The Creative Industries applied to peripheral countries as a political process

Abstract: This paper seeks to analyze the political process of institutionalizing the idea of creative industries, taking into account the historical context of development and legitimization of government investment in the cultural sector. The emergence of the welfare state; the evolution of public policies for culture; the problem of public legitimacy; the problem of legitimization of economic investment in culture; cultural industries as the new impetus to economic arguments for public investment in culture; creative industries as the main vector of EU policies; as a conclusion also examines the relationship between peripheral countries and central European countries in the context of creative industries a politically consensual economic model.

The intrinsic relationship between institutions of power such as the state, and culture is not new. In various forms, with more or less interference and more or less artistic freedom, this relationship has always existed and served its own political objectives. With the formation of modern states, early examples of cultural policy characterized by strong intervention of the state are the establishment of theaters, libraries, museums and national institutions in Europe dating back to the seventeenth and eighteenth centuries, or policies for protection and conservation of heritage, at the end of the nineteenth century, as a way of building national identity.

Throughout the twentieth century European and North American states expand their cultural roles and responsibilities virtually uninterrupted, but only in the postwar period we can recognize the goals, strategies and models of governance of the current modern democratic states. The main driver is the political consecration of the welfare state combined with the hegemony of Keynesian economic doctrine which promotes a state intervening in the economy, with active employment policies and wealth redistribution, education and social mobility and the guarantee of access to healthcare, ie, ensuring material well-being as a process of emancipation and de-commoditization. In the same spirit the State’s role in cultural affairs has been extended resulting in rapid growth of public spending in the sector, the United States of American are not an exception (See Netzer, 1978).

The welfare state necessarily assumes various forms from country to country, depending on the specific institutional framework, the political and cultural tradition. Following the analysis of Esping-Andersen (1990) we can observe three models of welfare state. The strictly liberal model, market-oriented without state intervention, which only guarantees the prevention of deep social misery, assumes no responsibilities in the process of emancipation, social mobility or job security. In turn France, Germany, Austria and others have adopted a model where the state, historically interventionist, occupies the central place in ensuring access to social security by the lower classes. But it is the third model in which there is wider scope of public policies on social security with a clear ambition to expand the level of middle class life to the entire population accompanied by pronounced policies of emancipation and de-commoditization (Sweden, Finland, Norway and others). Government policies for culture were attached to the welfare state models of each country. The centralist French model with the creation of the first Ministry of Culture in
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1959, led by André Malraux, establishes the state as the guarantor of access to cultural fruition and artistic creation. In a first stage with the construction of national infrastructure, followed by a decentralization policy with regional and local structures, assuming a pedagogic decoding of cultural symbolism for the masses, as well as ensuring a network of structures of artistic education and creation of structures such as theater companies, dance and opera companies, conservatories, etc.. The U.S. strategy could not have been more different. The state reduces itself to the position of an indirect benefactor motivating private sponsorship through tax benefits. The creation in 1960 the NEA - National Endowment for the Arts - does not alter this strategy particularly as it acts through a process to support private initiative in partnership with the State Arts Agencies (SAA) and the Local Arts Agencies (LAA). Note however that since the postwar period, leading artists residing in the U.S. of contemporary interpretation with little projection to the general public, were often financed through annual tours through the European Union, i.e. using public funding, thus subsidizing their artistic production. Creators like Merce Cunningham or Trisha Brown would not have been able to continue their business without the selling of shows in Europe.(António Pinto Ribeiro, 2004).

However both models obey to a logic of economic justification, a search for legitimacy among the general public by demonstrating the economic benefits of investment in the cultural sector and its ability to represent the public. The economic arguments seek to create a compelling rational basis for legitimacy. Eduardo Brito Henriques establishes four core arguments. One of the economic particularities of the arts sector is that the core of artistic practice is formed mainly by human capital. This means the arts sector cannot produce productivity gains similar to the most dynamic sectors of the economy or sectors that define the amount of salary that create competitive advantages and added value through new techniques or technologies. This possibility does not exist or is limited to a theater company, and is also not feasible to reduce labor and increase output per hour worked. Thus the permanent rise of wages that caused by the most dynamic sectors creates a widening and possibly insurmountable gap for the cultural sector. It is therefore defensible to allow the state to intervene as a regulator. Secondly, the value the market assigns to a work of art is usually inadequate because it does not consider un-economic factors which are part of the intrinsic value of the work (merit goods). The social virtues or personal valuation assigned as pleasure are necessarily part of the artwork. From this point of view it is arguable that the state is a guarantor of access to artistic creation.

Thirdly, the principle of public good, by which is meant the use that an individual withdraws from a product does not diminish the use that others derive from the same good. It applies to cultural property, then the State as a
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public mandate to develop mechanisms to ensure the widest possible dissemination of these goods and services. (Grampp, 1991)

Finally the positive externalities that cultural goods provide, are the economic revitalization through cultural tourism but also through ‘spacial concentration of immaterial goods ’(Eduardo Brito Henriques, 2002), a process whose benefits spill over to the community. Thus it is arguable that the financial burden of its maintenance cannot be attributed to a single economic agent but rather the State.

The arguments of political and ideological legitimation of public investment in culture emerge first with the idea of nation state and the need to create and promote a national identity. In the context of modern democratic societies that define themselves as fair and equitable, access, enjoyment and cultural creation are taken as the benchmark of development of society.

"We live now in a double crisis: normative, dominated by criticism of political interventionism and the celebration of ideological liberalization and civil participation, and a financial crisis, with fragile balance between tax, national debt and budget austerity.' This quote from Augusto Santos Silva, from a study on the role of government in the cultural sector, is the end result of a political strategy to weaken the welfare state that was triggered by the seventies' economic crisis (Mishra, 1984). The economic stagflation which ensued, product of the high unemployment accompanied by high inflation, placed under fire Keynesian based economic policies which promoted economic growth and, by extension, the very idea of the state as guarantor of the welfare state. This is when theories of reducing the public sector for the expansion of the market gain political momentum.

On the other hand the public debt crisis from the 80s to the current global crisis legitimized pressure on the different social welfare policies. Restructuring of the European economic sectors has created high unemployment rates, along with an aging workforce and the exponential increase of retired citizens which in turn has endangered the system’s sustainability.

In this context the Euro imposes itself as a mechanism for pursuing the same neo-liberal policies, making mandatory the reduction of budget deficits to 3% and removing the possibility of devaluation of the currency, member states were left without any mechanism for balancing the competitive relationship between large economies and small economies.
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The liberalization of the economy and the gradual transfer of public sector monopolies to the private market has become a common policy, but there are no economic mechanisms that compensate for the asymmetries created by a global labor market, i.e. there is no European budget which would allow a redistribution of wealth, and the ECB cannot issue European debt, which would allow the funding of member states' national debt by removing pressure on government's budgets allowing for a less abrupt the economic transition.

The confluence of these factors shows that neo-liberalism inevitably reasserted itself as a stronger trend in economic policy with direct consequences on the legitimacy of state intervention in other sectors.

In this process we could argue neo-liberal culture has allied himself with the three trends beginning in the 80s also. On the one hand, the libertarian argument that considers the state as an instrument taken hostage by an elite that supports artistic creation without any cultural connection with the masses, reproducing only an elitist approach to culture and the arts.

On the other hand, without ever compromising the principle that democratic states have a responsibility to democratize cultural enjoyment and artistic creation, they argue that the state is ineffective in achieving this objective and it is up to civil society and the market to generate free enterprise with their own cultural dynamics. However it is still relevant that in most member states require, the supporters of this speech demand a grant from the state to civil society to ensure its activity, which in addition to reproducing the logic against which the argument is built, it also consistently obeys a neo-liberal logic of predation of the welfare budget and state budgets.

The overall tendency to expand the market to all sectors of society has also led to the attack on the intrinsic value of cultural goods, and demanded their monetization through the marketplace as a form of cultural appropriation of the masses.

The overall political pressure to expand the market to all sectors of society has allowed a deep contestation against the idea of a intrinsic value of cultural goods.

The concept of creative industries arises in this context as an answer to the process of public disregard for investment in culture. Results of economic studies that seek to create more appropriate models for artistic reality, that is, seeking to calculate the externalities that stem from the work of art. Their findings result in a new breath of public discourse on culture.
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The first country to create a research center devoted to the subject, United Kingdom, states that the creative industries generate 8% of national income and employing 5% of the workforce. The growth of the sector between 1997 and 2006 grew at a rate of 8% a year, two points above the national GDP growth. Several countries follow. Denmark in 2001 estimated that the sector employs 12% of Danes, representing 5.3% of GDP. The Netherlands employs 3.2% of the workforce.

These statistics re-centers the political debate on cultural projects for the sector as a central agent in the economy of each country.

The calculation formulas differ among most countries and there still has not been created a harmonized understanding and consensus about the limits of what can be considered creative industries. The European Commission study on the economics of culture, published in 2006, provides a functional diagram of the arts, cultural industries and creative industries sectors. Performative arts (including visual arts, dance, theater, opera, museums, etc..) are the core that feeds the cultural content industry to mass production of cultural products (books, DVDs, etc.). The creative industries are in turn all the activities that benefit the process of exchange and sharing of information operated by the cultural sector to create value-added goods. Activities such as design, video-games industry, property, advertising and architecture are well integrated into the broad concept of cultural industries whose common denominator is the copyright, intellectual property. When we speak of creative industries we are referring mainly to processes of monetization of intangible heritage.
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Within this framework the creative process applied to the creative industries means an intense and spatially concentrated exchange of information. It also means that investment has to be massive in order to create a level of return sufficient to justify the risk inherent in the creative process that involves trial and error situations with little success. Different elements have to be adjusted within a small geographic space so as to cause positive externalities in added value. The elements are: cultural creativity, higher education, concentration of talent, concentration of cultural and start-ups, positive business dynamics (Pastor Pekka Himanen, 2006). The profusion of micro-enterprises in the sector is indeed one of the dominant characteristics.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Persons employed Nber in 1000</th>
<th>Number of enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacture of motor vehicles, trailers, etc.</td>
<td>2163</td>
<td>160 834</td>
</tr>
<tr>
<td>Chemical industry</td>
<td>1 529</td>
<td>31 421</td>
</tr>
<tr>
<td>Creative industries</td>
<td>NACE (e)</td>
<td>6 420</td>
</tr>
<tr>
<td>Manufacture of electricity, gas, steam, etc.</td>
<td>1181</td>
<td>14 860</td>
</tr>
<tr>
<td>Manufacture of machinery</td>
<td>NACE 29</td>
<td>3 527</td>
</tr>
</tbody>
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(a) Creative industries classification comprises NACE-Codes: 22.1, 22.3, 72, 74.2+3, 74.4, 74.8, with estimates of Software/PC-Games (72.2), architecture/industrial design (74.201-03) without engineering design, advertising (74.4), design activities (74.87) and branches of cultural industries (52.1-6).

Source: Eurostat, Structural Business Statistics (SBS) 2002. Own calculations and estimates by M. Söndermann/Working group on cultural statistics

But this concentration of talent may potentially occur in cities of enormous density and influence. Examples of Berlin, London, Hong Kong, New York and Silicon Valley are cities where we can recognize this kind of critical mass of economic, cultural and creative talents. If one sticks to the European Union we recognize the world’s largest concentration of services in central Europe, comprising the area between London, Paris, Berlin and Northern Italy (Richard Florida, 2007). It is also in this area that three quarters of the creative industries’ jobs are concentrated, which corresponds to roughly 2.85 million jobs in Germany, France, Britain and Italy.
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No known studies have been presented with arguments in favor of this model of economic and cultural development applied to peripheral European countries. The vertical chain of command which embodies the relation
The Creative Industries applied to peripheral countries has a political process between central European bureaucracy and small European governments begets the dangerous consequence of inappropriate policies being implemented. In Portugal this dangerous process has allowed the last two governments to insert the creative industries as a core element of their policy proposals but also as a major financial investment from the Ministry of Culture and European structural funds dedicated to sector. The annual budget for the Ministry of Culture, the main funder of artistic activity in the country, had 250 million euros in 1998. In 2010 the budget has decreased to approximately 200 million euros. The logic of the creative industries in the Portuguese case has become a politically dubious tool of disinvestment in real artistic activity, launching the sector in an international competition for an economic model which is not, nor was it possible to be prepared to absorb. The dimension of this asymmetry is most apparent if we take into account the total EU governments investment in culture which amounts to 55 billion euros a year (see European Commission study on the economy of culture), at a time when Portugal's investment as stagnated at 200 million euros a year.

In conclusion the need for differentiated European policies which regard social and economic contexts in different EU countries must become part of the political practice. Cultural European policy cannot continue to be defined solely as a by-product of the major European powers with economic models and analysis which do not correspond to the needs imposed by local realities.

References