

## ***2. Theoretical Approach***

### **2.1. Artists equal Cultural Industry equal Creative Industry?**

The public is confronted with an inflationary association of the concept creative industry. The most different concepts and terms are subsumed into one idea. It is especially difficult, to make comparable empirical studies on the subject cultural industry, since most different sectoral classifications are undertaken. STEINERT (2004) speaks of a 'belittlement of the concept' cultural industry. Moreover, it is argued that there is not a cultural industry (HESMONDHALGH 2002).

This leads to confusion that has been complicated by the problematic nature of defining the term, which is at the centre of an objective dispute. The self-perceiving collection of artists within a sector, whose focus is dominated by the economic aspects of artists' activities, is especially problematic. It then becomes precarious, when art and culture are instrumentalized and serve the purpose of a legalization of self-referenced interests of individual beneficiaries in economic assistance measures. It follows that economic measures are generated that become prestige projects and vindication assistance for the local economy. MEDOSCH (2001) speaks of a creative bastardization of the culture concept and implies a clear differentiation between commerce and content.

Art and creators of art are mostly treated at the margin in cultural-economic observations. This can be interpreted as the peril of being pushed to the periphery. This circumstance is brought forth by defining creative sectors as 'Culture that makes money' (FREEMAN 2003).

To just name a few examples how different the term and the classification of the originally created and distributed cultural products are employed, different authors shall be named. Furthermore, the shift in meaning, that was a consequence after the transition of the term

cultural industry to the term creative industry or creative economy, will be elaborated on.

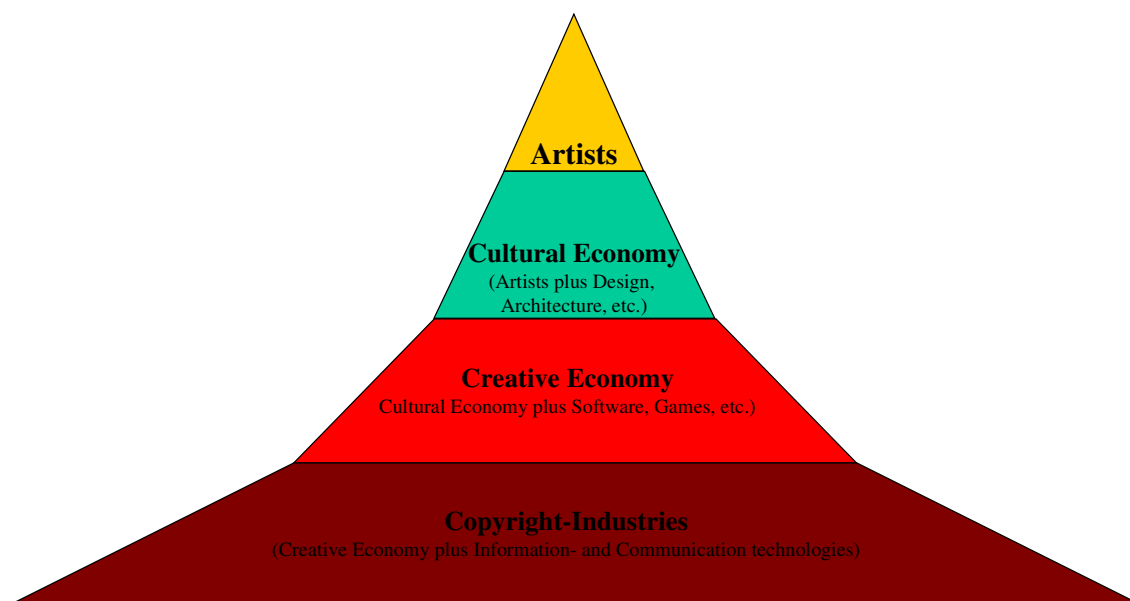
The term cultural industry was originally brought forth by the Frankfurt School (HORKHEIMER & ADORNO 1979) in its critique of mass production within culture production from the aesthetic as well as from the consumer side. THROSBY (2001) distinguishes three areas, from which cultural products come. The *core art industries* with traditional art forms such as visual and performing arts<sup>4</sup>, crafts and newer forms of practise such as video art, computer and multimedia art constitute the first group. Another second group are cultural industries producing *hybrid forms* of cultural and non-cultural components such as in film, radio and television, newspaper, books and magazine publishing. Related industries, which are operating outside the cultural sphere but whose products could be regarded to have some creative or cultural content including advertising, tourism and architectural services, pose the last group. These divisions are demand-led and based on goods and services; however they do not lead to a clear definition. The suggested definition of agents in the creative class from FLORIDA (2002) is also insufficient. An identity-endowing definition is offered that allows for a generous delimitation of defined risen and large industries with a self-definition "attracting bohemian types who like funky, socially free areas with cool downtowns and lots of density" (GLAESER 2005: 594).

With such a multitude of definitions, the Creative Cluster model from HARTLEY (2005) will be elaborated on. Originally the depicted pyramid only included three sectors. The artists at the tip (added here), topping the cultural economy as a subsumed sector, points out to what extent this fourth sector lies at the beginning of the value added chain (see figure 1). The agents, who take over the part of origination, represent the actual creative portion in the CIs.

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<sup>4</sup> Including music, theatre, dance and literature.

Figure 1: Artists as the spearhead of CIs



Source: J. Hartley (Ed.) Creative Industries, 2005; modified

As the musicians define the innovative products in the music industry, it is the painters and sculptors who serve as inspiration for the designers to reproduce artistic products; it is the authors and writers in publishing companies; it is the video artists and actors in the film industry; and finally in the advertising industry it is the art directors, who in the preliminary stage of the creative process, give the actual creative impulse.

For the following analysis, the term Creative Industries is used, since these industries underlie the empirical findings. Creative books and magazine publishing, visual arts (painting, sculpture and installation art), performing arts (theatre, opera, concerts, and dance), sound recordings, cinema and TV films, architecture and design, software and games will also be among them.

## **2.2 The Economizing of Culture or the Culturizing of Economy?**

With a look at one of the most innovative and creative economic areas at present- the so-called Creative Industries (see chapter 2.1) - ambivalent scenery can be recognized for Berlin. For the CIs are moving in an overlapping area of two central socially relevant fields:

culture and economy, and thereby in a conflicting area that can be characterized by the headwords 'Economizing of Culture' – 'Culturizing of Economy'. "How to study the economy as a cultural formation" like THRIFT (2000: 689) the starting question of cultural geographies of an economy is the consideration of different constructions in the economy taken as a representation of reality. On the one hand, the often quoted primacy of the economy could be extended to another social sub-area – culture. On the other hand, a contrary tendency can eventuate exactly here. The post-fordistic economy could be increasingly culturized (HOFFMANN & VON OSTEN 1999). The need to free the arts from economic constraints is for the creative community more or less a now defunct constellation.

Art and culture production is becoming a part of goods and services in an increasing dimension. Conversely, the economy no longer manages without the seal of culture. Through the combination of culture and economy, innovative products and project concepts can be generated, for which a demand can develop.

Both of these concepts parallel running social processes, provide new coherence of culture and economy.

To come closer to the problem, in the following the inextricably intertwined relation between economic, social and cultural features will be understood as an integrative approach.

Art and culture (or their methodical content) can thereby become the product of social change (MARCUSE 1968) and simultaneously act as the driving force of growth for economic structural transformation. This is due to the fact that the production of symbolic forms has accelerated the post-modern differentiation of consumer goods<sup>5</sup>.

Absorption of cultural production in the economy (SCOTT 2000) thereby becomes the key concept in the debate with the term pair culture and economy. Thus shows, the 'supply and demand side is pervaded to a great extent by cognitive and expressive content (for input production as well as a component for output)' (SCOTT 2001).

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<sup>5</sup> In contrast to the economy, emotional and intellectual (that is aesthetic and semiotic) content inhere in culture.

Contradictory pairs such as the economizing of culture and culture as an integral part of economic production take great significance in the discussion, beginning with the defined Culture-Industry-Theorem from HORKHEIMER and ADORNO (1979)<sup>6</sup>.

MARX (1962) criticises the economizing of entire social life as an expression of an appreciation of capitalism.

HORKHEIMER and ADORNO (1979) in criticism of mass culture and their prophesied disintegration of culture in civilisation<sup>7</sup>, or as SCHWARZ (2003) in a Marxist-touch paraphrase says it, the 'final dominance of commodities over culture and hence its destruction', development tendencies are named with the economizing of culture. HABERMAS takes the same line and underlines the earlier critique of affirmative culture.

'With their analysis of mass culture, HORKHEIMER and ADORNO [...] want to prove that art fused with entertainment is paralysed in its innovative power and emptied of all critical and utopian content.' (HABERMAS 1986: 136)

The term Culture Industry was coined by HORKHEIMER and ADORNO. In the beginning it referred to mass production of cultural goods, while later it also included the social implications of cultural events and products.

In their Critical Theory, HORKHEIMER and ADORNO discuss both the strong influence of Culture Industry on the intellectual position of a society and on the individual. Culture industry is regarded as a factory for the mass production of standardised cultural goods aimed at influencing the awareness of the masses and manipulating them into passivity. It is therefore an instrument to maintain power and control over people. Hence, non-economic contents, values and needs become economic goods.

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<sup>6</sup> The commercialization of culture first appeared in the work *Dialektik der Aufklärung* in 1944.

<sup>7</sup> The ruin of high culture, the leveling and destructive effects of modern industrial mass culture (Anglo-Saxon Pop music, television and the Internet).

The young generation of critical theorists have criticised ADORNO's work as being merely academic and his inability to draw practical conclusions from it.

The term Culture Industry, as it was used by HORKHEIMER and ADORNO, has nothing to do with the later usage of the term in a solely economic sense. It has since then been detached from its original context and content.

Whether these feared standardizing and neutralizing processes in so-called mass culture actually take hold also depends on the consumers and of course on the definition of high culture and mass culture by the beholder. Thus, from today's perspective Mozart can by all means be seen as a pop musician of his time. Also, despite different interpretations the portrayed content has almost always alluded to core paradigms of human longings (emotions, feelings, etc.) and is still successful as a result of suboptimal satisfying of needs.

Mass culture can be an innovative and even subversive popular art and can serve as an impulse for high culture. Even if industrially seized high culture could lose its innovative and subversive impulse due to a comparably consumer-oriented production, it stays original as a result of knowledge-based, creative, and design-intensive creation of goods and services in other industries. Precisely the affinity to be experimental and risk-loving (despite a high rate of failure) unifies both again and distinguishes them from other industrial production forms. Whilst they are primarily commercially orientated they still produce cultural output and strengthen the production factor 'regional socio-cultural capital'.

### *Culture and Values*

Should, however, creative development possibilities and economic growth, quality of life and local to national location advantages be excluded from culture?

For every individual, culture constitutes, along with the satisfaction of their own needs, different value forms as well (POMMEREHNE & FREY 1993: 20). WILLIAMS (1976) suggested that culture encompasses

intellectual, spiritual and aesthetic development as well as works and practices of intellectual and artistic endeavour. Hence, culture is an essential part in everyday life, be it in the home, at work or in the street.'

Culture exists through people – it is about people and how we choose to express ourselves, interact with each other and communicate with the world.

Among these values are options, educational, legacy, prestige and existence value. With these values, except the last named, socio-cultural valence is addressed that boils down to individual welfare and social cohabitation. Culture becomes a medium to distribute wealth to all inhabitants depending on capacity, the link between social and human capital, to improve capabilities and to transform organisational capacity, in order to deal with and react to changes.

It is optional to be able to use culture, but not to be forced to; strengthen one's own educational resources, to confront and preserve cultural heritage, and to develop a linked cultural identity and cultural feeling of togetherness throughout a region as well as a growing recognition of profile and name. Culture is then a medium to define affluence, separates identity and a local identity (pride) and inter-communal understanding that teaches people the sense of anchorage and well-being.

These specific spillovers can, however, not always be measured in a pecuniary way. Culture receives the pure economic, direct components in the so-called value of existence. With this I refer to the demand effects in the construction industry, the handcraft or maintenance of memorials as well as the resulting employment, income and welfare effects are generated through subsidies for the upkeep and reconstruction of historical buildings (e.g. the 'Museumsinsel' in Berlin as a designated UNESCO World Heritage Site) (economic impact studies). Furthermore, such buildings can exude their splendour. Real estate lying in the surrounding area can experience an appreciation through the cultural beacons in urban quarters (Hedonic Price Methods).

### *Value-added Chains*

A further aspect is the complex and distinctive set of production and distribution relationships among one another and with further industries outside of CIs.

In production relationships one can talk about reciprocal fertilization and exchange of specific spillovers. The creative / innovative milieu of CIs not only attracts CI firms because of the concentration of a large amount of skilled labour, rather it can also support the settlement of further firms in other industries.

Thereby, the demand for labour, goods and services raises as a result of dense value added chains. With an institutional infrastructure, information flows could grow exponentially and a wide variety of external economies benefit as a result of it, furthermore organizing cultural as well as economic flows (SASSEN 1991; SCOTT 2001; ZUKIN 1995) to intensify them. Culture and cultural exchange increasingly adopt characteristics from knowledge transfers. On the one hand, an educational dimension is addressed, in which knowledge stands as a production factor for economic success. On the other hand, it can incite the creativity of agents, when a cultural exchange takes place and thereby develops an inspiration source. An important point in the growing evaluation of cultural production lies in the controversial discussion about copyrights. Creative Industries turn cultural content into property, what leads in turn to material controversy and issues of conflict in distribution and reproduction. The knowledge transfer of culture and cultural exchange thereby also has another side of the coin. It does not diffuse unrestrainedly. It is dependent on diversity and the ease of access to information and knowledge for all.

As positive external effects, cultural spillovers then promote again the exchange in networks. Cultural activities take over the function of communication instruments. This then leads to regional economic effects (see chapter 2.3 Regional Economic Effects of Culture), from which both sides benefit.

The link in the value added chain can not be denied, even if the artist believes only to need his creativity to be artistically active and does not



understand economics, unless he must generate his subsistence level through a supplementary income<sup>8</sup> (see chapter 2.7 Dilemma of Creativity).

### *Sponsoring*

But culture also needs economy in another regard. Sponsoring can be divided into two forms; commercial and patronage. The first refers to a situation whereby companies provide sponsoring with the aim of improving marketing strategies in particular, communication policies. The second refers to patronage whereby no direct economic expectations govern sponsoring however it is based more on the principle of reciprocity. Though they may sound like an exclusively strategic alliance, this view underscores the modified functioning of culture in an economy. The social understanding of this functional shift has therewith changed as well.

Publicly-funded culture, especially, can not manage without the infiltrating process of economizing. That continually puts this subject into the awareness of the public perception as well as cultural and economic policies. To what extent can we afford culture and what are we as a society or community prepared to pay for it. Some examples are the management of cultural events and sponsoring, or Corporate Citizenship of companies as the financing of art and culture (e.g. Berliner Philharmonic and Deutsche Bank).

Economic and cultural agents seek communication. The reasons are complex. From the viewpoint of companies, different marketing strategies are driven with Corporate Citizenship. Along with advertising-effective concepts such as customer orientation, location improvement and image profiling, company-related goals for staff integration, identity endowment, and the securing of future markets have been added.

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<sup>8</sup> Within a project-related scientific accompaniment of a cultural-economic innovation centre, approximately 20 interviews were carried out in the summer of 2005 for the purpose of supporting this investigation. These players come from the fields of pictorial arts, design, film, publishing, software development, and theatre.

It is not for nothing that an analysis done by DIW Berlin is coined by the introductory sentence: 'Culture can not manage without public financial support' (FRANK, GEPPERT & VESPER 2002: 8). On the contrary: the proportion of public grants is rising inasmuch as the development of productivity in the performing arts lags behind productivity increases in manufacturing etc.. This phenomenon is referred to as the 'cost disease' (BAUMOL and BOWEN 1966). Cultural goods and services thereby become more expensive compared to industrial goods. If one would try to match the price with the costs of cultural goods and services, the demand would sink so low that it would fall under the socially desired level. Hence, they speak of an economic dilemma.

But the problem must also be seen in the subsidies themselves. State and communal cultural grants and subsidized cultural facilities are subject to growing competition and legitimating pressure due to monetary means restrictions<sup>9</sup>. However, in the methodical approach to observe publicly-funded cultural operations and commercial cultural-economic industries together, the perspective of cultural and economic policy can be channelled toward opportunities. This is with the aim to distinctly discern not only the potential of cultural and cultural-economic industries, not as a cost problem, but primarily as a developing innovative and investment field.

Thus, the need for cultural-economic studies arises, that show an interest in the economic significance and the regional economic multiplier effects of publicly-funded cultural areas.

### **2.3 Regional Economic Effects of Culture**

In the academic as well as regional-political debate, the importance of cultural economy plays a growing role (HALL 2000; PRATT 1997; SCOTT 1996). I mean hereby the importance, especially for cities or metropolises. They have the potential, with artistic or cultural institutional thickness (AMIN and THRIFT 1994) to become the places of

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<sup>9</sup> What in turn allowed the academic interest in culture economics to rise?

the most influential international dealers, auction houses, critics and galleries, and act as magnets for aspiring artists and dealers, who in turn further enrich the creative milieu of art schools, galleries and cultural quarters (MONTGOMERY and ROBINSON 1993). One can also observe here a paradigm shift: from the view of the agent who is not searching the labour market but in places where he is able to find an inspiring, creativity-promoting environment where the agent can live different lifestyles<sup>10</sup>.

'In looking for the urban conditions of artistic innovation, it might be argued that given their size, cities are more likely to generate the networks, relationships, facilities and cultural spillovers that sustain creative innovation within and across artistic communities. This is particularly important given evidence that new artistic styles tend to be constructed around a critical mass of group activities, often through synergies with other cultural fields. Moreover, there is evidence that access and proximity to influential art makers are crucial for an artist seeking to build a national or international reputation.' (BOWNESS 1989; CRANE 1987, 1992) (In WHILE 2003: 252)

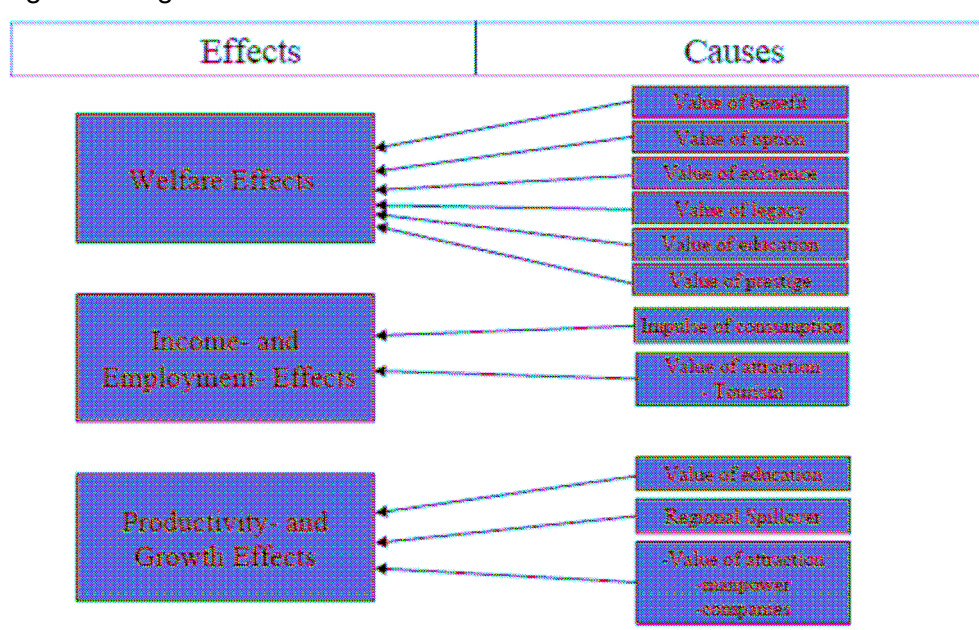
As shown in figure 2, the supply side as well as the demand side of cultural goods and services can be positioned in a multitude of regional economic effects of regional culture production.

In detail these are welfare, income, employment, as well as productivity and growth effects.

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<sup>10</sup> See the described approach from the Los Angeles School that Creative Industries need a creative environment based on the concept of creating new industrial spaces by new industries. In addition they highlight the increasing meaning of soft location site factors (See SCOTT 2001 and STORPER 1997).

Figure 2: Regional effects of culture



Source: Frank, B., K. Geppert & D. Vesper (2002) Kultur als Wirtschaftsfaktor in Berlin. DIW Survey.

Benefit, option, existence, legacy, education and prestige values are among welfare effects, which can be found in chapter 2.2.

They are not pecuniary for the most part and hence poorly quantifiable. This is different when regarding the income and employment effects.

There is immediate employment in culture companies, even if they are temporary and project-related. The generated income stimulates multiplier effects in local and regional economic circuits.

## *Cultural Capital*

The location factor holds for the CI in particular cultural capital<sup>11</sup> an important position in the factor arrangement. Cultural capital is composed of diversity, vitality and creativity of the cultural daily life of residents in a metropolis, which exhibits an important collective resource of inspiration in order to be productive. The concept of cultural capital, in the classical sense, can be considered spatially on the meso level of societal development in a region or city. It holds here that culture represents an imperative resource for the economic development of an industry and thereby the corresponding region or cities. The development of cultural activity sectors, especially, agreeable to the functional understanding influence the culture industry.

Included here are also income effects from the tourism and gastronomy industries<sup>12</sup>. So PRATT (2004) takes into account, in his analysis of the cultural industries and cultural tourism in the context of the city, the meaning in the process of the protection, maintenance and renovation of the built heritage as the unique element of cultural heritage, to highlight the growth of tourism and the growth of consumption of cultural products, that has led to a distinct economic impact of cultural tourism and cultural industries.

In a study by DIW Berlin, the authors (FRANK, GEPPERT and VESPER 2002) calculated a multiplier value of 1.5 as the regional economic effect of expenditures from culturally interested tourists.

Thus, a consumer can be inspired or entertained. The personal welfare benefit is individually felt and also implemented differently in

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<sup>11</sup> Cultural capital is understood by its originator BOURDIEU (1983: 192), in the sociological sense, as capital that describes certain classes of society through education and experience, acquired knowledge and competence in the area of a cultural form of expression (cp. KORTE and SCHÄFERS 2000 p. 230f). It is thereby connected to individual capabilities. THROSBY (2001) broadens this definition of cultural capital, in that he includes the wealth that comprises both "cultural and economic assets, and firstly exists in material, tangible form (e.g. works of art), secondly in the immaterial form (a) 'public' cultural goods (e.g. the cultural heritage handed down through music and literature) and (b) the cultural resources of person in the sense of moral concepts, ideas, social rules [...].

<sup>12</sup> Berlin comes in first place in Germany and third Europe-wide after London and Paris in city tourism. [Source: Berlin Tourismus Marketing GmbH, 2006 (Ed.) (2006) Tourismuskonzept für die Hauptstadtregion Berlin; Berlin.]

potential and resources. Whether the recovery or impulse effect for new challenges and tasks preponderates in the end remains to be seen. The creative industries ensure regional spillovers through their intertwining with other industries (see chapter Creative Industries in Berlin). The culture supply and the reputation of the established creative branch companies also provide image improvement and brilliance. Possible secondary effects would be the settling of further companies, the gain of qualified human resources or the focusing of attention on potential patrons and sponsors, especially in the reoccurring discussion on the financial equalization scheme between the federal government and the states or on the German responsibility to the conservation of cultural goods in national interest (among other things the Capital City Culture Funds worth 9.9 million euro).

## **2.4 From the concept of Creativity to Cultural Services and Goods**

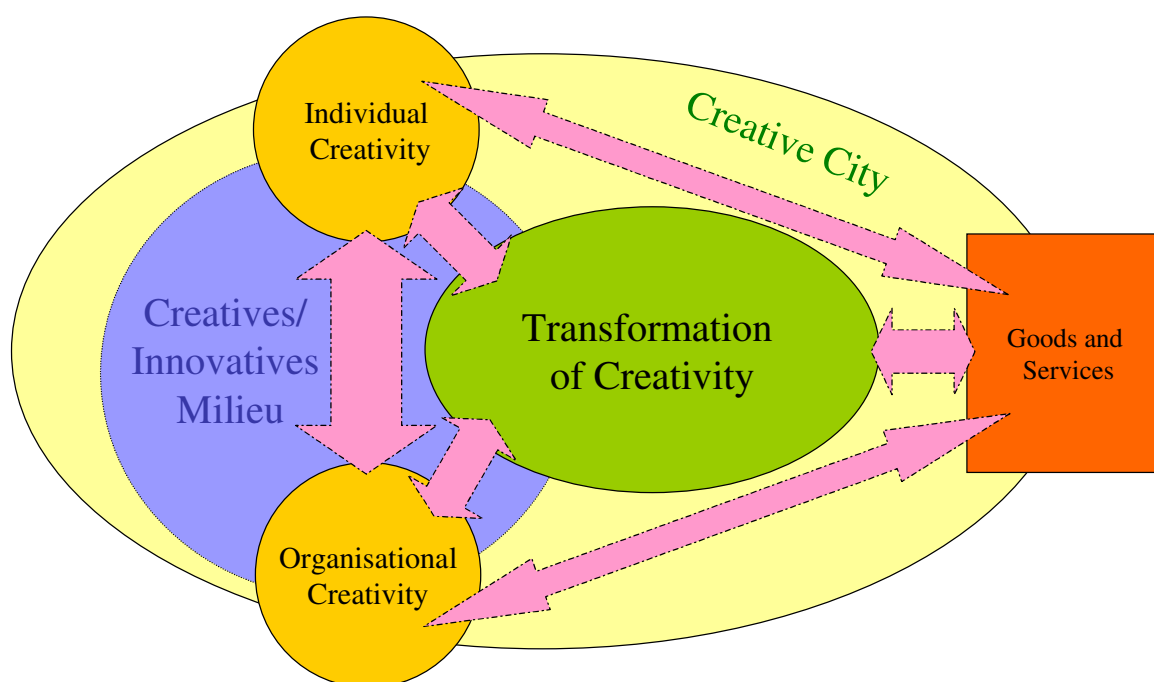
In order to offer cultural services and goods on the market, agents of the CIs are required. An embedding into the concept of the creative city and creative / innovative milieus is potentially promotable, however is not a precondition. The creativity of an individual can thereby either directly flow into the building of cultural services and goods or through a group of agents into an organizational process of creativity. With the division of labour by problem solving, the inrushing of continual new agents with their ideas, creativity, talent and experience, to manage problems conventionally and less conventionally (e.g. BOURDIEU 1993), the organizational process of creativity is an important component, in order to produce competitive cultural services and goods.

It is not absolutely necessary for them to take the step of transformation of their creativity. A direct investment of creativity is possible and can strengthen the tendency, to be a supplier of goods and services without, or only to a small degree, working by customer orientation, following their own creativity. (A discussion on whether this option poses the more economical one can be found in the chapter

Dilemma of Creatives). Likewise is the behaviour in organizational creativity. Here too the self-reflection of artistic work is more important than customer-orientated work. This organizational form of the production process applies most to the artists in the cultural economy.

Now there would be an overlap with the sectors of CIs. In order to transform creativity, further service providers and producers are necessary to provide creative input, for example technically. It must be identified that especially small and medium-size companies multi-functionally take over the responsibility of contributing creative input as well as the implementation of ideas and innovations.

Figure 3: The Production of Cultural Goods and Services in Reliance on Creative Milieus



Source: Own Illustration

This sectoral structuring would offer the possibility to come closer to the core art industry as defined by THORSBY (2001) and to channel the orientation to the actual process that leads to the origination of cultural products (excluding the consumption area).

## **2.5 Locations, Creativity and Creative Milieus**

In the following, I focus on the relationship between place and creativity for micro, small and medium-size CI agents and firms. I will show the local economic development in an urban milieu and the connection to economic and cultural geography.

Creative industries, as a focus of sectoral industrial policy, have been a research and policy idea since their inception in 1997<sup>13</sup>.

According to SCOTT (1999: 814) 'creativity and innovation in the modern economy can be understood as social phenomena rooted in the production system and its geographic milieu'. This geographic milieu or 'creative field' is the place where cultural communities react. Examples include, but are not limited to, the artistic and intellectual circles of the nineteenth and twentieth centuries in Paris (HALL 1998), Hollywood (SCOTT 2002; STORPER & CHRISTOPHERSON 1987) and the 'Golden Twenties' for Berlin's cultural milieu in the 1920s (SCHRADER & SCHEBERA 1990; LEWIS 1990), as magnets for talented individuals from other places, who migrated to these centres in search of professional fulfilment. These cities were places with a concentrated critical cultural mass, cultural heritage, experiences and potential of cultural, economic and social activities (WOOD 2003). Advantages in regional competition coin a unique selling proposition of locations and emphasise the cultural excellence and potential of innovation hotspots. TÖRNQVIST further argues that such a creative milieu is essentially chaotic: it suffers from structural instability, like a river that enters a period of instability in its middle course (TÖRNQVIST 1983: 97-107). He developed the notion of creative milieu or creative environment (1978).

In contrast, HALL (2000) notes that highly conservative, very stable societies are not likely to be creative places, nor will they be places in which all sense of order disappears.

Historically it appears that highly creative cities have been those in which an old, established order was being challenged or overthrown,

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<sup>13</sup> It was developed for the first time by the Creative Industries Taskforce in the UK in 1997.



such as Vienna in 1900 and Berlin in 1920. 'So creative cities, creative urban milieus, are places of great social and intellectual turbulence: not comfortable places at all' (HALL 2000: 646).

CI firms use the milieu as a catalyst or stimulant for new ideas and benefit from the localized experiences as a source of inspiration. The milieu can be understood as breeding ground for young and small firms to prepare themselves for the needs and restrictions of the market.

The creative industries have a strong attraction to urban areas but an even stronger propensity to local sectoral agglomeration. This is hypothesised not only at the city level but also at the city district or intra-regional level (SCOTT 1996; KRÄTKE 2003; GRABHER 2001; NACHUM & KEEBLE 1999).

The positioning of the focal point on the concept of creativity results from the significance of the connection between the impressions of Berlin as a location and the motives for the selection of a location of companies, as observed in the research phase: creativity and the cultural infrastructure as the most considered characteristic of Berlin in the questionnaire and in the interviews (cp. Chapter 3.3). The acquired conclusion, while working through the empirical data, and the subject positioning of the CI, is reflected in the following creativity discussion. What are the special attributes of creative industries, what forms the basis of creative potential and what characteristics make creative areas in cities identifiable?

I filtered out important concepts for the investigation from the diverse theoretical discussions on the topic that enable access into the object of research (see also HERTZSCH 2005; HERTZSCH & MUNDELIUS 2005).

Once again I take up the lifestyle concept with the definition of a creative class and a creative milieu (cp. above), and in doing so, emphasise the specific characteristics. This discussion is carried out closely with FLORIDA'S remarks on the creative class (FLORIDA 2002).

The represented concepts of the creative city from LANDRY (1995) and others facilitate access into the correlations between culture and the development of a city, by which creative locations become elicited. Also

HALL (2000) points out a direct relation between creative cities and economic development, with his highlighting of historical development using the examples of Athens, Florence, London, Vienna, Paris and Berlin<sup>14</sup>.

When WOOD (2003) speaks of the Cycle of Urban Creativity, he defines creativity as 'The creative executive has mastered the ability to work with intuition as well as facts, to employ imagination, to not only analyse problems but *visualise* them and *feel* the way to solutions, and then to act upon this in a rigorous, systematic and disciplined way.'

Using an old, well-proven approach, BROCKHAUS defines creativity as the 'ability to develop original, unusual vagaries and to productively implement them' (BROCKHAUS 2002: 251). That sounds plausible, does not suffice however to fully reflect the complexity of the concept and to make the term applicable in the planning phase. CSIKSZENTMIHALYI (1990) goes a bit further in his definition and states: 'Creativity is any act, idea, or product that changes an existing domain, or that transforms an existing domain into a new one.' And according to him, creative people are those, 'whose thoughts or actions change a domain, or establish a domain.' In turn, FLORIDA can locate three types of creativity (2002: 21et seqq.): technological creativity appears in new product ideas, products and technology, economic creativity expresses itself in the careers of successful companies, and the process of setting up a business and cultural creativity arises in new art forms, designs, as well as paintings, views and images.

This short explanation of terms should now lead into the more profound debate on creativity.

### *Creative locations I – from creative capital to creative class*

World-class companies have learned to extend, within the general pursuit of competitive ability, the range of creative capital to further assets. Along with financial and human capital, more firms are

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<sup>14</sup> The time period of each city were Athens in the 5<sup>th</sup> century BC, Florence in the 14<sup>th</sup> century, London in Shakespeare's time, Vienna in the late 18<sup>th</sup> and 19<sup>th</sup> centuries, Paris between 1870 and 1910, and Berlin in the 1920's.

beginning to seek and collect creative capital, with the goal of new inventions and creating new products. However, the content, in the following, should not be how one becomes more creative as the manager of a company; rather the central question is the cultivation of the concept creativity in the context of an urban-spatial discussion. In particular, the players in the Creative Industry, who, as already mentioned, live and work in the downtown area of a city and form the basis of creative capital, take the forefront.

It is a basic principle that creativity is most personal, thus it holds: '... people can be hired or fired, their creative capacity cannot be bought and sold, or turned on and off at will' (FLORIDA 2002: 5). FLORIDA argues in his bestseller *The Rise of the Creative Class*, that the traditional loyalty bond towards the company is increasingly dwindling among people, and that they are developing an increased interest in their own self-fulfilment and for this reason lay higher demands on a location. It is thus a 'small wonder that we find the creative ethos bleeding out from the sphere of work to infuse every corner of our lives.' (ibid.: 5). It is no longer expected of a person to work for only one firm their entire life, rather people are in search of other establishments, in which they can thrust their loyalty and in return have the opportunity for self-actualization and to develop their potential. FLORIDA expresses it quite well in that he proves, that the location has removed the firm as the determining organizational unit of our economic system: locations are as a result a magnet for talent (FLORIDA 2002).

Such magnets are cities and communities, and they harbour a resource of economic prosperity: creative capital. In the sense of WOOD's (2003) definitions of these notions, companies not only rely on capital and labour, rather they begin to selectively and efficiently apply their resources as factors of production "their stock of ideas, their capacity to keep generating new ones and their ability to extract value from them".

The manner, in which this capital is accessed, decides the development of a location in the context of a boom or a downturn.

It is known that cities have developed, throughout their history, thanks to their abilities to make innovations of all kinds (cultural, economic, technological, social, etc.) useful. In the past centuries, cities could prosper, if they could only make a competitive advantage, for example the technical innovative advances in the textile industry in Manchester (nineteenth century). In the future, however, cities must develop their innovative power in many directions. 'Creativity and innovation must become an integrated process that includes all aspects of urban life. Social, economic, political, cultural and ecological innovations are all equally necessary and must be equally weighted' (WOOD 2003: 28).

FLORIDA (2002) argues that urban success is present, if cities possess an above-average number of jobs for scientists and engineers, when they know to offer a certain lifestyle and consumption possibilities, and if they give their residents the opportunity to act out their creative potential. GLAESER et al. (2001) summarize this circumstance as follows: 'Urban success comes from being an attractive "consumer city" for high skill people.'

In addition, FLORIDA (2002) formulates a 'Creative Class' on causality and speaks about people, who are completely independent and not bound to one location, but on the other hand maintain a profound loyalty to a location, where they feel comfortable. Neither income nor career opportunities allow the creative class to be bound to one location. It is more important to let the members of the creative class live in a place that is characterized by diversity, in which different races, cultures and sexual orientations are encountered without prejudice and it is possible to develop one's potential.

FLORIDA's theory of the creative class is formed on the basis of a game between various types of labour. The 'hard core' includes scientist and engineers, architects and designers, teachers just as well as people, who are successful in building up a company, as well as artists such as musicians, entertainers, writers and media producers, whose economic challenge consists of creating either new ideas, technologies or content. He supplements this through a group of '[...] creative

professionals in business and finance, law, health care and related fields' (cp. *ibid.* 67et seqq.).

"These people engage in complex problem solving, that involves a great deal of independent judgment and requires high levels of education or human capital. In addition, all members of the Creative Class [...] share a common creative ethos that values creativity, individuality, difference and merit' (*ibid.* 8).

A central difference between the creative class and other classes is that members of the working class and service-oriented society are mainly paid for implementing an existing plan, whereas members of the creative class are paid most notably for the development of new ideas, products and processes, and thus have more autonomy and flexibility of their work schedule at their disposal (FLORIDA 2002: 8 et seqq.).

They are marked by their integration into a certain scene and dwelling in certain places, where they feel comfortable.

The concept of the creative city by LANDRY (1995) is a further attempt to question how one recognizes creative centres and has access to creative capital.

### *Creative locations II- the concept of creative city as a connection between culture and city development*

The approach of the creative city is represented by authors such as LANDRY (1995), WOOD (2003), EBERT (1994) or HALL (2000), who developed several studies on the concept of the creative city in the mid 90s. The professed goal of this study is to bring in the creativity of city to the advantage of prosperous city development and to find a handling in order to increase urban creativity. The discourse of a creative city goes along with the idea of an industrial city, which has positioned itself using all means in the global competition of cities. Creativity, such as art and culture, will be implemented as location factors. Culture, the arts and, more broadly, entertainment and nightlife, were all recognized early on as playing key roles in cities post-industrial makeover.

The creative city differs from traditional planning approaches in that a cultural perspective moves to the forefront of city development. Culture is the determining factor of city development and a platform for creative action. Consciousness of culture is a key asset and driving force in becoming a more imaginative city. The creative city approach is based on the idea that culture as value, insight, a way of life and form of creative expression, represents the soil from within which creativity emerges and grows, and therefore provides the momentum for development. Cultural resources are the raw materials and assets to get the process going. Cultural planning is the process of identifying projects, devising plans and managing implementation strategies based on cultural resources.' (LANDRY 1995: 173)

The historical dimension shows that large cities were always locations of creativity and innovation. Due to the interplay of different cultures, religions and ethnicities, a milieu could be built in the best case, in which new ideas found their realization.

In present times, more thought is given to the connection between culture and the development of a city, in order to compensate for urgent problems such as the collapse of older, urban industries and to complete the structural transition from an industrial into a service-orientated and knowledge-based society. 'In spite of the urban crisis, the Creative City is positive about cities, because they offer so much scope for communication, new ideas and wealth creation.' (LANDRY 1995: 175) Through the idea of the creative city, the demand is pursued to force a positive trend within the city development through the activation of creative resources in a city.

LANDRY describes the concept of a creative city as follows: 'The Creative City describes a new method of strategic urban planning and examines how people can think, plan and act creatively in the city. It explores how we can make our cities more liveable and vital by harnessing people's imagination and talent. It does not provide definite answers, but seeks to open out an 'ideas bank' of possibilities from which innovations will emerge.' (ibid. 175)

Creativity has to do largely with differing behaviour and is needed, when standard solutions are no longer seized or lead to new problems. However, a characterising of creativity is impossibly assignable to an entire city. 'Obviously a city can not be creative, rather individuals. On the other hand it seems plausible to assume, that the city is a context that attracts creative persons and makes their artistic work possible.' (FRIEDRICHS 1998: 146) This corresponds to FLORIDA'S argumentation as well (cp. above).

The required creativity emerges largely from effects of creative networks (cp. EBERT ET AL. 1994: 9). Networks of creative players play a decisive role, in that this social capital develops ideas and connects local institutions with one another. Generally these networks are very fragile, personal and are neither producible nor controllable within the realm of classic planning. The networks are critical for creative city planning.

As a result, networks are important for the creative development within a city. Through these networks it is possible, to bundle individual interests and to outwardly exhibit promising players. I assume that the economic agents examined are a part of various networks.

Creativity is not alone. Creativity is always context-related. LANDRY (1995) locates six areas of creativity: art, science, marketing and communication, economy, youth sub-culture, and collective movements. The city's trade can be classified in the areas of economy and advertisement.

The connection between culture and city development can be understood through the approach of the creative city. In doing so, networks play a pivotal role; they, however, do not allow themselves to be produced or guided by outside sources.

In the following, direct economic agents in a creative process will be presented with the approach of the creative metropolis.

### *Creative locations III- creative metropolis and the creative service provider*

Similarly to LANDRY (1995), HELBRECHT (1999) sees a new city in development with the creative metropolis, and with it a new form of urbanity: the city as a creative centre, the city as a creative metropolis. Also, the term urbanity will be qualified in connection with the discussion of the post-modern city: on the one hand from the perspectives of culture and economy that contribute to the material production of urbanity (economy of symbols), and on the other hand in the discussion of an urban lifestyle. The term urbanity is important, because it will become clear in the following, that precisely the companies in this branch rely on their embeddedness<sup>15</sup> in an urban setting and therefore prefer such for their location. It is then apparent in what type of conflicting fields the examined companies move and how they contribute to urbanity production.

HELBRECHT (1999) postulates in her works, that the urban atmosphere constitutes the basis for the existence and further development of cities.

According to her remarks, metropolises and cities worldwide are influenced by the creative services, the so-called 'creative service providers', such as (graphic) designers, marketing agencies and cultural economies. The interlocking of culture and economy thereby gains importance for the development of a city. 'The rise of the creative metropolis is inextricably linked with the emergence of a creative service economy. Creative services capitalize culture and 'culturize' capital. In doing so, they are strategically situated between production and consumption.' (HELBRECHT 1998: 10) Entertainment and all forms of the culture industry are meant here, and having said that, are complemented, in this age of postmodernism, by the production of images, symbols and styles, which bear an important role among economic activities. This is commensurate with the economy of

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<sup>15</sup> The companies are embedded in a specific socio-cultural environment (see SABEL 1994 and also HARRISON 1992).



symbols. Products of the culture industry are labelled cultural products or post-modern goods (cp. also LASH & URRY 1994) and possess a strong relation to culture, due to their aesthetics, design, identity and their function. In turn, the producers of these products are typical representatives of creative metropolis.

HELBRECHT (1998) addresses this economic group specifically in her analysis, because this group, according to her remarks, personifies and influences urban atmosphere. She annotates that people distinguish themselves within the creative services through an exceptional degree of creativity and visions. The author can not in fact establish a direct connection between creativity and the city or urbanity; however she does describe the relationship as stimulating.

Furthermore, one can gather from her comments, that the creatives<sup>16</sup> concentrate themselves in city centre zones and thereby challenge traditional economical settlement and city development theories. The settlement behaviour of creative services is marked by urban values and urban quality. The precise settlement behaviour is characterized by a lifestyle orientation that acts as a pull factor, and to that effect, as an attraction moment. She found, in her research, that creatives search for the 'look and feel' of post-industrial areas: the search for the special location, the specific quality of cities, districts and buildings. This principle of 'look and feel' does not only serve to satisfy hedonistic needs and wants, but also to implement one's own creative power and productivity (cp. HELBRECHT 1999: 213 et seqq.).

The services offered in creative services are predominantly called upon by the so-called new middle class. This circumstance is to be viewed critically, because it can be determined that the economic agents in creative services take on an important role in the gentrification process and thereby enhance urban regions. Under these circumstances, a form of displacement should be anticipated in favour of the new middle class. HELBRECHT (1998: 11) holds: 'The problematic aspects of the creative city are to be found in its highly elitist, exclusionary,

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<sup>16</sup> See CAVES 2000, to creatives he accounts book and magazine publishing, visual arts (painting, sculpture), performing arts (theatre, opera, concerts, dance), sound recordings, cinema and TV films, fashion, toys and games.

apolitical, and self-indulgent material and symbolic realities. [...] Therefore, the creative metropolis serves the needs of the new middle class who has the power to define a new form of urbanity that serves their needs for constructing an identity through the means of consumption.'

In spite of being aware of this ambivalent development, she sticks with her statement on the existence of creativity in the context of creative metropolis. With the strengthening of the creative discourse, she associates none other than to find an answer to the question 'freedom what for?' (HELBRECHT 1998: 11) Thus, she places the process of creativity and not the result in the forefront: 'it is about emotions, about feeling comfortable and constantly re-inventing the self' (ibid. 11).

According to her argumentation, creativity initiates a process by way of economic and cultural reasons, so that a creative metropolis, as postulated by her, is developed through typical symbols, a range of services offered and areas.

It is thus to be held true that city centres, in particular, are marked by creatives. HELBRECHT sees mainly creative services. These companies are characterized, in their settlement behaviour, by urban values and attitudes, and furthermore, they include an urban quality, in a certain lifestyle, as attractive moments for settlement decisions.

It must, however, be mentioned, that HELBRECHT has a very obscure view of urbanity: Urban life can not be considered urban life, if access only exists for certain classes. If urbanity functions thus exclusively, then the term loses any kind of significance.

HELBRECHT's concentration on creative services, as a subsegment of commercially-orientated services, is to be regarded as insufficient, because they would then only pose as exploiters of original creative ideas. Creative services range in an environment that is characterized by groups who generate creative output. They are in search anew, in order to commercialize it and to supply it to areas of consumption, such as the youth cultural movement, for example, and their transfer into commercial evaluation through the music and fashion industry. In

contrast to the neglect of these innovative groups by HELBRECHT, FLORIDA's approach on the creative class includes exactly these players (cp. above).

With this three part entrance into the facets of the term creativity and the emphasis of the characteristics of creative milieus, creative cities and creative services; it should be possible for the empirical chapter of this study to offer insight to the inflationary-used vocabulary during the interviews in relation to Berlin.

In LANDRY'S approach, the term network and its importance for urban development in a creative context have already once been indicated. In the following, the specific characteristics of networks will be introduced, in detail, in a regional-economic perspective, because in the context of the empirical enquiry, the importance of the network mentality will be especially elaborated on for music firms.

## **2.6 Networks, Creative Milieus and the Exchange of Knowledge**

The discussion of network and milieu research, in the regional-economic viewpoint, results from the background of a once conjecture, but now confirmed through empirical research, that companies in the CI operate together within various networks and embed themselves in specific regional milieus. This structural perspective refers to the context related approach of social and institutional relationships of the economic agents.

In a first step, the terms important to this discourse will be defined, so to characterize, subsequently, the traits of creative and innovative milieus, relevant in this work. The exchange of knowledge plays an important role in this context, as already described above. For this reason, important information types will continue to be explained.

However, I would like to begin with clarifying where the regional-economic origins lie, and that these approaches are also transferable into urban economies.

### **2.6.1. The Regional Economics of Networks**

The state of knowledge on regional-economic research has been for some time, that the productivity of companies is not only dependent on the size and structure of a company, but also on the so-called agglomeration economies. MARSHALL (1959) already recognized the agglomeration advantages of regional production systems at the end of the nineteenth century and moulded the term industrial districts. Moreover, agglomeration effects play a role in these industrial districts. One of the important positive externalities of agglomeration is the saving of transaction costs. SCOTT (1996) mentions for cultural-products industries that they 'fairly regularly cluster into transactions-intensive agglomerations of specialized firms'. Furthermore '[a] firm which shares its location with one or more competitors is more likely chosen by a consumer than an otherwise identical firm which is alone at this location'. (SANNER 2004) For similar thoughts, see MARSHALL (1959: 227).

As a basic principle, one can differentiate between localization economies und urbanization economies. Localization effects result from the existence of several companies in one industry; urbanization effects are a result of companies in different industries (cp. STRÄTER 1998: 3). Agents will have their own highly personalized and constructed perceptions of locality and their own sense of identity related to that locality. The notion 'locality' can be perceived by agents as their immediate neighbourhood, by some as the city as a whole, and by others as an intermediate spatial scale.

There exist locational patterns of producers in these industries. Cities are not just sites of production but also spaces of consumption and exchange of products. Work in economic geography and other disciplines have shown that geographic and spatial differences are an integral part of the constitution of economic performance (CLARK, FELDMAN and GERTLER 2000). The advantage of clustering spatially in locations increases awareness of emerging trends and reduces

uncertainty for firms. (BRACZYK ET. AL 1999; PORTER 2001; COOKE 2002; FELDMAN & MARTIN 2004)

Some analysts, like BAPTISTA and SWAN (1998), have found Marshall-Arrow-Romer externalities to be dominant (localization economies, cp. above); others, like FELDMAN & AUDRETSCH (1999) find that Jacobs externalities are more prevalent (urbanization economies, cp. above); i.e., the evidence suggests that important knowledge spillovers might occur between rather than within industries (GLAESER ET AL. 1992). In other cases, e.g. CAPELLO (2002), both types appear simultaneously to be at work. For the clusters of producers the beneficial proximity leads to transacting and information exchange (SCOTT 1996) and building up communities of workers with tacit knowledge, sensitivities and skilled labour pools for employers. The cities have greatly increased in importance because of their complex and multifaceted interaction of information and communication systems.

This analysis on agglomeration advantages and the theoretical archetypes of industrial districts are broadened and supplemented in research through the concepts of networks and milieus. Thus industrial districts can by all means be interpreted as networks of creativity (PIORE & SABEL 1984) or as cultural districts (SANTAGATA 2002; BADER, 2003: 118).

Even when the origins of research on networks and milieus are planted in the regional economy, it can also be transferred to urban economies, in certain circumstances. Both theoretical archetypes have many characteristics in common. 'The city is a more complex form of a milieu, because the city, in its entity, encompasses economic differentiations (in contrast to the intrinsic specialization of milieus) and the entire habitat and life sphere of the population (which is only considered in the milieu concept, if synergy and learn effects are created that directly benefit the innovation process)' (CAMAGNI 2000: 293 et seqq.). The concept of creative / innovative milieus densely combines the present characteristics of a city, such as agglomeration,

accessibility and interaction, and the specific result of innovative milieus, i.e. the innovations.

### **2.6.2. The concept of networks in Creative Milieus**

Network and milieu have become popular terms in regional economics, economic and cultural geography, when the functionality of regionally-networked production structures is to be explained. However, they have an inherent conceptual obscurity. The term milieu extends the network approach to a socio-cultural dimension. However, given that informal and trust-oriented cooperation structures require spatial nearness and receive preferential treatment through this close proximity. (Cp. LESSAT 1998: 265 et seqq.) This identical content can be an intense exchange of knowledge for example. Thus, knowledge can be seen as input factor and a location factor, in this context (cp. above). A number of empirical analyses confirm the close interplay of an intense exchange of knowledge and a thereby improved competitive ability of companies, which are integrated in a regional or local network. A highly communication intensity with fast feedback and consequential spillover effects exists within these networks and milieus as well, and they are characterized by a high innovative ability (cp. DÖRING 2004).

Still, what do these terms mean in detail and what characteristics do they possess?

#### *Networks*

Networks have become instruments of regional development. The main idea of innovative networks is to generate synergy effects, in order to encourage knowledge exchange and innovations and to strengthen the competitive ability of companies. Networks act as institutions for knowledge management and organizational learning. Interactive learning is crucial for innovative processes (MALECKI 1991).

A network is generally defined as an amount of objects linked to one another. A net consists of knots, knitting and connecting lines (cp.

RÖSCH 1998: 24). In connection with the study at hand, I will describe socio-economic networks, not physical networks, such as transportation or communication networks.

The companies in socio-economic networks operate in 'cooperative competitions' that include the transfer of know-how through common research institutes, the exchange of research personnel, common export and trade show activities, as well as 'strategic alliances'. However, the individual companies primarily have a competitive relationship with each other, due to the fact that they remain independent within this corporate integration, and in many cases operate in the same markets (cp. LESSAT 1998: 266).

Network relationships are predominantly marked by four characteristics:

- 1) Reciprocity (not in every exchange must there be a balance of the involved agents, but in general it should be);
- 2) Interdependencies (a mutual basis in the form of friendship, trust, mutual language, business ethics etc.);
- 3) „Loose Coupling“ (less structured and noncommittal) and
- 4) Power (in each case the stronger agent dominates the character of the network) (GRABHER 1993: 8-12).

This in turn influences the functionality of such networks and balances of power among players (cp. GRABHER 1993: 8 et seqq.) and the power asymmetries (GRANOVETTER 1985). Furthermore, networks are principally characterized by personal and informal contacts with independent agents; they are based on faith and experience and demonstrate a mix of competition and cooperation. The relationships in networks are based on a certain community understanding that establishes trust and requires a common stock of knowledge. It is particularly a matter of knowledge through experience and context-related knowledge, which in turn can primarily be communicated through personal contacts (cp. above). The exchange of knowledge results from formal as well as informal networks.

Due to the number and diversity of agents, a network possesses a high concentration of relationships and it is open to everyone within its own 'territory' (CAMAGNI 1994). Therefore, companies are not bound to one specific network. They can simultaneously be integrated into several networks with different forms of cooperation, i.e. suppliers in vertical networks, competitors in horizontal networks or non-economic agents such as education and research institutions (cp. SCHAMP 2000: 65).

Co-operations within networks are not permanent; however they lead to the generation of social capital, in that the local players know where particular resources are and how to obtain them. This corresponds to local networks as defined by GREMI<sup>17</sup>. 'Spatial proximity matters not really in terms of a reduction in physical 'distance', but rather in terms of easy information interchange, similarity of cultural and psychological attitudes, frequency of interpersonal contacts and cooperation, and density of factor mobility within the limits of a local area.' (CAMAGNI 1991: 2) In contrast functional networks constitute a 'closed set of selected and explicit linkages in a firm's space of complementary assets and market relationships' (CAMAGNI 1991: 135). It is a matter of deliberately formed relationships that are contractually formalized and goal-orientated, with a rather exclusive character. Their functional efficiency is normally limited to a timeframe and depends on the distance between them.

### *Milieus*

The milieu discourse in regional research discusses the embedding of networks in a region. Not only do business structures and mutual dependencies of branches and firms belong to the regional milieu, but also the social, cultural, administrative and political circumstances.

Organizations and formal institutions always need individual relationships. The term embedding was originally coined by GRANOVETTER (1985) and later specified by WHITE (2002). Spatial approaches on innovation are formed with the embedding of business networks in socio-cultural surroundings. At the same time, the concept

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<sup>17</sup> Groupe de Recherche Européen sur les Milieux Innovateurs.



of embedding can be understood as a local counterpart of economic integration in an otherwise world economy.

The involvement of production and service functions in linked urban and regional coherences and forms of cooperation will become an important prerequisite for the innovation and adaptation capability of companies. 'Complementary to the globalization of company strategies, knowledge, communication and transport technologies, regional innovation and production systems, regional knowledge and experience, and direct local interactions are gaining a new importance. Regionally embedded innovations, production and service systems are becoming the focus and centre of a global communication society.' (HEIDENREICH 1997: 500)

In this respect, the embedding of a company in a local environment is also in conflicting fields, i.e. localization and globalization, as is described by PORTER (1998) in his immanent location paradox in a global economy.

A regional milieu is consequently a complex system 'of economic and technological interdependencies, it applies to a comprehensive whole, in which a spatial production system, a technical culture and their protagonists have a relationship with one another' (MAILLAT quoted in: LESSAT 1998: 268). Economically successful milieus are marked by high innovation and the traits of a post-fordistic industrial system: many small, independent firms in the same industry are connected in a production chain, but are specialized in certain phases of the production process (vertical de-integration). These milieus become the field of social interaction, interpersonal synergies and collective activities, which define the innovative capacity and the economic success of specific local areas (cp. ACHE 2000: 246). The precondition, that the regional milieu can develop, in its entirety, its innovative and entrepreneurial competitiveness, is the deciding factor whether the intra-regional network is integrated outwardly and additionally in non-territorial information networks (cp. FROMHOLD-EISEBITH 1995: 36). If these assumptions do not hold, then the danger of a 'lock-in' impends (cp. GRABHER 1993: 750et seqq.). In this case, innovations will

be prevented through functional or cognitive blockings, so that the regional milieu stagnates in its competitiveness and hence in its economic development (cp. *ibid.*, cp. also BATHELT 1998: 262).

In conclusion it should be said that both terms, network and milieu, do have differing overlaps in definition, yet can be mentioned in a similar context. Thus networks embed themselves into milieus. Statements on the characteristics of regional milieus and the role of networks within them will follow. The main focus will be put on the role of creative and innovative milieus, because this is relevant for the analysis of the CI in Berlin.

### *From the Innovative Milieu to the Creative Milieu*

Both adjectives are frequently used as synonyms. The notion of the innovative milieu was originated by economists and social scientists, not by geographers. Milieus are often broadened with the adjectives innovative or creative and are a part of industrial districts and overall milieus, in which the orientation on smaller and medium-size companies plays a central role and post-fordistic production concepts are applied (cp. LESSAT 1998: 266). The system of industrial districts is organized by local, political, social and cultural institutions, in which competition and cooperation coexist. A fundamental prerequisite for innovative milieus in industrial districts is that the regional surroundings foster the establishment and growth of small and medium-size companies (cp. *ibid.*: 268).

'The innovative milieu is defined as an entirety of relationships within a bound geographical area, in which a local production system, an array of players and representation and an industrial culture unite. Together, these relationships create a local, dynamic process of collective learning that strengthens the creativity and innovative ability of local economic systems.' (CAMAGNI 2000: 293) To be innovative interactive problem solving and collective actions are required (BATHELT & BOGGS 2003).

This central definition largely traces back to the research work of GREMI in the middle of the 1980s, in which the group speaks more about an innovative rather than a creative milieu. CREVOISIER (2004: 368) shows the development process of the GREMI Research Program together. Six development steps are differentiated. For the representatives of GREMI I, such as AYDALOT (1986), the explanation of certain growth advantages in individual regions had priority. MAILLAT and PERRIN (1992) as examples of GREMI II could concentrate on what companies find in regions what lies behind the innovation processes. The definition of a principle concept was made possible by the GREMI III group. MAILLAT, QUÉVIT and SENN depicted innovative networks in 1993 and decoded their spatial, local and extra-local functionality. In RATTI, BRAMANTI und GORDON (1997) (GREMI IV), the trajectories of individual regions, which produce in comparable production systems, was compared. The GREMI V (CREVOISIER and CAMAGNI 2000) was dedicated to urban milieus, and the GREMI VI (CAMAGNI, MAILLAT and MATTEACCIOLI 2004) highlighted natural and cultural resources.

In doing so, milieus can discern two major functions: a reduction of insecurities through local and regional contacts and an increase in local learning processes that, in turn, lead to innovation. Synergy effects through, in many cases, informal contacts appear to be important in this context. These effects ensure the exchange of knowledge and enable a perpetual learning process of companies. Furthermore, these are maintained through social relations such as informal networks, e.g. through the membership in local societies or trade associations (for example for the music industry the Label Commission as a regional association of German Association of Independent Labels, Publishers and Producers in Berlin). But social relationships can also develop from private contacts.

### *Milieu Contact Networks*

'The relations system of a creative milieu exists on a regional level, but is in no way an outwardly closed compass. Quite the contrary, its openness and the ability to tap into knowledge outside of the region as well as to utilize the framework of regionally-internal information circles is of great relevance for the economic success.' (FROMHOLD-EISEBITH 1999: 170) This means nothing other than that regional players in different industries come together in a creative milieu and complement one another. Within this milieu, they are mutually connected through relationships with an intense knowledge exchange. As already mentioned, the spatial nearness enables a high communication density and frequent personal encounters, which, in turn, benefit economic creativity and innovations or the founding of firms. Thus, it is easy for companies to collect this information, which they need to implement innovations. This information emanates from different competency areas including technological and financial aspects, connections with suppliers, customers as well as cooperation partners. Moreover, such milieus live on key persons, who keep the contact networks alive and established. Such persons are characterized by a special communication competence and the talent of integrating varied interests (cp. FROMHOLD-EISEBITH 1999: 169).

In line with milieu contact networks, knowledge spillovers, as positive externalities, take on an important role and are seen as a source of steady, innovation-based growth.

Learning-by-doing effects, the accumulation of human capital and the provision of public goods count as well (cp. DÖRING, 2004). Such spillovers are, at the most, to be classified as a local phenomenon. 'The geographical half-value of technological spillover effects are quoted at values of 23 km or 30 km, by which innovative activities to create new knowledge correspond with agglomeration areas' (DÖRING 2004). Within milieu contact networks it holds, that the willingness to exchange individual knowledge depends on the reciprocity of interactive relationships, as already mentioned by the exchange of tacit knowledge. In order to ensure these reciprocally-formed exchange

relationships, individual trust and the reliability of social interactive relationships are pertinent.

A particular sign of creative milieus is the special character of personal contact between agents. They are explicitly characterized by personal relationships, which exceedingly take place on informal, social and private levels, then precisely these acquaintances, which are in a tense relationship between official and private interests, are bound by an especial trust and contribute to a slight information advantage and thereby supply chances of economic profit. Insecurities, which exist in an external information search, can consequently be minimized. Face-to-face contacts are preferred in the mediation of knowledge (cp. FROMHOLD-EISEBITH 1999:170).

LÄPPE (2003) sees another important point in the significance of a spatial setting in economic activities, in the information paradox in the information and knowledge-based society. On the one hand, the phenomenon of information flooding through the internet is well-known, at the same time however context-bound knowledge, the so-called tacit knowledge or sticky knowledge, has gained an unusual importance (see also NOOTEBOOM 2000; GERTLER 2001). This implies that tacit knowledge is strongly related to the person and the mediation of this knowledge is largely dependent on the common cognitive, cultural and social context. The most important forms of the transference of this knowledge are thus personal contacts (= face-to-face contact) as well as an inter-firm mobility of employees (see STORPER & VENABLES 2004; GRABHER 2002; SCOTT 2001). Consequently, the local proximity achieves a new significance for the transfer of knowledge, specifically with the consideration of technological advances like the World Wide Web, email and fax machines. The characteristics of urban economies are obvious in this aspect as well.

STORPER and VENABLES (2004: 5) summarized the characteristics of face-to-face contacts in personal relationships and their exchange of knowledge in four areas: 'It is an efficient communication technology;

it allows agents to align commitments and thereby reduces incentive problems; it allows screening of agents; and it motivates effort.'

A certain measure of trust and a harmony of lifestyle are of great importance for the 'chemistry' of collaboration when generating knowledge. Exactly these factors bring companies to transcend the traditional restraints of competition, so to discuss common technological problems, to learn from one another and perhaps to search for common solutions (cp. MAILLAT 1998: 8).

For the regional development and the ambiguity of urban creativity and talent, knowledge is one of the most important resources. Ideas, creativity, knowledge and image are important information goods and services. Knowledge is assigned the role of the decisive competition and growth factors, and it continues to permeate further social spheres as a cultural resource (COOKE 2002; MATTHIESEN 2004). However, knowledge is subject to permanent renewal. To be leading in knowledge, firms have to have the ability to antagonize; exchanging knowledge tends to actually result in cancelled knowledge to advance production of new knowledge.

Because of this significance regarding economic processes, important knowledge forms will be elaborated on below. Knowledge realization arises from the usual cooperation, which is associated with formal, informal, commercial, and non-commercial relationships. The density of the relationship capital results from the trust that prevails between partners. This operates like a security system, which excludes selfish behaviour (cp. MAILLAT 1998).

In conclusion, it can be asserted, that people and their social behaviour, their sympathy and their personal partialities determine the core of creative milieus.

The conglomerate of personal and trust-based contact networks leads directly to a mental bond between the agents and even a formation of coalitions or alliances with common goals. In a creative milieu, similar interests are shared, a feeling of community develops and an

identifying with the location. FROMHOLD-EISEBITH (1999: 170) calls this 'milieu consciousnesses'.

This collective consciousness and representation of a common mission statement is not only constitutive inwardly, but also outwardly image-building. This feeling of togetherness is so important, because it builds the 'kit' between representatives of different institutions, which are connected in a creative milieu. Nevertheless, these milieus are not immune to conflicts and controversies, but they are harmonized under the ethos of common problem awareness in favour of important chief goals, which can only be reached when everyone pulls together. It is interesting in the respect, that creative milieus are activated in poor economic times (cp. FROMHOLD-EISEBITH 1999: 170).

## **2.7 The dilemma of creatives**

### **2.7.1. Options and challenges for creatives**

Creativity belongs to those concepts that are vaguely defined and consistently have a positive connotation. However, the positive connotation of the concept creativity is being imposed as the norm in the current discussion (be creative!), which is willingly being absorbed as a creative self-image. (Who would not want to be creative?) It can be easily overseen, that the creative imperatives are not only constructive practises, as they are traditionally presumed by creatives, but also generalized, rather, in many cases, the dismal living and work conditions as well. They are in most cases forced to find a balance between state transfer payments, short-term jobs and independent structures. As a consequence, creatives find themselves on a tightrope between economic livelihood and socio-cultural self-realization. Individualized economic strategies for a means of livelihood plaster and package, thereby, equally the autonomy, that is called upon from the political side, like the gradual exemption from the social insurance system. Basically in the cultural economy, there is a strong tendency towards self-management. A new organization model from temporary cooperation can be spoken of. This model intertwines private and professional life and is perceived, to some extent, as the new freedom

of flexibility and speed of project-oriented work (see THIEL 2004, 2005). To that effect, it leads to a divergence of life spheres ('Lebenswelten'; cp. HABERMAS 1981) (no longer parallel worlds as in the classical sense).

The autonomy in daytime organization has advantages (express the identity through lifestyle and work; they are inter-connected, this need from office to network, on your own time at your own convenience, room for individuality, artistic, mobile, dynamic, free to experiment) and disadvantages (children, experimenting with a new lifestyle, ideological differences, shop hopping free agents, not all creative people want to be self-employed; free agent assumes more risk and responsibility along with more freedom). Time plays a big role in this decision.

'Long hours and socializing with media co-workers and other creative workers generate a strong affective community' (PRATT 2000). Or in other words: They could never be forced to work, yet they were never truly not at work –also due to intrinsic motivation. Perhaps the worst case is when a countless number of great ideas by artists and relevant students die a sudden back drawer death because they lack the scope for realization.

Consumer knowledge must mean a genuine, proactive understanding of what the market really needs (MCILRAITH 2002). Therefore a psychological as well as social perspective is required. The agents are in general exposed to a high level of uncertainty and risk due to the fickleness of consumer tastes<sup>18</sup>, even when this does not entail basic changes in the design paradigm. This process can be understood as a trinity of three components: economical, cultural and practical processes. To know a successful strategy and to find out how the consumption habits and industries shape their markets, you have to know the cultural context of the consumers.

Another balancing act is to react to customers and to keep your individual artistic style. The demand is for products customized to

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<sup>18</sup> It should be noted that creatives do not come in to direct contact with consumers and that it is usually through intermediaries.



specific consumer tastes and for short production runs with changing content. For ensuring the livelihood of a company on the long-term, it is necessary that agents compromise their work to their own basic financial security. Creatives are, however, also small-size entrepreneurs, in particular, who simply hold their Ich-AG above water in a creative way. Similar features, like those during the hype of the New Economy in the 90s, are being structurally transported as well: Creatives are, above all, young, flexible and creative.

Creativity is increasingly in demand, where the previous security and assistance systems are being cut. The fund allocation is scarcer and more restrictive for non-commercial projects.

Within the creative industries exists, hence, a must for creativity and the pressure for permanent successful innovation, distinction and competition in fast changing markets. Against this background of increasing privatization and individualization of social risks, creativity can be understood as a sugar coated label for the ability to successfully manage the impertinence of everyday life.

Significant literature on careers in cultural industries recognizes the role played by mavericks (e.g. BECKER 1982) and independent creative artists (e.g. CAVES 2000). How do industry, occupational and organizational contextual factors influence the evolution of creative careers, identities and reputations? (FAULKNER & ANDERSON 1987; JONES 1996; JONES & DEFILLIPPI 1996)

### **2.7.2 The Dilemma of Supporting Creativity**

It is often claimed that Creativity, as an economic resource, should be financially supported by the state. However, it can not be planned. Creativity can only be facilitated through context control (BRÖCKLING 2004: 142).

This might not apply completely to Berlins CIs; it transfers though the danger of stagnation in the case of few constructive promotion and development strategies. In the city planning of Berlin, major cultural-economic projects with financial aid structures are fed a benefit

concept, provided the projects are culturally and politically desired. Urban marketing campaigns in Berlin have focused on the large-scale flagship projects of the city centre. A current example in the capital is the 'Media Spree'<sup>19</sup>. Although as many office spaces as are planned are empty in the city centre, an area with 130,000 m<sup>2</sup> has been planned and is already partially settled<sup>20</sup> at the course of the Spree River. Even when the settlement of large companies in the media and culture industries are ceded, the scepticism remains, out of the perspective of sustained development, whether small companies can too cover the costs that are necessary, in order to be able to work in the newly built or extensively renovated former industrially and commercially used real estate.

As a result of the Berlin-specific restrictive public budget appropriations, a high voluntary participation is sought. Fundamentally, the following problem with the appropriation of financial aid can be pinpointed: one has to deal with the antagonism of discipline and creativity (KREUTZ and BACHER 1991). The agents can fall under the pressure to perform which in turn inhibits their creativity. It can even lead to a paralyzing of their creative energy. For visual artists, the terms discipline and creativity are extremely diverging concepts. They define discipline as something constraining, liking of order, acting according to rules. Creativity acts completely to the contrary; it is the thought against rules. In order to understand the development of creativity, then it must be alluded to the significance of the unplanned and subversion.

If both are necessary, then is one at the expense of the other.

Here the urban context comes into play. Phenomena, which were narrowly tolerated before as side effects of urban development and as a result suppressed, are now being declared location factors. In the course of this logic, the city of Amsterdam discovered the accomplishments of its rich artist and squatter scenes and has kept for

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<sup>19</sup> This double-sided, approx. 3.7 km long and 180 hectares spanning area along the Spree River between the Jannowitz- and Elsen-bridges lies in the overlapping sections of the districts Mitte, Friedrichshain, Kreuzberg and Treptow.

<sup>20</sup> MTV with its central office for Germany and Central Europe and Universal Germany have settled there in 2004.

some years a special 'breeding program': Once autonomous cultural centres in occupied warehouses and inner-city tenements, that prior expected repression and evacuation, are now appointed to so-called 'breeding grounds' (broedplaatsen) (PRUIJT 2003: 2004). Within this framework, they receive city grants so that creative persons, diversity and an innovative urban environment 'breed'.

This showing of tolerance makes possible new perspectives, remains however contradictory, instrumental and sanctimonious. Simultaneously, revanchist policies have been intensified to fight the "threatening" potential of creativity: privatization of public spaces, an expansion of control and surveillance mechanisms, exclusion of undesirable groups of people, etc<sup>21</sup>.

Finally, it can be distinguished between project-related financial aid for individuals or individual projects and context-steered assistance and support of creativity. Attempts to develop creative centres can possibly fail due to on the one hand pressure to utilize the real estate and on the other hand an unexplained property rights relationship of the state to the real estate<sup>22</sup>. Projects, that are planned and implemented 'in the open country side', normally fail already in the beginning.

### **2.7.3 Some preliminary thoughts**

The Enquete Commission 'Eine Zukunft für Berlin' (A Future for Berlin) recommends the communication, media and cultural industries for an 'innovative political emphasis' (next to the second 'cluster' health industry)<sup>23</sup>. The existing critical mass of players and the comparatively favourable cost of living and factors of production costs as well as low barriers to market entry lead to gains in attractiveness of the local economic structure with new settlements of companies in Berlin and are regarded as a magnet for a qualified workforce.

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<sup>21</sup> Projects and artists are according to this logic good as long as they serve the location. The good and useful are supported.

<sup>22</sup>In connection with the two year academic consultation of the cultural innovation centre, the financial assistance structures for CIs were evaluated. It was found that the Institutions as well as the agents are inefficient and inadequate.

<sup>23</sup>ENQUETE-KOMMISSION (2005 :3).

FRANK und MUNDELIUS (2005: 670) suggest, as a result of the empirical findings in the CIs of Berlin, the following. To assume an integrative political approach, the economic and cultural policies can improve the framework of the observed industries, without interfering in the competitive process and above all without discriminating between companies. The typical creative company- especially in Berlin- is small, which is also an advantage, since individual failures do not lead to larger problems in the local area. Moreover, the number of small companies being founded can bring forth as many employment opportunities as individual spectacular major projects. This has already been observed in Berlin. In addition, innovations are possible in small companies, independent of state funding. Large media companies, for example, can play an important role, but the support of outstanding 'lighthouse projects' is not required, because the entire scene is perceived to take on the role of the viewable 'lighthouse'.

The bundling of consulting and development institutions for agents in the CIs belongs to the framework, on which politics should concentrate. The security of specific socio-cultural and urban spatial location factors is also significant in light of the empirical results presented below. An example is the support in the area of financial assistance for studios and exhibition spaces in co-operation with realty funds and senate administration (*Liegenschaftsfonds* and *Senatsverwaltungen*). The continuation of the temporary use of industrial spaces is recommended. Such concepts are also sustained by parts of the real estate economy, even if patronage and sponsoring do not yet have the importance as is the case in Hamburg<sup>24</sup>.

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<sup>24</sup> See FRANK & GEPPERT (2004).