, industry, networks and connections and competitiveness
Loose relation to contemporary urban discourses	<ul style="list-style-type: none"> • Collaborative governance, city-region and scale politics; social inclusion • Place-making, quality of place/life, urban sustainability 	<ul style="list-style-type: none"> • Social inclusion, diversity, quality of life • Economic clustering, creative class
Sample theorists who have proposed ideas on the processes	<ul style="list-style-type: none"> • Peter Hall, Meric Gertler, Neil Bradford, Patsy Healy, Frank Fischer, Charles Landry, Leonie Sandercock, Jane Jacobs, Ilse Helbrecht 	<ul style="list-style-type: none"> • Nancy Duxbury, Leonie Sandercock, Charles Landry, Ilse Helbrecht, Richard Florida, Meric Gertler, Mario Polese and Richard Stren, Robert Palmer, Peter Hall, Michael Porter

Source: Smith and Warfield (2008, p. 290).

whether “whether advocacy for the cultural industries as general problem-solvers is based on more than vested interest, or may represent a co-option of culture to the agenda of marketisation” (Miles, 2005, p. 890). Though city governments expend resources in revitalizing cities, the incomes of vast majority of artists remain economically marginal.

Atkinson and Easthope (2009) review the efforts by five Australian cities to boost creativity and economic growth. In their analysis, they find four key issues: (1) arts projects and gentrification; (2) housing affordability; (3) revanchist strands to public space management; and (4) relative rates of social investment. Their key point is that despite what advocates say, there are many citizens excluded from the economic development efforts. Some are made better off, of course, but many more are made worse off and this is an important issue to be addressed.

Ley (2003) focuses on the issue of gentrification — where inner-city neighborhoods go from being areas of relative poverty to one of exclusivity and extensive reinvestment. Ley utilizes the work of Bourdieu (1984, 1993) who argues that artists are frequently disdainful of the market system and the commodification of art. Artists are frequently impoverished, yet they are highly educated and though rich in cultural capital, they have limited economic capital. Because of this anti-market perspective, Ley argues, artists tend to look for areas that are not expensive or exclusive, but cheap and relatively unknown. The irony is that gentrification, and with it urban development, is a product of individuals who look askance at money and the luxuries of urban life, but who create an area that others find attractive and this leads to gentrification and generating wealth that the artists despise. This is a contradiction within the creation of cultural cities. Bridge (2006) also uses Bourdieu's cultural capital applied in a neighborhood context which recognizes the differences among neighborhoods within a city and which can generate positive growth.

3.3 Creative Workforce to Creative City?

Gabe (2006) uses a shift-share model to investigate the connection between the growth of creative occupations and the performance of the creative economy across the regions of the U.S.A. Gabe finds that the highest growth rates of the creative workforce occurred in the Rocky Mountain, Southeast, and Southwest regions. His results show that many of the areas with the highest competitive growth rates of creative economy employment from 1999 to 2003 were some of the weakest regions in terms of creative workforce growth during the 1990s. This raises questions about the extent to which jobs follow people in the creative economy. It also suggests that an initial strong presence in the creative economy is not a prerequisite for future growth. Further, with few exceptions, Gabe's results do not suggest that growth in the creative workforce is followed in later years by employment growth from newly locating businesses that employ creative workers. The implications are not that creative regions can be created, but rather areas that

were once “hip” are now “square.” These results also support the views of Markusen.

There are those who question whether creative cities are created on the basis of attracting the creative class. Markusen (2006) argues that reversals of fortune for communities can occur at any time as technology changes and new skills are acquired. When examining the growth of the creative economy, past performance is no guarantee of future results. The heart of Markusen’s (2006) criticism of the idea that creative cities can attract workers is that artists are entrepreneurs and share little in common with other members of Florida’s creative class such as scientists, engineers, managers, and lawyers. Markusen argues that the location of artists is a function of “semiautonomous personal migration decisions, local nurturing of artists in dedicated spaces and organization, and the locus of artist-employing firms.” Artists boost regional growth by providing import-substituting consumption activities for residents and through their direct exports. The contribution of artists to attracting high-tech activity is ambiguous and causality may work in the opposite direction. Instead of creative cities attracting artists, artists are attracted to creative cities. Markusen believes that artists make many positive contributions to the diversity and vitality of cities, but their agendas are not related to neoliberal urban political regimes. Artists can be a political force in urban transformation, but they have little in common with other members of the creative class.

Markusen and Schrock (2006) provide further evidence that artists are not necessarily attracted to the most creative cities. Instead, the authors find that artists create import-substituting entertainment options for regional customers and the artists themselves spend large portions of their own incomes on local arts output. They hypothesize that artists choose a work locale in response to a nurturing artistic and patron community, amenities and a low cost of living. Because direct measurement is not possible, they use data from the PUMS for 1980, 1990, and 2000. They find that artists are distributed in an irregular fashion that is not closely related to either size or growth rates of the cities. Artists, they conclude, are a relatively footloose group that can serve as a target of regional and local economic development policy.

3.4 Case Studies of Creative Cities

There are a number of case studies of creative cities which will be divided into three categories: (1) large, mainly historically industrial cities in the U.S.A. and Europe; (2) Asian cities; and (3) small cities, neighborhoods and arts incubators. Lessons from these case studies will then be drawn in order to provide a guide for other cities considering the strategy of promoting arts entrepreneurship.

3.4.1 U.S.A. and European Cities

Lysgård and Tveiten (2005) write about the experience of the city of Kristiansand, Norway which, in 2002, organized a large foundation as part of its urban policy with an endowment from the sale of energy stock of 1.4 billion kroner or about \$170 million in a city with a population of 75,000. The foundation was named Cultiva from the Latin “cultio” which means to cultivate. The policies are focused regionally and not necessarily conforming to national cultural policies. As the authors note, Cultiva is the principal cultural entrepreneur in the city of Kristiansand.

Bottà (2009) discusses the case of Manchester, England over the period 1976–1997. Creativity in popular music is independent of economic growth and oppositional to any attempt to exploit or utilize it. The geographic area had some place-mythology since it was really the first industrial town. Charles Dickens used it as a location and it inspired Friedrich Engels to write *The Condition of the Working-Class in England in 1845*. The 1970s saw its decline as an industrial city. The rise of punk music in response to the decline of the old industrial England led to concerts by The Sex Pistols in Manchester. The Buzzcocks started their own label. There were not many places to play and not much income being generated for the bands. Then you had one big venue open up. By the early 1990s, they were trying to put things together to create a music scene. Politically, Manchester remained left-wing even in the face of the Thatcher government. It took the city government a long time to recognize what was going on, but now it has seized upon the music scene as the foundation for a new twenty-first century Manchester.

Bayliss (2007) examines Copenhagen, Denmark as a creative city. In Denmark, the interaction of culture, creativity, and city planning have impacted the development of Copenhagen as a creative city. It is an interesting example because both culture and “economic boosterism” have played a part. There is a long tradition in Denmark of urban policy-makers using culture as a means of promoting urban policies. For example, Holstebro, a small town in Jutland, is often credited with inventing the use of culture for re-imaging and development purposes after adopting innovative art forms in the 1960s in order to attract industry and a young, educated labor force.

Copenhagen has benefited from major additions to its cultural and recreational infrastructure such as the Opera House and museums. Also, Amager Strandpark, an artificial beach was built out from the coast to create a lagoon. The use of culture as an agent of economic boosterism has continued and gained additional impetus from the debate about the establishing a creative city. Bayliss believes that this raises two important questions. First, following Peck (2005), the focus on skilled workers leads to gentrification and marginalization for low-skilled intercity residents. There is also the question whether such top-down development strategies will be successful. The key to success is allowing more flexibility in the development process.

In most promotions for a creative city it is taken for granted that government at some level — local, regional or national — will initiate, direct and/or control the strategy to be implemented. As noted above, Lange et al. (2008) discuss the case of Berlin’s creative industries which they argue are characterized by growing culturepreneurship — a new flexible form of work and entrepreneurship within a distinct urban environment. The problem they point is the gap between the need for urban planning and the development of a creative city. In brief, you cannot plan something that is inherently dynamic and innovative. What is required is some self-governance by the “culturepreneurs.”

The authors point out the self-governance involved in CREATE BERLIN — which is an initiative both by and for Berlin Designers is to promote “the creative variety of the Berlin design scene” on a global scale. There are, however, many desirable aspects of Berlin as a creative city. The infrastructure, location, government support, diversity,

and so on make Berlin fertile ground for future development of the creative industries. For example, Berlin is an important city for marketers, managers and other urban professionals worldwide — “place matters” as Florida has continually emphasized. Further, globalization and the knowledge economy base provide opportunities for cities such as Berlin that have a weak industrial base. Creativity is also strongly connected with a lifestyle of freedom, individuality and so on that are part of Berlin’s history.

Rosenfeld and Hornych (2010) examine that Halle an der Saale (Germany) is another old industrial area that has sought to use promotion of the creative industries as a way to rebuild the economy. The city is near Leipzig and has a current population of about 240,000. After the reunification of Germany, many industries in the former East Germany were closed and this included the mining and machine engineering industry in Halle. The case study is interesting because of the unique circumstances and because Halle did not previously have any strong creative industry connections and because this was an explicit attempt by policy makers to change the economy of Halle. There was however potential for culture industry in Halle because it was the birthplace of George Frederic Handel and there was an annual Handel music festival. Thus for a city its size, Halle was above average in cultural activities. The state and local governments decided to build the media industry in Halle at the end of the 1990s. From only 13 media industry startups annually in the period 1990–1998, this increased to 31 startups annually in the period 1999–2004. Media firms included books, newspapers, recorded media, motion pictures, radio and television, and news agency services. These startups were aided with direct subsidies from public funds which were distributed all over East Germany. A division of the German public broadcasting was also established in Halle during this period and this aided the acceleration of startups. Education also contributed with Halle University introducing a Masters in media and communication science and a Masters in online journalism. After an initial period of success, the media industry in Halle has stagnated. The problem is that the industries located in Halle were not dependent upon other products produced in Halle, but rather they imported them from other regions. This is a dilemma whenever a city seeks to

develop an industry that it previously did not have in its economy and agglomerations effects were absent.

Acs and Megyesi (2009) examine Baltimore as a case study of the potential for an old style industrial city to transform itself into an inclusive, diverse and creative economy. Baltimore ranks high as a creative city as measured by Florida's three T's of technology, talent, and tolerance, and due to its close proximity to Washington, DC also scores high on a fourth T, territory. The fact that Baltimore has a harbor with access to the Atlantic Ocean through the Chesapeake Bay is a desirable geographical feature. Baltimore is compared with other cities with a similar industrial history: Chicago, Cleveland, Detroit, Milwaukee, Philadelphia, St. Louis and Pittsburgh and ranks first on the creativity index which combines the talent, tolerance and technology indices. Housing affordability could help attract the creative class. All of these add up to the potential for a great turnaround.

3.4.2 Asian Cities

Using the creative industries to promote economic development has also been found in a number of Asian countries. Hui (2007) provides an overview of the creative industries in east and southeast Asia. The financial crisis was an important event prompting a reevaluation of the development strategies for many of the countries in east and southeast Asia.

According to Yue (2006) Singapore undertook a four-part strategy in its quest to be a creative city. The first policy between 1996 and 2003 was the "New Asia Singapore", cultural tourist campaign that was endorsed by the state-owned Singapore Tourism Board. The next policy — Media Restructuring 2000 was a media restructure introduced in a move to assure that every household in Singapore was provided with an Internet address by the government. The third policy was the Renaissance City agenda which was to create Singapore as a global arts city by encouraging collaboration between the government, the private sector, the arts community, and the individual citizen.

Hing (2008) also argues that the arts have played a crucial role in the emergence of Singapore as a creative city in the knowledge economy.

Florida (2005a) refers to Singapore as a “global Austin.” Singapore relied on multinational corporations and the type of cheap labor that is associated with multinational corporation investment in a developing country. In 1989, the Report of the Advisory Council on Culture and the Arts recommended a plan for establishing Singapore as a “global arts city.” The objectives were to enthuse Singaporeans with an interest in culture through arts education, develop major arts companies, and discovering and grooming promising artistic talent. Hing discusses in detail the experience of the Malay theatre groups and the Singapore Symphony Orchestra. Both faced problems management, financing and marketing development. However, as Hing notes, Singapore’s poor record of management and its authoritarian political structures are problematic. The state cannot mandate creativity and retain top-class talents who work in global markets and who have choices. However, Singapore’s reputation for being clean and safe, good schools, and health facilities have helped retain workers in the creative industries.

In the wake of the Asian financial crisis of 1997, many cities sought new economic development strategies. Nakagawa (2010) reviews efforts by Osaka, Japan to promote a creative city. In 2001, the city government of Osaka issued guidelines for its “Arts and Culture Action Plan” which was slated to be a ten-year project to promote the arts. The first objective was an intensive effort to develop an environment to provide assistance for cultural activities. Second, there was a check sheet for project content and an external evaluation committee to review proposals. Finally, the plan was carried out cooperatively with nonprofit artistic organizations established by citizens. The Action Plan was a publicly funded, privately run initiative.

The Action Plan failed after five years for two primary reasons, according to Nakagawa. First, it was developed by specialists in the field and there was a general lack of understanding of the plan by the populace. Second, there was no clear standard of evaluation shared by the personal involved in the policy’s administration. It was top-down policy, that did not mesh with the citizens of Osaka. However, there were events such as the Big Bon dance festival and the Nipponbashi Street Festival which were sponsored by nonprofit organizations that were successful. These events were organized by citizens in the community.

Zheng (2010) examines whether local Chinese governments can be considered entrepreneurial by looking at the case of Shanghai. The creative industry cluster — “chuangyi chanye jiju q” — began in the late 1990s with the need for affordable spaces in the center of Shanghai for individual and commercial uses. The early tenants were artists, creative industry startups, and educational institutions and university incubators. The local state provided the impetus for this development as a revenue-oriented development strategy. However, a “public-private” coalition helped increase economic growth but the quest for profitability helped blur the line between the private sector and the government. Wang (2009) examines the Red Town project in Shanghai.

3.4.3 Smaller Cities, Neighborhoods, and Arts Incubators

Much of the research on creative cities has focused on larger cities but Waitt and Gibson (2009) examine a small Australian city, Wollongong, New South Wales, that has also had success with creative city policies. They note that many workers in creative industries choose to live and work in small urban centers rather than the larger cities. The authors show that regardless of the numerical population size of a city, creativity is embedded in various complex, competing and intersecting place narratives fashioned by size, proximity, and inherited class legacies. A common critique of creative city strategies is that they lead to gentrification, especially in the inner city. Wollongong has experienced a sustained in-migration of creative workers seeking affordable housing and a lifestyle change from Sydney. Wollongong is helped by the fact that areas closest to Sydney are picturesque with national parks and popular surf beaches. Place matters as more than mere setting for consideration of the efficacy of creativity as a driver for regeneration. The authors argue that thinking about the significance of place and, more specifically, place identity, city size, and proximity remains an important challenge for both scholars and planners interested in the role of new industries in the city (Rantisi et al., 2006).

Wood and Taylor (2004) also examine the case of a smaller city, Huddersfield, West Yorkshire, England with a population of 121, 620 and it is also the administrative centre of the Metropolitan Borough of

Kirklees with a total population of 389,500. Like many cities, Kirklees had its problems in the 1980s from scandals, industrial decline, and changes in the political parties. In 1986, the Kirklees Council set targets for Economic, Environmental and Community Regeneration and announced that it was inviting partners to come forward to work with them. A group of arts workers were funded to produce an extensive study into the potential social, economic and cultural benefits of promoting the cultural industries in Kirklees. In 1994–1995, the Kirklees Media Centre which provided workspace for creative businesses based in a former warehouse, and the Lawrence Batley Theatre based in a converted chapel were established. In 1995 the European Commission awarded Huddersfield €3 million toward a €10 million scheme to implement its Creative Town Initiative (CTI) for a wide range of diverse projects designed to “find, stimulate, nurture, attract, harness, exploit, recycle, embed and keep creative and entrepreneurial talent, in order to rebuild the prosperity of the town, whilst establishing an exemplary model capable of dissemination throughout the European Union.”

The CTI was undertaken in five stages. The first was to generate ideas from the people of the town about how to accomplish their goal and to generate debate. Next, incubators were created to implement the ideas and were funded with small grants and loans. The third stage was promoting networking and circulation of the ideas to a wide group. Fourth was providing platforms for delivery of the arts entrepreneurship projects which included production facilities, galleries, and the like. Finally, efforts to build audiences and markets for the projects.

It was recognized that for a city without a long tradition of creativity, there was considerable uncertainty and fear of future change and for this reason the cycle had to be replenished and reconstituted in order for the process to continue to create change over time. Today, Huddersfield is a success as measured by employment, business, and economic growth. One newspaper even referred to the areas as a “Paris of the North.” Though the town was by all measures not untypical, today it appears as one on the cutting edge of the creative city. What was key to the success? The commitment by the people and the local government authorities to revitalizing the city. However, it is recognized that past success does not guarantee the future and what is needed is to

continually be creative and entrepreneurial. It must also do this within an environment impacted by increased competition with other cities as a result of globalization.

Catungal et al. (2009) analyze new industry formation in Liberty Village — a cultural industry precinct in inner city Toronto, Canada. The space was rebranded from industrial inner city to a space that “[champions] and [nurtures] a creative and vibrant community.” Previous efforts in Liberty Village had been successful in creating a cluster of cultural industries and a culture of networking and collaboration among residents. However, the city wanted the area to generate higher revenues so traditional manufacturers, artists, photographers, and non-profit organizations were being displaced. The authors argue that the creative city is really just corporate-based portion of the creative class and is “an artificial, homogeneous and secure site for business represents the antithesis of the ideal of liberty in which it traffics.” This loss of economic and artistic diversity, and supporting cultural institutions, brings into question the future viability of the redevelopment of Liberty Village because the creative workers do not always share common values and there are divisions of race, class, and age that separate the creative communities from other long-term residents and workers. The case of Liberty Village illustrates the problems with public-private partnerships and raises questions about how mutually supportive relationships between art, culture, and local communities might be forged.

Montgomery (2007) reports on a new generation of arts facilities that double as business enterprise centers (or vice versa). The advantage of this arrangement is that they essentially combine public-funded nonprofits with commercial enterprises to the benefit of all. This model has been successfully applied in Helsinki with business incubators that rent space, promote events, and help with ancillary activities such as restaurants and bars. Such art incubators are established on the premise that those renting space in the building will earn a living from their activities and that they will be selling into local or global marketplace for the creative industries.

Ideally, the tenants will also exchange goods and services with each other and thus network and intertrade. For this reason, it is most helpful

if an anchor tenant or tenants are part of the business incubator. However, these incubators will require sufficient capital investment from the outset which will require either private or public funding or both. For the public sector, injections of funds through grants are the appropriate means and with a recognition that all benefits are not immediately tangible.

It may also be beneficial to lease a large part of the space available to one group to a public sector organization such as a university or other publicly funded organization such as an arts festival office. There is an important decision to be made about how much of the space is allocated to public sector organizations and how much to commercial, profit-making enterprises to bolster the prospects for success of the incubator.

The arts incubators also often play a pivotal role in attracting other types of activity and changing perceptions in the area. Though this was initially viewed with some skepticism by many policy makers, it is now recognized as a key to the development of creative industry clusters. This results in a number of quantitatively measured benefits in terms of jobs and visitors. Other benefits from arts incubators may be more difficult to quantify such as the “buzz” or sense of excitement and place and indirect jobs and work opportunities that may arise.

As Beckman notes, there is no simple blueprint for success because each project depends upon local conditions and the vision of the individuals or organizations involved. However, what does need to be very clear from the outset is the mix between using arts incubators as purely an economic stimulus and using them to promote artistic development (which may be less commercially viable). From the examples surveyed, the minimum size to generate sufficient income from rents to be self-supporting is in the region of twenty to thirty thousand square feet minimum or two to three thousand square meters.

Creative industry incubators are found throughout the world, and especially in the U.K., Finland, and Holland. For the future, the trend toward knowledge industries that include the creative industries locating in clusters in and around cities and dynamic urban areas will undoubtedly lead to an even greater need for creative industry managed workspaces and incubators.

3.5 What have We Learned?

That there is no blueprint for a creative city should not be surprising. It has been said that the essence of innovation is to give the world something they did not know they were missing. This can also be said of establishing a creative city. It may not be the case that every city can be a creative city, but every city has the potential to be one and there are many paths to the goal. In every case the key to a creative city is finding the proper balance between the private sector and market forces and the public sector and government involvement. This balance will be different depending upon the circumstances.

For example, consider the situation facing cities that rose to prominence with industrialization and then faced decline with globalization and the rise of the knowledge-economy. Manchester, England, and Detroit, Michigan would be two prominent examples, though cities like Charlotte, North Carolina, and Osaka, Japan that experienced massive layoffs in the aftermath of a financial crisis are in a similar situation. Though the world has changed, these cities have an underlying working class culture with a work ethic that has been the backbone of successful societies for at least several hundred years. However, it may be that the path for redevelopment of these cities will come from a new generation of entrepreneurs who, like the phoenix, build upon the ashes of the prior economic base. This means that the price of homes, labor, and land will have to fall dramatically. Though it may be important and necessary at some point, public expenditure to revitalize such a devastated industrialized city must come later.

Problems also face cities that were never centers of industrialization and in this case there may be a greater role for a public expenditure to develop a creative city. Smaller cities that are in close proximity to larger cities may be in this category. Location is very important and some creative history could help provide the foundation for a big development push for a creative city. One lesson is clear and that is that location matters and cultural history matter. To be successful these cities need not only entrepreneurial and visionary community leaders and elected officials, but also broad support from the citizens.

Though Florida's work has emphasized the need to attract the creative class, this should not be thought of as cities competing for workers in the way in which cities competed for factories. Rather, cities should begin by unleashing the creativity of the current residents. Creative people will find those cities that are most attractive to them and the best way for a city to be on the radar screen of the creative class is to build upon the creative base that is the city's human capital endowment.

Finally, it has to be recognized that any strategy for a creative city will not be able to resolve the long-enduring conflict between art and business. There will always be those that view the commercialization of art forms as inherently degrading of the art. Against this are those who would say that more artists need to be able to make a decent (middle class?) living from the art they create. Strategies that enable artists to make a decent living are the ones that will find an acceptable middle ground on this issue. This issue is connected to the debate over the role of government and the private sector in economic development and requires further examination.

4

What is the Proper Role of Government in Promoting Arts Entrepreneurship?

Entrepreneurship is a defining characteristic of capitalism, so it is natural to ask whether there is an appropriate role for government in promoting entrepreneurship. Questions can be raised whether government should be involved. To the extent that the government helps remove barriers to entrepreneurship, then most would agree that government has a role. However, should taxpayer money be used to subsidize arts entrepreneurship? If there is a public good and a return to the public greater than what the private sector would provide, then there is an argument for government subsidy. Tyler Cowen, in his book, *Good and Plenty* argues that to the consternation of conservatives, government subsidies for the arts have helped the U.S.A. be a world leader in the arts.

For the basic neoclassical economic model, government intervention in general does not improve on the competitive outcome unless there is some sort of market failure. Pethig and Cheng (2002) and Cheng (2006) develop a theoretical model to examine whether government intervention might be appropriate in the case of cultural consumption goods. The benchmark market economy is characterized by introducing Lindahl prices to eliminate market failure. This model implies that

assuming economic agents truthfully reveal their willingness to pay for public goods, then the market mechanism implements an optimal intertemporal allocation. However, this is a highly artificial economy, Cheng argues, since it is based on truthfulness of agents when in fact they have an incentive to underreport what they are willing to pay for public goods. Under these circumstances, Cheng shows that the resultant market inefficiency can be corrected by introducing an appropriate Pigouvian tax/subsidy scheme where the cultural externalities can be internalized so that the consumer's demand for cultural services and creation of cultural goods will be stimulated and the accumulation of cultural atmosphere and cultural capital will be promoted. Cheng concludes that under a laissez-faire economy, there will be an underprovision of cultural atmosphere and a suboptimally small stock of cultural capital will result. Allocative efficiency can be restored by subsidies to the consumption of cultural services and the supply of cultural goods which promote the accumulation of both culture atmosphere and capital. These results are driven by the basic assumption that cultural goods are not only beneficial for individual consumers, but contribute to a "more cultivated" society that is highly valued by its members.

Ateca-Amestoy (2007) provides a theoretical model to investigate the demand for cultural goods under the assumptions of cultural capital and rational addiction and evaluates the impact of a policy intervention to increase the initial stock of cultural capital of a given individual on both individual demand and supply. The rational addiction model explains present consumption of cultural goods on the basis of the positive effects of past consumption of cultural experiences that are transformed into *cultural consumption capital* which in turn raises the productivity of current consumption of cultural goods. This model has also been labeled "learning by consumption" and could be the basis to support the idea that teaching children about music at an early age will result in a greater consumption of music later in their lives. Ateca-Amestoy then evaluates the impact of a policy intervention to increase the initial level of cultural capital using both static and overlapping generations (OLG) models. From the static model she concludes that an active cultural policy will be beneficial for cultural goods suppliers. Policy is effective only in the short-run in the OLG model, but other

types of government intervention that affect relative prices and income can affect the demand for cultural consumption capital. Finally, she notes an additional argument for public intervention can be made if the cultural capital stock is combined with other physical assets and is used to produce more output (income) for society as Throsby (1999) argues.

Johanson and Rentschler (2002) provide a case study of the Australia Council which was formed in the 1970s to help promote the arts as an industry. The leadership of the Council was crucial in helping to shape the trends in the arts and their relationship to economic development. There were three crucial phases in the leadership: visionary, statesmen, and reformer. Those the council started out as one of patronage — bringing art to the masses, it ended playing a crucial role in the promotion of the arts an alternative strategy for economic development with the decline of industrial-led development. The Council both reacted to changes in arts policy and also helped promote changes in the view of the role of the arts in society. The Council evolved from the way it was first conceived as a means of bringing art to the masses as one in which it played a vital role in the promotion of the arts and economic development in the post-industrial society and this went beyond any narrow political objectives that might have been present.

Post-communist Russia presents another interesting case study of the promotion of the arts and their relationship to economic development. After 70 years of government control of the arts, it would appear that an era of freedom and diversity in arts would result in fundamental change in the role of the arts in society. However, Jakobson et al. (2000) argue that what happened in the 1990s is that the government retained control over much of the arts and the for-profit sector focused on the demand for the arts from the *nouveau riche*. This created an opportunity for the nonprofit sector to enhance its role in the promotion of the arts. Though limited, the authors find that both the for-profit and the nonprofit arts and culture are forming primarily in those areas not clearly dominated by state institutions.

Throsby (2009) looks at explicit and implicit cultural policies arguing that some economic policies may have a hidden cultural purpose and therefore qualify as implicit cultural policy, while some explicit cultural

policy may be an implicit economic policy. Throsby addresses the implications of this implicit/explicit debate on the relationship between an explicit cultural policy by government which must have an economic justification since it involves the use of public funds. Are there policies whose objectives are explicitly cultural but whose real though covert intention is economic? Throsby believes that a prime candidate for this categorization will be creative industries policy. This implies that the aim of cultural policy is much wider than it appears. Throsby argues that there are likely many examples of implicit cultural policy.

O'Hare (2008) also examines whether there is a market failure that justifies government action to support the arts. He notes that America has artistic excellence with little direct government support for the arts. There is no Minister of Culture in the U.S.A., for example. Technological, social change, and developments in the arts have put into question the function of the arts themselves. Good public policy, O'Hard argues, will require out-of-box economists and interdisciplinary collaboration.

The private market is unlikely to provide an optimal allocation of resources when one introduces the cultural industries into the economy. However, whenever government gets involved in directing economic development, this introduces problems as well. In the post-World War Two era, the tax-incentive strategies that were part of smokestack chasing were ultimately a failure. There are dangers that are inherent in government promotion of the arts because it uses taxpayer money to favor one industry over another. To do so, it must be the case that the subsidized industries have a greater value to society than the non-subsidized industry. Though many believe that the creative industries are such a case, in every instance the costs and benefits must be carefully weighed.

Finally, mention should be made of the "culture wars" and censorship issues which arise whenever the government becomes involved in the arts. Though it is beyond the scope of this review essay, it is an important consideration when investigating whether government policy must also address whether it is "high" or "low" culture that is to be promoted and whether certain types of art may be found to be offensive to segments of the population. Groups from fundamentalist Christians to gay activists may find the promotion of some types of art antagonistic

to their beliefs or discriminatory against their lifestyle. Can government, whether at the local, state, or national level, make fair determinations of the use of taxpayer money when some of those taxpayers would strenuously object to how the funds are used? Former Mississippi Senator Trent Lott, a critic of federal government subsidies for the arts, and especially the funding decisions of the NEA, was reported to have demanded that a “redneck” be put on the NEA panels to represent the perspective of Lott and many of his constituents. As Cowen (2006, p. 94) notes, when it is recognized that it was “rednecks” from Mississippi and other southern states that helped bring rock and roll music to the mainstream without any government subsidies, Lott may have a point about the promotion of “high” culture over “low” culture through government subsidies. Would the NEA have given Sam Phillips a grant to record Elvis Presley? Probably not.

5

Can Education and Training Increase Arts Entrepreneurship?

There are three aspects to the question of the role of education in arts entrepreneurship. The first is whether individuals can be taught to be arts entrepreneurs and how much they can be taught. Second is whether those who are successful arts entrepreneurs can convey information to those who are aspiring arts entrepreneurs. Finally, are current arts entrepreneurship education programs successful in creating more arts entrepreneurs? While there is an inherent artistic creativity that cannot be taught, how to run a business can be. This is why there is potential for arts entrepreneurship education though it requires changes in the present structure of universities (Roodhouse, 2009).

Raffo and Banks (2000) ask the question why entrepreneurs in the cultural industries seldom have formal training in business. They collect qualitative data based on interviews with participants in the creative industries. The generally accepted way in which entrepreneurship education is approached is that what should be taught are basic business principles in the areas such as accounting and management, for example. However, the authors note that capitalism itself has changed as a result of the rise of the knowledge economy and globalization. Whatever one wants to call this phase, it is clear that the accepted ways of business no longer work and it should be no surprise that this is true as

well for training and education of entrepreneurs. In this new era, cultural industries have become increasingly important and moved to a more central locus in economic development. They look at micro and small enterprises (MSEs) and small and medium enterprises (SMEs) in three sectors: fashion design, the nighttime economy, and “new media” industries associated with information and communication technologies (ICTs). Entrepreneurs in the cultural industry learn through working out problems as they arise and by making mistakes. They learn by reflexive and reflective learning in an informal and grounded manner. Formal training and support don’t work well for these. For government programs to work, they must be based on the ways in which entrepreneurs actually learn.

Cherwitz and Beckman (2006) argue that arts departments are uniquely positioned to reimagine the Ph.D. The arts faculty are among the most creative and often underutilized resources in universities and in society. The call for intellectual entrepreneurship (IE) to create interdisciplinary connections that will create a broader support for the arts in society. The four core principles of IE:

1. *Vision and discovery.* Intellectual entrepreneurs reconsider and reinvent themselves as individuals in the context of their disciplines. They envision new ideas and initiatives through this process based on a broader view of the world and what matters most to them.
2. *Ownership, agency, and accountability.* After reconceptualizing themselves, intellectual entrepreneurs recognize that jobs are not entitlements. Instead, they realize that jobs originate from personal initiative and commitments. Employment is a manifestation of one’s vision and a full consideration of what is possible.
3. *Integrative thinking and action.* By creating synergy, the intellectual entrepreneur marshals the intellectual capital from disparate disciplines and utilizes numerous skill sets. This is more than an awareness of cross-disciplinary scholarship. Intellectual entrepreneurs use and maximize personal connections in these areas to bring their vision to fruition.

4. *Collaboration and teamwork.* The intellectual entrepreneur views the collective creativity of large groups as a critical resource. Without collaboration, synergy and integrative thinking cannot develop.

As an example, they note that Western music history is becoming marginalized in undergraduate music degree plans. An intellectual arts leader, motivated by a desire to reaffirm the importance of music history, might study why this is occurring. The results would be published and presented to accreditation boards and disciplinary conferences. Moreover, the data might give new meaning to the music history sequence in the context of curriculum reform and national standards.

Beckman (2007) reports on an Ewing Marion Kauffman Foundation funded survey on arts entrepreneurship. Not surprisingly, some of the best-known arts entrepreneurship education programs were privately funded: Eastman School of Music's Arts Leadership Program (now the Institute for Music Leadership), the Entrepreneurship Center for Music at the University of Colorado at Boulder, and Columbia College Chicago's Arts Entertainment and Media Management program. Today, most formal arts entrepreneurship education programs exist outside of established degree plans primarily because it is an easier way to introduce them given the budget and governing structure of universities.

What is quite common is a partnership between arts and business schools, especially at universities with strong entrepreneurship programs. The regular classroom is the primary mode of supplying the formal arts entrepreneurship education. Two broad approaches to teaching arts entrepreneurship can be identified. The first is "New Venture Creation" which is basically a traditional view of entrepreneurship as found in business school curricula. Students learn the basics of starting a for-profit business, growing the business, and then selling it at a profit. Students in this type of program will take many basic business classes. Public universities tend to adopt this approach. The second approach involves a transitioning philosophy that envisions a broader view of entrepreneurship that teaches students new skill sets in the context of the arts environment. These programs tend to emphasize

innovation development, entrepreneurial behavior, arts culture, and the contextual integration of intellectual skills to prepare a student for a broader entrepreneurial arts career. Arts schools and private universities are more likely to use this approach.

Within the arts disciplines, music departments are more quickly adopting entrepreneurship education than art departments. Computer arts and design programs are also amenable to arts entrepreneurship education. Theater departments tend to encourage students to learn many aspects of the discipline as part of their undergraduate experience and these programs frequently have partnerships with colleagues in communication departments.

The Kauffman study identified best practices in leadership, curricular philosophy, curricular offerings, formalizing the effort, partnering with other disciplines, and experiential opportunities. These are summarized as follows:

1. *Leadership*: innovative student outcomes; interdisciplinary; endowed programs.
2. *Curricular Philosophy*: broad definition of entrepreneurship; business acumen; development of skill sets.
3. *Curricular Offerings*: business courses for art students; awareness of entrepreneurial practices; focus on creative application of skill sets.
4. *Formalizing the Effort*: Create programs, degrees, graduate certificates, and academic minors in arts entrepreneurship; consider integrating entrepreneurship/professional development into degree plans and course structure.
5. *Partnering with Other Disciplines*: Business schools; become a part of a campus-wide effort; create opportunities for arts students to meaningfully interact with students from the business school.
6. *Experiential Opportunities*: give students the opportunity to benefit financially from required experiential opportunities.

Montgomery notes that one of the problems that is faced in establishing arts entrepreneurship programs is the perception among some

artists that financial success devalues art. Though there are legitimate concerns about the quality of art that might result, it was perceived by some that taking time in the program for entrepreneurship education would reduce the time available for artistic education. To the extent that arts entrepreneurship is moved out of the Business School and integrated with other colleges, this could help alleviate the concerns about art and business for some.

The bottom line is that artists need to be able to make a living from their art. However, those creating arts entrepreneurship programs must be aware of the problems inherent in constructing such a program. Art entrepreneurship programs are growing and gaining wider support among artists, administrators, and the business community at large. There is no ideal program in arts entrepreneurship and instead program designers are developing new ways to integrate arts entrepreneurship into artists' training. It should be recognized though that arts entrepreneurship training is no guarantee of financial success for the artist.

Carey and Matlay (2007) conducted interviews with individuals who have graduated with degree in creative industry disciplines and asked what helped in their education. In their view, there was a virtuous circle for entrepreneurship education that encompassed learning from successful entrepreneurs through lecturing and establishing role models and current industry knowledge to enabling students to realistically assess their chosen careers. Entrepreneurs as educators also helped by providing income for students while at the same time teaching them how to be successful art entrepreneurs.

The authors found that there were implicit and explicit components of the key elements of using entrepreneurs as educators. The implicit elements were:

1. practitioners as educators — entrepreneurial role models;
2. Real-life project based curricula — experiential learning;
3. the “crit” — a professional experience that mirrors the client–practitioner relationship; and
4. the degree show.

The explicit elements were:

1. enterprise-oriented modules;
2. personal development modules;
3. external speakers;
4. seminars or guest lectures; and
5. contact with external artists, designers, or practitioners.

Though a full examination of the curricula for arts entrepreneurship programs is beyond the scope of this review, some examples should be noted. The Arts Entrepreneurship Educator's Network ([http://http://www.ae2n.net/](http://www.ae2n.net/)) provides an extensive list of the arts entrepreneurship programs in the U.S.A. The list includes a variety of educational institutions from art schools to community colleges and four-year universities. The programs range from electives courses to certificates in arts entrepreneurship to full programs with a major in some aspect of arts entrepreneurship. Many are part of broader efforts to introduce entrepreneurship across the campus.

The University of Southern Maine offers a B.A. in Art with a Concentration in Entrepreneurial Studies combines art and art history courses with a required studio concentration, a cluster of business courses, a digital-based course, and an internship experience with creative professionals. It is intended to offer students a greater ability to engage in creative arts sector employment and/or independent small business development. The Savannah College of Art & Design offers a minor in Business Management & Entrepreneurship which includes courses on financial accounting, macroeconomics, marketing, and entrepreneurship.

The Carolina Institute for Leadership and Engagement in Music at the University of South Carolina seeks to prepare musicians for a career in the twenty-first century. The program offers courses that teach basic skills in the for- and nonprofit sectors, music advocacy, surveys of music companies, and analysis of case studies to help students determine the economic viability of a music business. Ohio State University offers an M.A. in Arts Policy and Administration and a Ph.D. concentration. Though housed in the Department of Art Education, it is interdisciplinary and works in collaboration with the John Glenn

School of Public Affairs. The curriculum itself has three component parts: (1) public policy and the arts and culture; (2) arts management; and (3) arts education policy and program management.

There are hundreds of programs in the U.S.A. and many more in other countries as well. These curricula make clear that arts entrepreneurship education must face squarely the issue of art versus business. Within an educational institution this conflict manifests itself as a conflict of cultures between the Business Schools and the Colleges of Fine Art. In most universities, entrepreneurship is within the domain of the College of Business. There is perhaps no wider gulf at a university than that between a business student and an art student. However, it is the art student who must find a way to earn a living in a market/capitalist economy and therefore must decide whether to be a starving artist or one that makes a living doing art. This does not mean that it is a one-way door from fine arts to business, however. There may in fact be something for businessmen and women to learn from the creativity and innovation that is inherent in the artistic creation. For this reason, arts entrepreneurship programs themselves must be creative and innovative and seek to overcome the barriers that are ingrained in the educational system. The successful programs will find new ways to embolden arts entrepreneurship education. For a similar perspective on arts entrepreneurship programs see Brown (2007).

6

What is the Future of Arts Entrepreneurship?

Though the research on arts entrepreneurship and economic development is ongoing, a number of tentative conclusions can be put forward:

1. Though making a decent living is important to most artists, their creation is more important than the financial reward. Cities need to remember this in formulating the role of arts entrepreneurship in their development strategies.
2. There is no magic bullet or blueprint that a city can adopt to become a creative city. This is not surprising, but neither does it mean that the number of creative cities is therefore limited. On the contrary, all cities potentially can become creative cities.
3. Any strategy for economic development cannot be a top-down endeavor, but rather should involve as wide a range of citizens as possible.
4. A creative city requires a combination of private sector initiative, government involvement, and advocacy that can

only be found through experimentation and is unique for each city. Those involved in economic development must be entrepreneurial whether they are from the private sector, the government sector, or are advocates of the arts.

5. Place is crucial for a creative city. This can vary from being a city that was once an industrial city in the twentieth century which needs to reinvent itself to a city that has some unique aspect that is undefinable and perhaps accidental.
6. Being a creative artist can't be taught, but being a successful artist entrepreneur can, though this does not guarantee financial success. Arts incubators are essential in an economic development program. Educational institutions can play an important role here.

We are already seeing in the arts the emergence of new business models for the twenty-first century. The popular music industry is often cited as an example where technology has made obsolete a system where record companies discovered and promoted successful artists. The innovative musicians, both new and those with established reputations, are finding that the Internet enables them to bypass the record companies in bringing their music to the fans. Madonna has forsaken a record company and instead signed with Live Nation, touring company which books acts into its extensive network of venues. Groups like Radiohead have experimented with selling their music directly to the fans over the Internet. Arts entrepreneurship education can both learn from what innovative artists are currently doing in the new business and technological environment, while at the same time helping a new generation of artists to cope with those dramatic changes.

Finally, some personal observations about examples of cities that have high potential for economic development based on arts entrepreneurship. The city that is probably at the top of everyone's list would be Detroit, Michigan. The city that helped give birth to the era of the automobile and the assembly line was also the city that gave the world Motown. There is already ample evidence that Detroit is beginning this turnaround, but the future is by no means certain. The city has all of the elements necessary for a creative city but will

need to mobilize local resources and outline a new future. Because of the de-industrialization and ruin brought to Detroit in the past two decades, market forces have had and will continue to have an important role in its recovery. A massive amount of wealth was created and then destroyed in Detroit, but the basic potential for a creative city remains.

There are a number of smaller cities that also have great potential. Two examples will illustrate the possibilities. The first is Roswell, New Mexico. What is intriguing about this case is that this relatively small city in southeastern part of the state has worldwide name recognition as a result of a reported alien landing and government cover up in 1947. There is perhaps no more outlandish example of a basis for such widespread recognition as little green men. There has been economic growth in recent years, especially since the 50th anniversary in 1997 of the supposed landing. But can Roswell build upon this worldwide name recognition and become a creative city?

Finally, another interesting city in the west with worldwide name recognition is Cheyenne, Wyoming. It is known as a cowboy city in a cowboy state. How can this be the basis for a creative city? One thing that is clear is that place matters. The largest employer in Cheyenne is the Union Pacific Railroad whose slogan is "Building America." Because of the railroad, Cheyenne is a more diverse and tolerant city than is found in the rest of Wyoming and indeed many towns in the West. With the right combination of private and public sector involvement, there is potential for places like Cheyenne. Though it won't happen soon, one can speculate on how the return of passenger train service would impact cities like Cheyenne. In the 1930s and 1940s, the widespread passenger rail service enabled even small towns to host the big bands of Glenn Miller and others.

The twenty-first century will be the "Entrepreneurial Century." There will be big changes in technology and the structure of society. This opens up not only new opportunities for growth and advancement, but also the possibility of great fluctuations in income and growth, i.e., a return to something more like the business cycles that were present in the nineteenth century. But unlike the nineteenth century with its division between workers and capitalists, the "Entrepreneurial

Century” will be one where this class distinction may disappear. Workers will have to be risk takers and be more entrepreneurial. Competition to create the next new thing will intensify. Those cities that are entrepreneurial will be in the best position to benefit from those changes.

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