Artistic Creativity and Cultural Policy

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Summary
This paper proposes an institutional environment suitable for encouraging artistic creativity and cultural innovation. Toward this aim, the paper first presents theoretical models of the cultural industries based on the approaches of Throsby (2001), Ikegami (2002), and Towse (2001), and offers a critical assessment of each. Second, the paper discusses the role of the cultural industries in local development on both the demand and supply sides. Third, the paper puts forward a behavioural model of artistic creativity based on Frey (1997), and discusses an institutional climate that encourages artistic creativity at the national and local levels. Finally, the paper offers conclusions.

Key Words
cultural industries, local development, artistic creativity, public policy

1. Introduction

Many scholars have argued that certain changes in the economy, such as globalisation, digitalisation, the rise of knowledge workers, and the boom in intellectual property, catalyse art and culture. Moreover, many specialists in cultural economics have written about the central role of the creative economy, creative cities, creative clusters, and even the rise of a creative class.¹

In this context, the global economy is fundamentally a creative economy. The creative economy’s key driver is creativity, especially artistic creativity, and its core industries are cultural ones. A unifying feature of cultural industries, having risen as strategic, targeted industries in many countries recently, is that the creativity at their core is protected by copyright (Towse, 2001). Creativity results mostly from the employment or commissioning of trained artists.

With the emergence of the ‘creative age’, cities need cultural industries and cultural industries need cities. We can see this kind of mutual dependence in Florida (2002), where urban economic development is driven by creative people’s preference for places that are diverse, tolerant, and open to new ideas. Thus it is important for a city to have low entry barriers for creative people. Such cities gain a creativity advantage. The promotion of an institutional environment that stimulates artistic creativity and cultural innovation is essential for a city’s sustainable development (Throsby, 2001).

In this paper, I offer a critical assessment of some of these arguments and then suggest policy issues for promoting artistic creativity at the national and local levels. Section 2 tries to set the scope for cultural industries based on three models: those of Thorsby, Ikegami, and Towse/Creigh-Tyte. Section 3 discusses the role of cultural industries in local development on the demand and supply sides. Section 4 discusses an institutional climate for stimulating artistic creativity, and then how economic actors, especially artists and firms in cultural industries, respond to incentive systems, such as grants and copyright laws, that are intended to promote artistic creativity. We especially seek to understand unintended effects of incentive schemes that some countries have adopted. Finally, Section 5 offers conclusions.

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2. Models of Cultural Industries

As is well known, the term 'cultural industry' was introduced by Adorno and Horkheimer (1947) in a pejorative way to suggest the erosion of the arts by mass culture (Towse, 2001, p.25). Since then, the perception of cultural industries and their roles in the national and local economies have changed greatly.

Many countries use the term 'cultural industries' now in a different way: to refer to strategic industries that they have targeted for development: the creative, copyright, cultural content, arts, and entertainment industries. Not surprisingly, the scope and importance of these industries in the overall economy are different now too. Therefore, it might not be easy to come up with a precise definition of cultural industries that can be commonly applied to all countries. Indeed, the question of how to define cultural industries cannot be defined independently of the specific issues and objectives of cultural policy. The task of defining cultural industries is more complicated than that of defining other industries. This results from uncertainties in the definition of cultural goods (Throsby, 2001). Furthermore, the development of information telecommunications technology increases the difficulties of defining cultural goods, because the development of such technology produces many new forms of content and new methods to deliver them through product innovation and process innovation. Since creativity derives the development of cultural goods, it is central to defining cultural industries.

In this context, I would like to use the terms 'cultural industries' and 'creative industries' interchangeably in this paper. This is because either definition is suitable for categorising cultural commodities, depending in part on one's preference for the principal definitional base of cultural goods.

Figure 2.1 A Concentric-Circles Model of the Cultural Industries
and in part on the specific issues and objectives of cultural policy in the countries concerned. Therefore, I would like to take a wide perspective in defining cultural industries. This means that cultural industries not only include the 'traditional' creative and performing arts, the cultural heritages, but also the commercial cultural sector comprising a range of private enterprise industries whose output is information-based copyrighted material.

We can set the scope of cultural industries according to two criteria: 'creativity' and the 'industrial production and circulation of texts' (Lim et al, 2003). The former belongs to the creativity model, which focuses on creativity's involvement in the production of cultural goods. The latter is the model of the industrial production and dissemination of texts (Hesmondhalgh, 2002). This model focuses on several core cultural industries: the advertising and marketing, broadcasting, film, Internet, music, and print and electronic media industries. This model calls the creative and performing arts industries 'peripheral' cultural industries because the reproduction of these symbols uses semi-industrial or nonindustrial methods. Ultimately, this model places no importance on the creative sector; nor does it pay attention to the inner relationships between the subsidized and commercial sectors of art and culture. This is why I would like to set the scope of the cultural industries according to the creativity models in this paper. There are three kinds of creativity models. Each is considered in detail here.

2.1 The Throsby Model

Throsby defines cultural goods and services as having the following characteristics (Throsby, 2001, p.160): From the supply perspective, they involve creativity in their production, they embody some form of intellectual property, and they convey symbolic meaning. From the demand perspective, they require the accumulation of taste. Finally, a unique characteristic of such goods can be defined in terms of value; they embody or give rise to both cultural and economic value, whereas ordinary economic goods yield economic value only.

Throsby (2001) formulates a concentric-circles model of the cultural industries, with the arts lying at the core, around which other industries form circles outward as the use of creative ideas is taken into a wider production context.

Thus at the core of this model lies the creative arts as traditionally defined: music, dance, theatre, literature, the visual arts, the crafts, and even newer forms of practice such as video art, performance art, and computer and multimedia.

Figure 2.2 A Social Cycle of Culture
Source: Drawn by author

Creation
Dissemination
Region
Visiting
Learning
Consumption
art. The first circle outside the core represents the cultural industries, those whose output qualifies as cultural commodities but which also produce noncultural goods and services. They include book and magazine publishing, television and radio, and newspapers and film. The circle outside of that represents ‘peripheral’ cultural industries, including advertising, tourism, and architectural services. These industries can be thought of as a component of the cultural industries only if we adopt a very broad definitional basis.

2.2 The Ikegami Model

Ikegami (2002) postulates a three-tier model of the cultural industries from the viewpoint of the social cycle of cultural activities: creation, dissemination, consumption, learning, and visiting. We can see the social cycle of culture through Figure 2.2. From an examination of the experiences of creative cities all over the world since the 1980s, Ikegami argues that we can find three kinds of new industries in the creative city strategy.

The first type of new industries is that of ‘creative’ cultural industries, i.e., intrinsic value industries. This type, which corresponds to the basic and core industries in his three-tier model, consists of artistic goods and services that are produced in the ‘creative space’ to have ‘intrinsic value’. To be created, these goods need the proper natural and social environments, which include intrinsic materials or scenery and the heritage of an established industrial base or events in the community. The second type of new industries is...
that of information service. The rapid development of information technology has made most artistic goods and services reproducible to the point where they can be introduced into people's homes, offices, and other communities all over a country. The third type of cultural industries is that of tourism. The development of tourism industries in a city depends on the number of tourists who sympathise with creative space through information available on the Internet and so on.

2.3 The Towse/Creigh-Tyte Model

Towse (2001) defines creative industries based on a broader approach to cultural policy. A unifying feature of the cultural industries is that the creativity at their core is protected by copyright (Towse, 2001, p.35). This has been explicitly recognized in the UK, where copyright is now viewed as the organizing principle of the creative industries. The Creative Industries Task Force set

![Figure 2.4 A Value Chain Model of the Cultural Industries](Source: Creigh-Tyte (1998))

up by a UK ministry in 1998 to describe the cultural sector’s dynamic contribution to British economic performance adopted this definition of creative industries:

Those activities which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property. (DCMS, 1998, p.1)

We can see “model” in Figure 2.4, a figure that was used by Creigh-Tyte (1998) and the Task Force. At the core of the model lies the individual creator. The second group comprises a range of cultural organisations’ activities. The third group comprises ‘Distribution and Delivery Activities’, the fourth ‘Associated Activities’, and finally the fifth ‘Tools of the Trade’. We might call this a value-chain model of the creative industries.

2.4 Understanding the Implications of the Three Models

We can find similarities among these models, but only by using different approaches. First, at the core of the cultural industries lie the creative arts, which are based on the creativity and originality of individual creators. Second, the Throsby and the Ikegami models both have three-tier structures. Third, the last stage of the definition of cultural industries in both the Throsby and Ikegami models involves the development of the tourism industry. Fourth, all three models suggest that the value-chain of cultural industries must be considered in the planning of a local development strategy through those industries. This means that we should make positive use of the so-called ‘window effect’ in the cultural industries, i.e., the ‘one-source, multi-use’ characteristic. By viewing these similarities together, one could argue that media- and multi-media-dependent cultural industries may develop by using the output of the arts industries as inputs in their production, after the creative arts industries have begun to flourish. Why, then, should we first support the creative arts sector to promote media- and multi-media-dependent cultural industries? To answer this question, we should examine closely the relationship between the first and second groups of the three-tier structures. One clue about that relationship can be found in Feist (2001). In most countries the arts are supported by some form of government intervention, whether state provision, government subsidy, or indirect support via tax breaks and the like, in accordance with cultural policy. In this respect we can consider arts industries as a subsidized cultural sector. A major part of the commercial cultural industries, such as fashion, advertising, and computer software may be privately owned, but some commercial cultural industries, such as film production and book publishing, may be subsidized or assisted through the tax system; or, in industries such as broadcasting, they may be regulated.

We can propose a positive relationship between the subsidized and the commercial cultural sectors from discussions of products and artists’ labour markets. First, the arts sector provides products and services to the commercial cultural industries. This means that through the transfer of products and services from the subsidized arts sector to the commercial cultural industries, the arts sector plays eventually a critical research-and-development role for the nonsubsidized industries, and in return expects to receive essential income through copyright payments and so on. Second, the subsidized arts sector contributes to a diverse, experienced, and well-stocked market of artists and technicians. Moreover, the subsidized arts sector provides a key training ground for younger artists and technicians to gain experience and develop their skills for eventual transfer to the commercial cultural sector. Third, another relationship between the subsidized and nonsubsidized cultural sectors relates to the distribution of cultural goods. This means that the commercial cultural industries can play a key role in the dissemination of high culture. We turn now to a discussion of the role of the cultural industries in local development.
3. The Role of Cultural Industries in Local Development

The importance of arts and culture in the life of cities and as a catalyst for urban regeneration was first recognized typically in Europe after the 1980s. More recently, the arts and culture have taken on a more pervasive role in urban development, as cultural characteristics and practices that define a city and foster community identity, creativity, cohesion, and vitality of its inhabitants (Throsby, 2001, p.124). The cultural industries may constitute a vital component of a local economy. The role of the cultural industries in a local economy can be observed in the light of demand and supply.

3.1 Demand Side

On the demand side, cultural industries may contribute to residents’ quality of life as they consume cultural goods and services at reasonable prices in their daily lives. Their consumption of cultural goods and services having intrinsic value may expand their capabilities, eventually enabling them to choose the sorts of lives they desire (Sen, 1985; Ikegami, 2002). This tendency would be strengthened by the emergence of the creative age.

Also, cultural industries, especially those in the traditional performing arts, have enhanced local growth. These enhancements include, first, the direct revenue benefits that performing arts activities have on the local economy through spending on cultural goods and services by local and nonlocal consumers. Second, indirect or second-round spending boosts the incomes of related businesses, such as restaurants and transport services, and of the individuals who provide those services. Third, the direct and indirect effects of expanded cultural activity on employment and job creation may be significant (Throsby, 2001, pp.124-5).

More recently, the film industry, especially that of Hollywood, has been producing high value-added cultural content through a one-source, multi-use strategy, the so-called window effect. It is well known that Star Wars: Episode I, a world-famous movie released by Lucas Film in 1999, produced net revenues of about 30 times its $165 million total cost, which includes the negative cost, advertising, and print costs. In this case, it is very interesting to investigate the movie’s revenue sources. More than 57 percent of the total revenue comes from sales of character and sound recordings, while box office revenue from U.S. domestic and overseas film markets is just 16 percent of the total revenue.8

3.2 Supply Side

On the supply side, cultural industries may produce various positive externalities in the production and consumption of the cultural goods and services. It is necessary to note that behind the multimedia industry development in California’s Silicon Valley and New York’s Silicon Alley lies the earlier development of cultural industries (Goto, 2001). In those two areas, it is common for cultural industries to act as incubators for multimedia industries. The difference is that in the case of California, there Hollywood’s film and other entertainment industries are well developed, in addition to the hardware and software industries of Silicon Valley, whereas New York has the theatre industries and service industries. Especially, the labour market in Southern California is endowed with rich institutional infrastructures (Scott, 2000). Workers belong to formal and informal networks that enable them to collectivise their individual experiences, knowledge, information, contracts, and so on, thereby generating organizational frameworks that supplement general processes of worker socialisation and job mobility.

3.3 Artistic Creativity: Key to Local Development Success

In this context, it is certain that places with a flourishing artistic and cultural environment are the ones that generate economic vitality and improve overall economic growth (Florida, 2002). Local economic growth is driven by artists and creative people, who prefer places that are diverse,
tolerant, and open to new ideas. Jacobs (1984) stressed the role of diversity among both firms and people in powering innovation and city growth. As Jacobs saw it, great cities are places where people from virtually any background are welcome to turn their energy and ideas into innovation and wealth. It is therefore essential for a city to have low entry barriers for people because diversity and creativity work together to power innovation and economic growth.

So far, we have reviewed the role of the cultural industries in local development. We can derive some implications from the discussions thus far. First, arts and culture are indispensable factors to the quality of life in a local community. Second, cultural industries contribute to local growth through both direct and indirect channels. Third, cultural industries can make all sectors of a local economy more creative by generating innovative value from the arts and cultural activities (Frey, 2003). Fourth, networking by creative people involved in proprietary and nonprofit organizations related to cultural goods and services is key to a city's success. Networking is especially important as a form of creative capital. Finally, local economic development is driven by creative people's preference to live in places that are diverse, tolerant, and open to new ideas. Thus, cities with a flourishing artistic and cultural climate have even more possibilities with which to generate economic vitality and to improve overall economic growth.

Taken together, the above discussions suggest that the success of local development depends on whether or not the city can attract creative and challenging people. Such people originate from the creative arts and cultural industries sector. Thus, at the core of local development success lie the talent and creativity of artists. In this context, it is essential to develop an institutional climate that stimulates artistic creativity in the cities. It is therefore necessary to understand the motivation of artists' labour supply and the labour market for artists. We turn now to a discussion of policy issues for promoting artistic creativity.

4. Artistic Creativity and Public Policy

4.1 Behavioural Model of Artistic Creativity

Despite a now considerable body of work by sociologists and economists on artists' labour markets, we still do not understand well the incentives to which artists respond. Thus it is necessary to understand artists' labour market behaviour if as a society we wish to encourage creativity.

Frey (1997) put forward an important behavioural theory that he later applied to artistic creativity. He distinguishes intrinsic from extrinsic motivation, the former being the artistic drive to create, a non-pecuniary motive or psychic benefit, while the latter is a response to pecuniary rewards, as in performance fees, royalties, and other income. Frey (1999) also distinguishes between personal and institutional creativity. Personal creativity is based on the intrinsic motivation to be artistically innovative given the institutional conditions. On the other hand, institutional creativity is the creativity produced by adequate institutional conditions.

The significance of Frey's theory is that monetary compensation is not only inappropriate as an intrinsic motivator but could cause crowding-out; that is, it could act as a disincentive to artistic effort. He does not reject the idea that monetary compensation has a role, but rather argues instead for a balance of intrinsic and extrinsic rewards to optimise the supply of artistic creativity.

His approach rationalises the findings of surveys of artists' labour markets in the UK. These surveys show that artists value the professional recognition accorded by grants as well as the financial benefit that they bring (Towse, 2001). Especially, government intervention by subsidy and regulation in the UK cultural industries has had unintended consequences, including those that are the opposite of the desired effects.

Subsidies for artist training resulted in a significant expansion of the number of courses offered by universities and by colleges of music, art and drama. The expansion produced increasing
numbers of graduates of uncertain talent and ability, who flooded labour markets and produced a vast over-supply of cultural content of all kinds: books, pop music, film scripts, game shows, works of art. In The Netherlands, subsidies to train artists in the visual arts have similarly led to a flood of works on the art market, making it more and more difficult for talented artists to make their way and for consumers to discern quality (Abbing, 2003). The response of consumers and of producers in the cultural industries to this superabundance is to focus on superstars and on any other available means of filtering quality to reduce the costs of content overload.

4.2 Copyright: National Level

This does not mean at all that government support of artists should be curtailed. Rather, the government should concentrate on setting the right conditions for institutional creativity. In particular, it should focus on rules that allow an arts market to flourish, e.g., by setting adequate property rights for artists’ output (Frey, 2000, p.147). In this context, copyright would be considered an economic incentive to artistic creativity at the national level.

Copyright law provides the institutional framework for the cultural industries and enables artists (authors and performers) and firms to receive appropriate returns on their investment, thereby increasing the incentive to supply. Without statutory creation and protection of rights, creative and performing artists would be worse off. Reducing the disincentive to creative activity from free-riding by copiers is one of the justifications for copyright law. However, copyright, which was initially introduced to encourage authors of literary and artistic works, is not able to offer artists sufficient economic incentive to create. That is, copyright is a necessary but not a sufficient condition.

Towse (2001) argues that copyright policy has had the unintended consequence of assisting the growth of multinational conglomerates in the cultural industries while eroding the position of the primary creators.

Copyright law has expanded to include not only authors but also performers, and from artistic work to a broader range of works such as databases and computer software. The spread of copyright has had two effects on artists: it has offered them a conduit for societal recognition of their professional status and, by raising expectations that copyright can increase earnings through statutory means rather than contracts, it motivates more and more groups of cultural industry workers to seek copyright status. These tendencies are an unintended aspect of copyright law and they threaten to dilute the incentives to artistic creativity.

Another unintended consequence of copyright law is that it allows firms in the cultural industries to capitalise on an author’s work through the creation and protection of tradable assets. This has had a detrimental effect on the author’s bargaining position.

The economic features of the cultural industries favour oligopoly, while the labour market for artists is highly competitive. Digitalisation may increase artists’ access to markets, but it should not be accompanied by more restrictive copyright law, which will inevitably continue to strengthen the conglomerates that already dominate most cultural content markets. The reason is that just as innovation often springs from small start-up enterprises, creativity stems from self-employed individual artists. Finally, Towse (2002b) suggests a law to reduce the term of a copyright to 15-20 years and to maintain their ability to be renewed.

Frey (2003) too rejects a regressive policy against copying and proposes a possible solution: a general rule for “quotations in art”. A regressive approach, one that tolerates copying only with the explicit consent of the creator, and where all other marketed reproductions are automatically forgeries, imposes significant burdens on society. There are two types of such burdens. First, considerable energy and material resources are wasted in fighting over which artist should get the property rights for the original and who “copied” from whom. Second, the regressive policy against copying produces its own costs. Copying moves under-
ground and, as a consequence of uncertainty and prohibition, prices rise. Finally, most of the profits created by the arts are appropriated by people outside of the arts.

For these reasons, a regressive policy against fakes makes little sense. On the other hand, the creator of an original piece of art should be given an incentive to pursue his or her activity. Frey (2003) suggests that a good solution to balance the benefit and cost aspects of faking, would be to force every copier to acknowledge the creator of the original. This is the solution found in academic research.

4.3 Building a Creative Climate: Local Level

Local development is driven by the preference of creative people to live in places that are diverse, tolerant, and open to new ideas (Florida, 2002, p.223). It is necessary to consider the factors in these location decisions. First, creative people want to live in places offers the variety of 'scenes' they desire. Nightlife is an especially important component of a city’s lifestyle and amenity mix. Second, creative people like to live in places known for diversity of thought and open-mindedness. Third, they are attracted to the authenticity and uniqueness of a city. Music is a key part of what makes a place authentic.14

Successful experiences in the development of creative cities in Austin, Texas, and Dublin, Ireland, are highly suggestive for local development planning. Despite the obvious differences between these cities, both have vibrant cultural and music scenes alongside rapidly growing high-tech industrial sectors. And both work hard to provide a broad creative ecosystem in which all forms of creativity can take root and thrive.

With all things considered, creativity flourishes best in a unique kind of social environment: one that is stable enough to allow continuity of effort, yet diverse and broad-minded enough to nourish creativity in all its subversive forms (Florida, 2002, p.35). Thus it is essential to develop a world-class ‘people climate’ in the cities. This entails remaining open to (and actively cultivating) diversity while investing in the lifestyle amenities that creative people really want and use often.

5. Concluding Remarks

In this paper, I set the scope of cultural industries based on three ‘creativity’ models. I found similarities among the Throsby, Ikegami, and Towse/Creegly-Tyte models, but by using different approaches. At the core of the cultural industries lie the creative art, which are based on the creativity and originality of the individual creators. It could be derived that media- and multimedia-dependent cultural industries, using the output of the arts industries as inputs in their production, may be developed once the creative arts industries have begun to flourish. However, to support that assertion, we should examine closely the relationship between the first and second groups of the three-tier models. Based on Feist (2001), I proposed a positive relationship between the subsidized and the commercial cultural sector in both the products market and the artists’ labour market.

How important the cultural industries really are for local development remains to be seen. This paper, however, suggests that cultural industries play an important role in local development on the demand and supply sides. The success of a local development depends on whether or not the city can attract creative and challenging people, who originate from the creative arts and cultural industries sector. Thus, at the core of local development success lie the talent and creativity of artists. This paper suggested that it is essential to develop an institutional climate that stimulates artistic creativity and cultural innovation in the cities.

Government has various means at its disposal to assist artists. These include, for example, direct or indirect grants to artists via arts organizations to commission work from them, and copyright law. The discussion in this paper has shown that under many conditions, monetary compensation by government agencies for artistic activity tends to undermine artistic innovation. This does not mean
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at all that government support for artists should be curtailed. Rather, the government should concentrate on setting the right conditions for institutional creativity. In this context, copyright would be considered an economic incentive for artistic creativity, but it should not be accompanied by more restrictive copyright law, because there is high possibility that copyright law causes unintended consequences. Copyright law is a necessary but not a sufficient condition for supporting artists.

Local development is driven by creative people’s preference for places that are diverse, tolerant, and open to new ideas. Thus it is essential to develop a world-class ‘people climate’ in the cities. Such development also requires increasing investments in the multidimensional and varied forms of creativity — arts, music, culture, design, and related fields — because all must be linked for the arts as a whole to flourish.

Notes
2) For a recent review of the definition and delineation of the cultural industries, see Yamada (2002); Lim et al. (2003).
3) Some scholars prefer to use the term ‘creative industries’ rather than ‘cultural industries’. Among them, Caves (2000, p.1) defines the creative industries as those “supplying goods and services that we broadly associate with cultural, artistic, or simply entertainment value.” They include books, magazines, the visual arts (painting, sculpture), the performing arts (theatre, opera, concerts, dance), sound recordings, cinema and TV, and even fashion, toys, and games. Towse (2001, p.1) also defines the creative industries as “the ‘traditional’ creative and performing arts (visual arts, literature, music, dance, opera, drama) and the cultural industries (film, radio, television, sound recording, multimedia). She defines the cultural industries as composing a range of private enterprise industries whose output is information-based copyrighted material. Especially, she tends to see the cultural industries as a subset of the creative industries.
4) Such sharp distinctions are hard to sustain.
As well seen in auto manufacturing these days, the manufacture of ordinary economic goods takes into account art and cultural elements including design. Therefore, considering this ‘culturalization of the economy’ phenomenon, it is not easy to conclude that only cultural goods, as opposed to ordinary economic goods, give rise to cultural and economic value.
5) The Towse/Creigh-Tyte model is similar to the cultural industries production system model of Pratt (1997), consisting of production, infrastructure, distribution, and consumption.
6) Though it is not clear, we can find a difference between the two models: the former is static, horizontal, and theory-oriented, while the latter is dynamic, vertical, and policy-oriented.
7) This reflects an optimistic perspective. But, this issue is part of a crucial debate within contemporary cultural policy. There is a pessimistic perspective on the relationship between the two sectors, which perceives the commercial cultural industries as a threat to the subsidized arts sector.
8) http://www.showbizdata.com
9) It should not be overstated that these effects of cultural industries in a local economy would be commonly generated in all countries. It should be noted that the effects depend on empirical study.
10) For a basic study of the economics of creativity, see Throsby (2001, ch.6).
11) In Frey and Pommerhrene (1989, p.163), Frey used nonmonetary benefits rather than intrinsic motivation.
12) It is well known that features common to the cultural industries are high fixed costs for content and low marginal costs — the conditions for natural monopoly. These features are responsible for market concentration into an
oligopoly with a few large firms dominating all of the cultural industries. There are also substantial network economies and economies of scope, leading to a tendency toward cross-media ownership. These supply-side features are reinforced on the demand side by consumers’ preferences for superstars. Another economic feature of the creative industries is the incessant search for novelty and uncertain demand on the part of consumers, making the cultural industries highly risky (Caves, 2000).

13) The labour market for artists is highly competitive. Moreover, globalisation increases the competition in artists’ labour markets and raises the stakes, because it enables the superstars to earn even higher incomes as markets expand. This provides an incentive to an even greater supply of artists. Artists are being made to bear disproportionate risk in the production of creative output by the asymmetry of market structure in the creative industries. The bargaining power of any but the superstar artists with multinational conglomerates in the cultural industries is weak.

14) It is hard to think of a major high-tech region that does not have a distinct musical identity. Technology and the music scene go together because both reflect an openness to new ideas, new people, and creativity. See Florida (2002, pp.228-9)

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