

3. Empirical Assessment

3.1 The Berlin Case: development without history?

Today the most multifaceted concepts and contents are brought into connection with Berlin: 'Generation Berlin' (BUDE 1999), 'City of Talent' (KRÄTKE 2004), 'UNESCO City of design' (GLOBAL CREATIVE CITIES NETWORK 2006).

However, can this development come to a halt or is Berlin only a breakpoint for the CIs seeking the optimal work and living conditions? Can the perceived positive appreciation of this location and the magnetic effect of Berlin on creative agents be maintained in the long-run?

Is Berlin's social structure able to assert itself against competing regions and to improve the endogenous potential?

BATHELT and BOGGS show using the example of Leipzig how a region stagnates and even shrinks despite its historically dominant role in the media industry (BATHELT & BOGGS 2003).

To begin, an outline of the historical development of Berlin is examined with the help of evolutionary economic theory concepts regarding the analysis of regional development (STORPER 1997; BATHELT & BOGGS 2003). In the case of Berlin, I argue for the need of re-conceptualise regional development paths.

Berlin is a unique city in all aspects. The Prussian era made way for what became Germany. In 1871, the city became the capital of the 'Deutsches Reich', the construction and economy grew tremendously in the 'Gründerzeit' ('founding era'). Berlin quickly became the heart of an extremely fast paced developing technical industry and the banking world.

The staggering defeat of World War I coupled with revolutionary riots caused a severe crisis for the Reich and its capital. Germany was proclaimed a Republic in 1918 as a result of these riots. Berlin was the centre of the 'Golden Twenties'. Berlin was not just a domestic cultural melting pot but also performed the same function internationally.

Many immigrated to the country's capital. Perhaps what is remarkable and to be noted is the flourishing presence of art and culture despite severe economic upheaval. After the war and with the construction of the wall, Berlin became a geopolitical victim of the Cold War (KUNZMANN 1995).

Large companies such as AEG and Siemens left the city and other metropolitan cities in Germany took over the economic function of Berlin. Stuttgart became the centre of the automobile industry, Frankfurt developed into the financial centre, parts of media moved to Hamburg and the electronic industry took root in Bavaria.

The specific political and economic conditions of the past decade have exhibited a deformity as far as Berlin is concerned; this particular metropolitan city had an atypical economic structure. There was limited, innovative, growth-orientated production coupled by the absence of a headquarters.

In 1989 the famous German wall came down necessitating many changes. Berlin has been the capital of reunited Germany since 1990, and large parts of the government moved from Bonn to Berlin in the following years. The city has some 3.4 million inhabitants²⁵ and is on its way to becoming a metropolis, in which the arts and (multi-) culture, the sciences and the media are represented in broad variety.

Does Berlin have the opportunity to re-establish the glory of the Golden Twenties? To achieve the same cultural efficiency and ability? Or perhaps has this train come to a final halt and left Berlin in a mediocre state of being?

The discussion on the 'Global City versus the Globalizing City' (SCOTT 2001), is also applied to the case of Berlin. The city plays an important role in globalized and economic networks and is the minimum requirement for the media economy.

²⁵ As of 10/2005; Source: Statistics agency of Berlin (<http://www.statistik-berlin.de/framesets/berl.htm>)

However there are other problematic issues at hand. Notably, a 50 per cent fall in employment since 1991 in manufacturing, and a decline in gross value added by 30 per cent. This has since then stabilized. The main driving forces attributed to potential urban growth are traded service industries such as financial services, consultancy, media and tourism. There is a huge stock of talented and creative people of all types in these industries, which exhibit high growth rates in comparison to all other German agglomerations. However, the external impression of Berlin is better than the actual mood within the city. 'The grass is always greener on the other side.' (Personal interview)²⁶

The charm however lies exactly in this potential for change that the city is experiencing. These extremes coupled with frictions elicit a mood of the unknown. Berlin, often characterized as the 'chaotic city' has many nooks and corners, and is seasoned by a variety of cultures and subcultures (personal interview). At this point, there is nothing more important than to allude to the paradigm 'Every Culture Needs Its Subculture'.

3.2 Berlin's Position in the German Creative Industry

Knowledge intensive production and service activities are mostly found in large cities; this is especially true for the CI²⁷. Large cities offer a variety of economic opportunities, a stimulating environment, a socio-cultural infrastructure and the preferences of different lifestyles. In large cities in Germany²⁸, approximately 40 per cent of all workers subject to social insurance contributions were accounted for in the CI

²⁶ This firm brought €10 million worth of communications expenditure well before MTV relocated to the capital.

²⁷ See also FLORIDA 2002 or LANDRY 1995.

²⁸ All cities with more than 450,000 residents are meant. Hanover is an exception, because a spatial differentiation between the city and its districts has not been possible since 2002.

in 2004.²⁹ They are faced with a general employment share of 19.3 per cent and an area proportion of a mere 1.3 per cent.

Berlin has a special significance among Germany's large cities. The city is one of Europe's most interesting cultural and art centres. Berlin and bordering Potsdam have a large cultural heritage as well as a vital creative impulse (especially from the culture scene) at their disposal, and are therefore practically predestined for creative industries.

The focus of the following secondary statistical descriptive data analysis is the following CIs: film, radio, television, publishing, music and advertising as well as software development and multimedia, other cultural services and the libraries, archives and museums³⁰. In mid 2004 approximately 50,000 people, who were subject to a social insurance contribution, were employed in Berlin in these Industries (7.3 per cent of entire employment regarding the social insurance contribution in Berlin). In reality, the employment level is higher, because many, who operate in CIs, are not subject to the social insurance contribution, rather are freelancers or self-employed³¹.

How Berlin ranks among German CI locations depends, of course, on the applied reference parameter. In figure 5, the represented employment proportions of the CI show the growth in importance of Berlin in comparison to other metropolises in Germany. While Berlin still lagged behind Munich and Hamburg in 1998, the capital was the front runner in 2004.

Comparisons such as these also depend on the regional delimitation. The main film industry locations in Germany are Hamburg, Cologne and the Erft district, Munich and the surrounding area as well as

²⁹ In 1998 the proportion was 2 percent points higher.

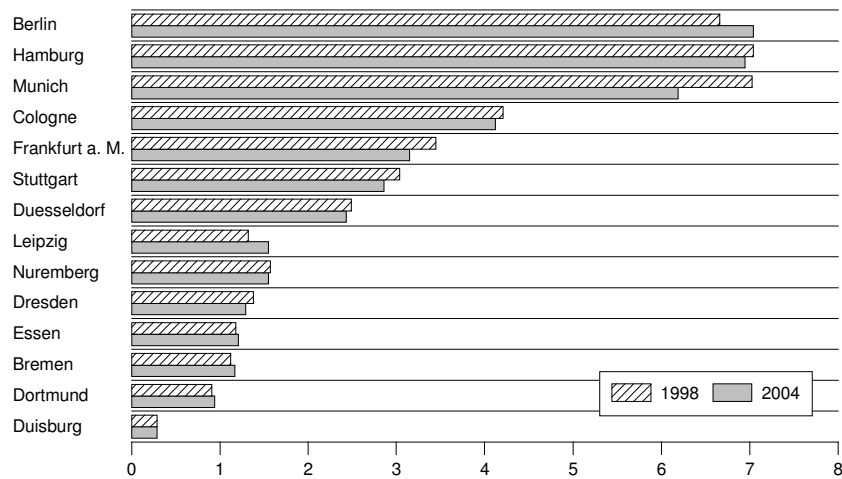
³⁰ In comparison to the Berlin Culture Industry Report (SenWaf 2005), 86 per cent of the defined core areas of employment are covered in the sample of Industries undertaken here. A differentiated time series analysis according to branch, especially for other large cities in Germany, is not possible at this point due to a restriction of data.

³¹ In part, public officials (Beamte), e.g.: In the Berlin State Library, a section of the cultural heritage employs over 500 public officials alone.

Berlin and Potsdam including Babelsberg³², hence they are typically not only comprised of the core cities in Germany. Berlin and Babelsberg together are the largest German film industry locations; 20 per cent of employees in the film industry are accounted for in these two cities.

Figure 5: Comparison employment regarding the social insurance contribution from 1998 to 2004

Share on all employment of CIs in Germany in percent



Sources: Bundesagentur für Arbeit, Nuremberg (Federal Employment Office, Nuremberg); Own calculations.

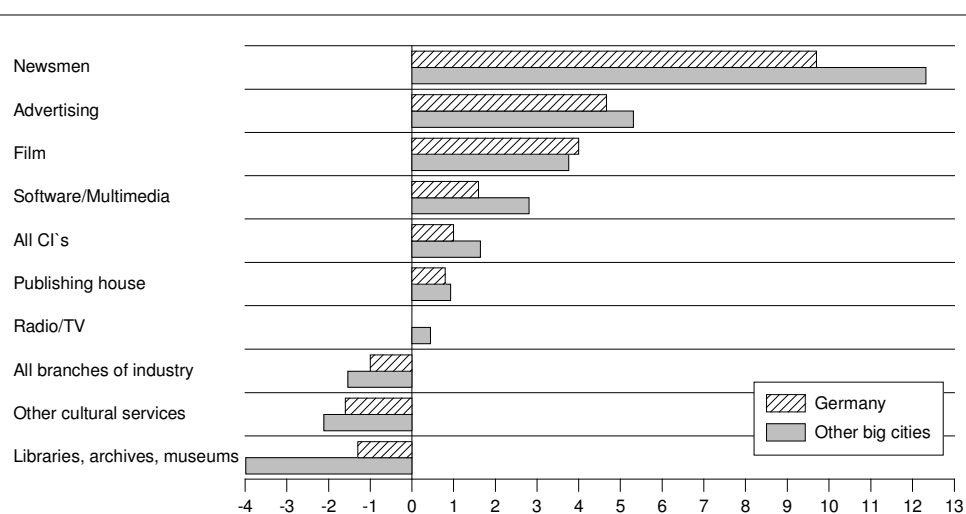
The measuring of employees has great influence on the ranking: Berlin is not the first, but the eighth, among German metropolises, if the number of employees subject to a social insurance contribution in the Creative Industry is set in proportion to the number of all employees subject to a social insurance contribution in the respective city. The latter is, however, less relevant to the contribution of agglomeration advantages as an attractiveness factor for the Berlin location. The absolute number of potential customers, suppliers and co-operation partners is important for companies that have to make site decisions, not its proportion. However, it is possible that the density of companies is also relevant- namely when they require not only the

³² Babelsberg is a district of the town Potsdam.

settlement in the same city, but also close vicinity, in order to create a milieu (see also chapter 2.5 above). This intra-urban spatial concentration of companies in the CI, as offered in Berlin³³, is often in connection with local social and cultural network and milieu structures (MUNDELIUS & HERTZSCH 2005).

From 1998 to 2004 *employment* grew at an annual average rate of 4.5 per cent in the Berlin culture industry. Berlin was, hence, above the average employment growth of the remaining metropolises (2.9 per cent) and above the national average (3.6 per cent) as well. In a city-to-city and nationwide comparison, the number of correspondence and press agencies as well as independent journalists grew much stronger, at a rate of 16.1 per cent (other metropolises 3.8 per cent, nationally 6.4 per cent), in Berlin (figure 6).

Figure 6: Growth rate of Berlin minus growth rate Germany and other big cities, based on averaged years growth rate from 1998 to 2004, in percent



Sources: Bundesagentur für Arbeit, Nuremberg (Federal Employment Office, Nuremberg); Own calculation.

Employment in the film industry developed, as well, with a substantial annual growth rate of 10.3 per cent (other metropolises 6.5 per cent, nationwide 6.2 per cent) and the advertisement industry with 8.8 per cent (in comparison to 3.5 per cent and 4.1 per cent, respectively). Employment in the radio and television industries grew 1 per cent per year, which meets the national average (other metropolises 0.6 per

³³ Cp. section 3.5.

cent). Berlin suffered losses of employment in publishing (-0.5 per cent), which were not as critical as in other metropolises (-1.4 per cent) and nationwide (-1.3 per cent). The software sector gained an additional 10.5 per cent in employment (compared with 7.7 per cent and 8.9 per cent, respectively).

The, on the whole, positive picture in the private sector of the CI is partially offset by a negative employment development in mostly public or publicly-funded cultural establishments. Berlin does indeed have almost twice as many employees in the cultural services sector as the location Munich, who takes second place, however, since 2000 the city has had to cut 1,000 positions and accept, with it, an annual average decline of 0.1 per cent (compared with an increase of 2.0 per cent in the other metropolises and 1.4 per cent nationwide). A yearly average decline of 1.5 per cent (other metropolises +2.4 per cent, national level -0.2 per cent) even was registered in the area of cultural heritage, i.e. libraries and museums.

From 1998 to 2004 the growth rate of the number of companies in the individual sub-industries exceeds the growth of employment. The development was borne in particular by the many start ups. In comparison to other metropolises, the absolute number of companies in Berlin is especially high, because Berlin is coined by a high degree of individualism, and young and small companies³⁴.

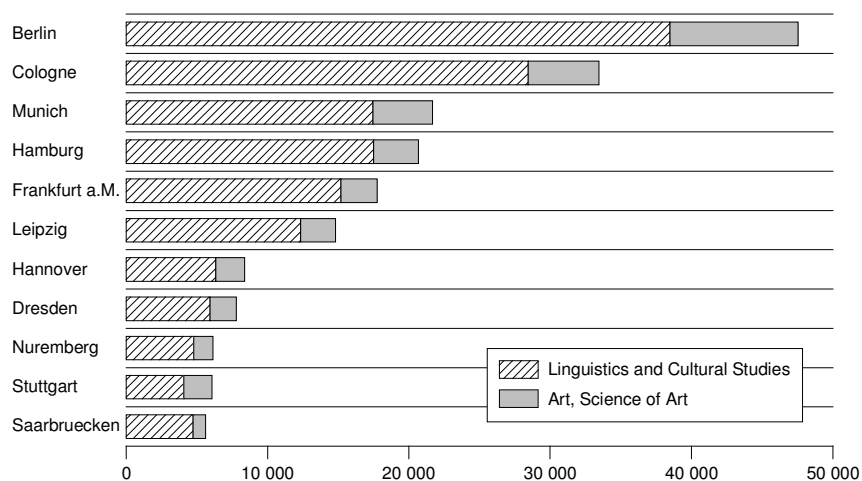
The *turnover development* can be tracked over a time period of five years. A comparison is only possible with the national level. In Berlin from 1998 to 2003, the (nominal) turnover grew, especially for correspondence and press agencies as well as independent journalists, at an annual average of 4.7 per cent (nationwide 4.8 per cent), in the film industry at a rate of 10.0 per cent (-4.2 per cent), in publishing -3.6 per cent (2.0 per cent), in the advertisement industry 1.9 per cent (1.1 per cent), and in the data processing services (including software houses) at a rate of 7.4 per cent (6.9 per cent). Regressive tendencies, similar to the employment situation, were observed in the radio and

³⁴ Cp. further down in the section 'Assessment of the Location Berlin', chapter 3.3.

television industries (-1.7 per cent in Berlin and -7.4 per cent nationwide)³⁵.

Along with the number of employees, other supplementary indicators can be constructed for the weight of the CI in Berlin. In the winter semester of 2003/2004, 38,500 students of linguistics and cultural studies as well as 9,000 students of art studies and fine arts were enrolled at universities, universities of applied science and other schools of higher education in Berlin. This is the largest amount of enrolled students with such majors in a German metropolis (figure 7).

Figure 7: Scholars in winter term 2003/2004 for Linguistic and Cultural Studies and Art, Science of Art



Source: Federal Statistical Office; VI E-5.11; own calculation.

3.3 Assessment by agents in Creative Industries of the Location Berlin

In the summer of 2004, I conducted a survey among media and information technology companies in the states of Berlin and Brandenburg in Germany (MUNDELIUS & FRANK 2004). We mailed questionnaires to 9,209 companies listed in the commercial register of the Chamber of Commerce and Industry in Berlin and Brandenburg.

³⁵ It must be kept in mind, that the turnover tax is not surveyed in relation to operating site, as it is for employment statistics, rather assigned to the firm's headquarters.

In their replies, 442 creative companies in Berlin assessed their location. The hard location factors, transportation infrastructure, telecommunication as well as the supply of qualified personnel in the creative sector, were rated positively, similar to the 'soft' locational factors (image of a location, inspiring atmosphere and culture, quality of life and leisure time): Over 60 per cent assigned each attribute a mark of at least two, on a scale of one to six where one is the best, and over 80 per cent assigned each attribute at least a three.

With the information gained from the questionnaires, I tried to understand the structure of the industrial system, e.g. some of the links and value chains that emerge. Evidence is sought out on location conditions that were valued highly by the surveyed firms, such as an inspiring atmosphere and cultural surroundings³⁶ as well as Berlin's image.

Approximately 95 per cent of those surveyed by the questionnaire value the site location positively, for these two attributes. Interviewed firms and institutions confirm an atmosphere of departure for CIs in Berlin. COOKE (2002) terms it, in context of the idea of 'regional cohesion', as strategy of developing a 'common vision' or in other words a 'regional identity' (ASHMORE ET AL. 2004; WROBEL & STEINER 2000). With almost 90 per cent, the firms highlighted quality of life and leisure and supply of qualified personnel in creative fields, along with transportation infrastructure, in their rating of Berlin. Nearly 93 per cent of firms, who took part in the survey, declared Berlin as the best location in Germany, when asked if they were to choose again, where they would settle. As only companies actually settled in Berlin were surveyed, the value is difficult to evaluate. Indirect conclusions can, however, be drawn from a nation-wide study on a part of the film industry and film-related services³⁷. For this study, suppliers from all of Germany were surveyed. The results show that 75 per cent of the companies in Berlin are content with their location - a high value not

³⁶ In the following phrased as creative atmosphere.

³⁷ E.g. casting agencies, camera rental, pyrotechnics and synchronisation.

met anywhere else³⁸. This is a distinct indication of a positive perception, on the whole, for locations in the region Berlin/Brandenburg³⁹.

In the comparison to the other surveyed media and information-technology industries in Berlin and Brandenburg, the music industry has the most international level in regional distribution of clients, suppliers, and co-operation partners⁴⁰. Furthermore, the methods for recruitment of new employees and freelancers (SCOTT 2000: 53) can be seen as an indicator for networking.

The majority of respondents to my survey tend to recruit them based on previous experience and teamwork skills (77 per cent) and through contacts of other employees (approx. 69 per cent). All other categories like enquiries made to other companies, announcements in the newspaper and other appropriate magazines, Internet job market, job applications, apprenticeships and employment agencies account for less than 20 per cent each. In fact, these interpersonal exchanges act as a synergy factor, not only for exchanging information between competitors, but also for vitalizing the milieu as an advantage for all participants. (RATTI ET AL. 1997)

The significance and potency of this relationship is evidence for the importance of informal contacts and trust. Especially the concept of trust is the guarantee for the inner dynamics of local economic systems, for co-operation and competitive performance, and will be seen in a wider social and spatial context on the agenda even of mainstream thinking (see also SCOTT 2000; GRABHER 1993 & LÄPPLE 1994).

With these assessments in mind, I focused on the sources of inspiration of the firms (and their employees) for innovations and creative ideas (see table 1). Some of these are more easily accessible through their local proximity; I classified the following sources for inspiration as mainly local: cooperating firms, competitors, newly

³⁸ See FRANK and GEPPERT 2002.

³⁹ Even when it is not possible for many companies to make a comparison out of their own practical experience, only 11 per cent of the respondents have had their headquarters outside of Berlin/Brandenburg in the past.

⁴⁰ Approximately 1/3 for clients, 1/4 for suppliers and co-operation partners.

hired employees, private contacts, suppliers, local cultural scene. Other sources of inspiration from the questionnaire, which do not necessarily have this networking character, are electronic databases, exhibitions, conferences, technical literature and patent offices, among other things.

Table 1: The Sources of New Ideas and Inspiration for Innovations and Creative Ideas [N=478]

Answers ¹	In %
Private contacts	62.5
Customers	58.3
Electronic internet databases	50.0
Co-operation partners	47.9
Local art and cultural environment	47.9
Competitors	43.8
Companies fairs, exhibitions, meetings	33.3
technical literature	33.3
Supplier	20.8
Newly hired employees	8.3
Universities and research institutes	8.3
Technology transfer	6.3
Continued education	4.2
Patent	0.0

¹ Due to overlaps, more than one answer was possible.

Source: Written survey 2004; own calculation.

The findings were interesting. Except the electronic databases, the most dominant answers were given for mainly located sources. Particularly with regard to theories of innovative and creative milieus, these located sources are basically for network-related relationships. To mention the trend of temporary, short-term and very flexible relationships, 40 per cent of all agents are freelancers. This proportion varies greatly in part between the individual industries; particularly many freelancers work, according to the survey, in the music, film, radio and television industries. (MUNDELIUS & FRANK 2004)

3.4 Three actor groups, three strategies

For three types of actors, I will try to identify internal economies of density and outline the functional and geographical features in Berlin. Berlin's Cultural Industry cluster has a long history as a site of cultural production.

Following FLORIDA (2002: 15) creative people have always gravitated to certain links of community (He calls it "The new Geography of Creative Classes and their creative centres").

Three different groups of agents can be observed. They are in part spatially divided from each other but they can also overlap in districts and territories. However they differ clearly in their preferences for socio-cultural environments.

'In Berlin there is everything: A piece of Munich or Hamburg's posh and wealthy lifestyle, suburbs with residential areas, as well as chaotic, subversive, anarchic scenes in varying scales. This is characteristic of Berlin and can not be found elsewhere.' (Personal interview)

'An inspiration is the most invaluable factor that one can have in advertising.' (Personal interview)

3.4.1 The First Group (creative searcher)

Some of the young and small firms favour a dynamic, creative and experimental scene. The different scenes, especially, can be suggested for the formation of milieus and as an inspiration source. These firms are particularly innovative, with the specifically created adventurous spheres and cultural codes and are often considered inspiration sources and trendsetters. Localized identity of formative symbols are consciously being reinterpreted and being given their own semiotics and aesthetics. The new discovery of urban areas and their multi-functionality as well as their occupation is especially succinct for these

places, whereto this group is moving⁴¹. The motivation of these space occupancy-annexation strategies of places and social trends was originally the desire to distance oneself from the commercialized consume areas and their insistence of profit-maximizing behaviour and to attempt, with alternative forms of value subsidence of space, the maximal output of uninhibited creativity. One becomes the simultaneous user and designer of places and urban microcosms. Social communicative and interactive areas are being found and shaped. They are important functional junctions in the networking of industries among and with one another. These post-industrial legacies, thereby, appear to be predestined for the experimental and creative new use for these Industries.

In particular, districts in the Eastern part and districts close to the centre offer above average attractive factors (please refer to map 1).

Their location choice was based, to a large degree; on their lifestyle interest (the lifestyle seems to be changing, leisure activities, social interactions, workplaces)⁴². At the same time, such locations are used as identification possibilities and consequently obtain a transgressive character. It is a matter of implicitness of a self-defining, social, dissident movement to emphasize the difference to a legitimate (bourgeois) culture, that has fallen into dissipation, in order to take (in a specific way) possession of the traditional field of transgressive milieus (like the literary *Bohème*) and to colonize these and to ultimately disintegrate oneself in them. (MATTTL 1996: 23)

The possibility to combine work, leisure and living with each other offers a lifestyle concept within a creative environment. The quality and price of the available space have an impact on the demand. Companies in this category prefer locations and buildings that are laid

⁴¹ See also space occupancy-annexation strategies of places with previously traditional urban (economic) utilization logic that became inoperable like e.g. squatter-movement in these areas in the beginning of the 90s, revitalizing of empty, former industrialized used buildings for clubs and socio-cultural autonomous projects, see also chapter 2.4.1.

⁴² Lifestyle is defined by KRÄTKE (2001: 3) as 'the pattern of life that is affected by the economical, social and cultural resources of individuals (in the context of BOURDIEU 1983: 192), and at the same time the lifestyle images communicated through the media'.

out in small sections. They also prefer buildings with a more traditional character, with potential for development, and a specific image in the mixed-use urban districts. This means that maintaining a heterogeneous pattern of development is strategically important. For the urban aspect as a determining factor in location choice, small area differentiations with the concentration of office space on specific thoroughfares is essential. The unique Berlin mix of residential areas, small businesses and culture, and available studios and studio apartments is special, and uniquely located quarters are also found in Berlin. The reputation of stony Berlin of tenement blocks (Mietkasernen) of four or five floors, the 'largest Mietkasernen city in the world' (POSENER 1981) comes from this architectural special feature.

Many of the large and empty factory buildings have been re-modelled as studios. The red and yellow brick buildings offer a lot of space and a calm and intense work space. Downtown is where the galleries, studio houses and art factories are located. There are whole parts of town that consist of a front building with apartments and two interior courtyards with rear factory buildings. Most of the buildings were constructed shortly after the turn of the century, after which the building complex was developed, built and used for small and mid-size handicraft businesses. The attraction lies in the historical richness of the buildings achieved by modest and careful renovation. This is important particularly for the location decision. These buildings are in a way the core of the life and leisure sector.

In particular off-culture living (culture that is not found in public places but that which occurs within some spheres of private living spaces) allows informal and formal social contacts. This is facilitated on account of a defined affiliation. These actors may also see themselves as pioneers; a part of the community that is young, dynamic, creative and has a different lifestyle and self-image. To that, specifically created adventurous spheres and cultural codes are used.

They exhibit a strong preference for individuality, self-statement, uniqueness, and tend to resist group oriented norms and are usually characterized as eccentric. The freedom, which city life confers through anonymity and diversity, provides the license that allows people to take risks with their imaginations, and live together in small private spaces (individuality, differences and social interactions).

They are dependent on niches and gaps. This refers to the products that are delivered through the market and also for all forms of communication to promote CIs. This requires lateral thinkers with new kinds of sales pitches.

However, the cost minimization in reference to their economic livelihood can not be disregarded in all of this emerging network nostalgia. Many alliances are purely of strategic nature, even when the milieu conditional advantages dominate the location decision. (MUNDELIUS 2006c, 2006d) The product commercialization becomes secondary. The danger of a lock-in is given then, when the compartmentalization goes so far, that the scene and the circle have no outside effect and degenerate to an end in itself. These elitist circles distinguish themselves consciously through the temporality of social relationships and the coding of knowledge without information canals directed outwardly.

3.4.2 The Second Group (Status related)

The rest of the companies by large have already established themselves in the market. Reputed, representative business addresses are also a form of advertising because they represent the *crème de la crème* of sites in the city. So offices that finds themselves on these reputed streets signal established quality. Naturally these locations are characterized by extremely high situational rents. A firm with a reputed address enjoys national and international recognition. Firms want to be located where they have access to the best, be it other firms, services, or people. In times of cutting competition, location is everything. The firm has to be where the client is, the client will know, where the talents are (personal interview). Competition with global

presence is often found in such locations simply to ensure access and maintain their reputation. However interestingly enough, prices in Berlin are much lower than that of the advertising segments of Hamburg, Munich, Stuttgart and Cologne (GEPPERT & GORNIG 2003).

The firms are located around the western part of the city centre exactly where the locality has re-established itself as a city centre. This also applies to firms that have settled over the past years in lucrative and highly historically endowed parts of downtown. The spatial proximity to other advertising agencies plays little or no role for this group; contacts are formal or exist informally. Another concentration might possibly occur around the newly created 'Potsdamer Platz'. Today for re-united Berlin, 'Potsdamer Platz' is an established centre, yet just a little while ago it lay on the border and was largely barren land. The new centre is very futuristic with a tremendous amount of money invested in concentration⁴³. Headquarters⁴⁴ of many offices are found in the snazzy new buildings of 'Potsdamer Platz'. These places have become extremely popular for both advertising agencies and other high quality service providers. Also the many parts of the historical, middle-aged centre of Berlin have developed into top class areas. Around the old business and government districts, firms have relocated themselves especially over the last 10- 15 years. Many firms have their headquarters or press offices in these reputed locations though their actual production sites are situated much further away in the areas of the first group.

3.4.3 The Third Group (locally rooted)

The third group is the exception to the rule. These firms in Berlin are distributed equally with respect to spatial considerations. This group distinguishes itself from the others due to its strong local affiliation. They are usually small and medium-size firms and use mainly regional value added chains (personal interview).

⁴³ Currently Potsdamer Platz is the biggest building site of Europe.

⁴⁴ E.g. Daimler Chrysler, Sony, Deutsche Bahn.

There are no conscious attempts by the third group to dissolve the spatial distance to the other groups. They benefit from the reputation of Berlin in general simply by virtue of being a part of Berlin themselves. However the inhabitants do not subscribe to a 'we' feeling but instead define themselves as an independent entity. These actors are characterized by their strong embedding in the social environment. (COOKE 2002; ELFRING and HULSINK 2003; NOOTEBOOM 1999; WESTLUND and BOLTON 2003) Thus social capital is considered to be very high.

Social capital is bound to the social rules and customs of economic interaction of the agents and the way they act. It offers social explanations of economic life and emphatically the embedding of the economic activities⁴⁵ in a social context (GRANOVETTER 1973). BURT (1992) said that in social embedding the agent is one who is considered a resource and to whom information should be supplied. It results from the interaction of the agents who act in order to coordinate reciprocal advantages.

Often their clients are still in the 'local market', as extending the client base to the inter-regional consumer is highly limited. These firms are characterized as extremely small firms which have the capacity often only to cater to their own neighbourhood.

3.5 The inner-city concentration of actors in Berlin - The Four Hot Spots

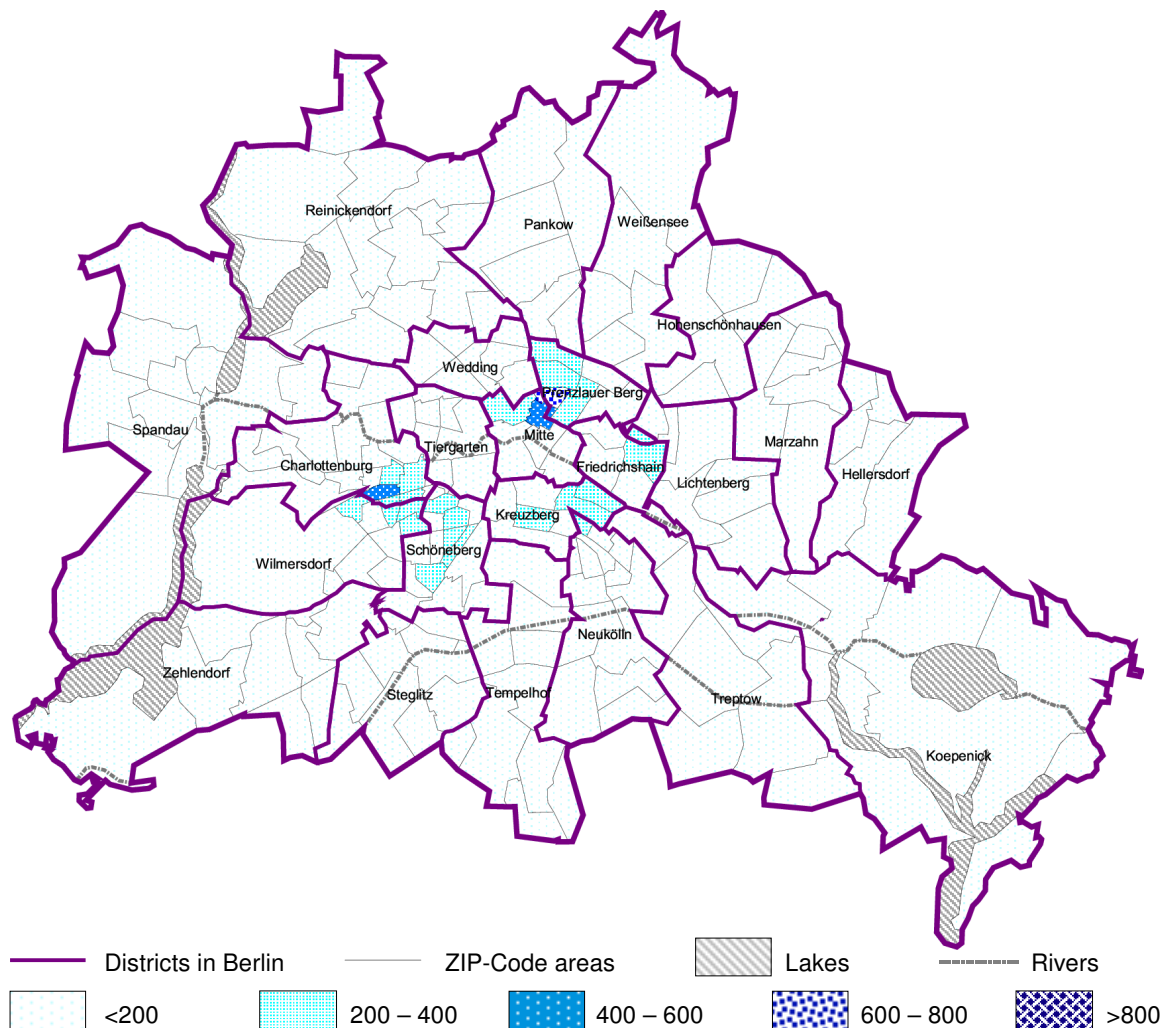
For this section of the study, companies and small trade firms in the industries film, radio and television, publishing, music and advertisement, software development and multimedia, design, architecture, photography, exhibitions, fairs and commodity market facilities as well as the supply of other cultural and entertainment were

⁴⁵ Economic activities are characterized by a paradox: In a network of global, multi-faceted communication possibilities via the World Wide Web, e-mail, fax, etc., personal contact between economic agents has not become less important, rather has led to a central competitor and location advantage. Personal contact and the exchange of specific knowledge is indispensable in places where research, development, construction or the design of complex production processes has to be coordinated between economic agents.

included (approx. 24,500, from them 19,500 small trade firms; Status: August 2005).

Map 1 shows the general distribution of the Berlin Creative Industry. A definite intra-regional pattern emerged from the data. The data reflects the frequently observed tendency of the CI and the sectors within them to cluster or agglomerate in the most populous and lively area of the city. The four hot spots are in the districts Kreuzberg (north-east), Schöneberg, Charlottenburg and in the south-west Prenzlauer Berg/ north east Mitte (for a more detailed impression see also map 8).

Map 1: Intra-regional spatial distribution of Creative Industries in Berlin
Density of firms per km²

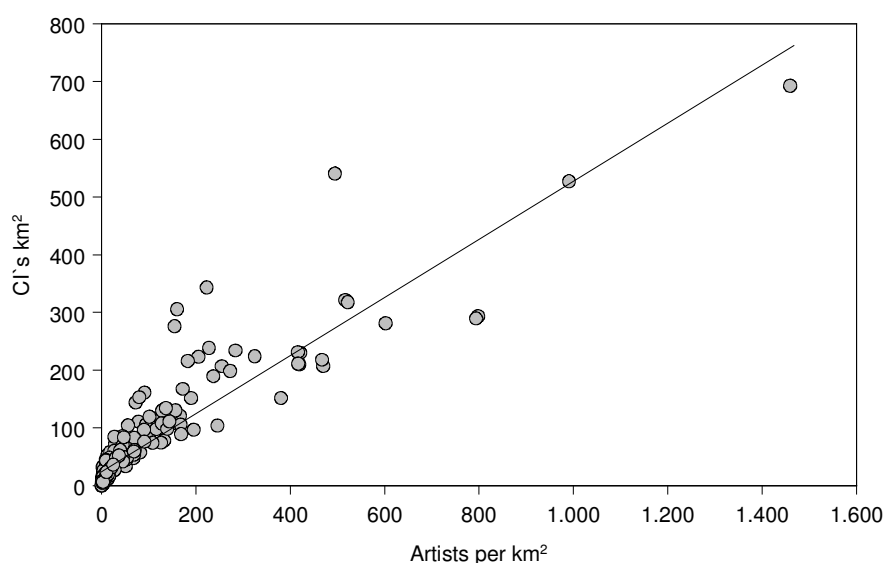


All: 48,215

Source: Chamber of Commerce and Trade Berlin. Own illustration.

The number of artists and employees in cultural facilities resulted from the inventory of the 'Künstlersozialkasse' (approx. 23,000, Status: August 2005). Thus, an exact classification according to postal code districts could be conducted. At the place, where relatively many artists live in Berlin, there is also much culture and creative industry- and vice versa⁴⁶ (cp. Figure 8 and table 2). A quarter of all the documented companies in CIs as well as those employed in art or culture, who are insured by the 'Künstlersozialkasse' (artists social insurance fund), are situated, alone, in 5 per cent of Berlin's 190 postal code districts with a surface area proportion of 2 per cent⁴⁷. The diagrammed correlation in figure 8 clearly shows, above the trend line, outliers, by whom the concentration of companies is higher than that of artists.

Figure 8: Coherence between density of CIs and artists on ZIP-code areas in Berlin



Sources: Chamber of Commerce and Trade Berlin 2005; Artists social insurance fund 2005; Own calculations.

This exclusively concerns postal code districts, which are located in close proximity to the main street, 'Kurfürstendamm', in the Western

⁴⁶ Correlation coefficient $R^2 = 0.93$. In a test of correlation between population density and artists and creative industries for the 193 postal code districts the correlation coefficient was $R^2 = 0.46$.

⁴⁷ From these postal code districts, four are in the city district Prenzlauer Berg, two in Kreuzberg, two in Friedrichshain and two in the city centre.

part of the city, which belongs to the most highly priced real estate segments⁴⁸, and thereby Berlin artists, who have an average annual income that lies close to 9,500 euro for the artists actively paying into and insured⁴⁹ by the 'Künstlersozialkasse', are more than likely not considered. In a study by the DIW Berlin, companies from the advertising and music industries with settlement around the 'Kurfürstendamm' were interviewed⁵⁰. Most companies alleged that they chose and have stayed at this location because of a certain prestige and status notion that goes along with this renowned and simultaneously expensive location. It must be mentioned here, that these companies possess a solid market position with extensive international suppliers and customer contacts. The displayed correlations, in table 1, of sub-industries among one another, show the given potential of vertical exchange relationships through spatial nearness. The low values concerning the journalists and the broadcast industries in relation to the other industries can be explained by the spatial concentration of these industries of trade within Berlin. Photography seems to be spatially rather heterogeneous in Berlin and therefore correlates only marginally with the individually concentrated CIs.

Table 2: Spatial Branch-Specific Correlation of Companies in Creative Industries and Artists in Berlin

	Artists and persons engaged in cultural sector	CIs	Advertising	Music	Publishing house	News-men	Photography	Film	Radio/ TV	Software / Multi-media
Artists and persons engaged in cultural sector	1,00									
CIs	0,84	1,00								
Advertising	0,71	0,78	1,00							
Music	0,65	0,66	0,82	1,00						
Publishing house	0,44	0,49	0,64	0,77	1,00					
News-men	0,14	0,14	0,30	0,33	0,58	1,00				
Photography	0,27	0,25	0,36	0,35	0,49	0,28	1,00			
Film	0,68	0,68	0,76	0,77	0,74	0,37	0,46	1,00		

⁴⁸ CB RICHARD ELLIS BÜROMARKTBERICHT 2004.

⁴⁹ Status 30 March 2005.

⁵⁰ These interviews were conducted between August 2004 and June 2005.

Radio/TV	0,05	0,09	0,23	0,32	0,62	0,78	0,30	0,40	1,00	
Software/Multi-media	0,43	0,56	0,75	0,70	0,69	0,44	0,35	0,67	0,46	1,00

Sources: Chamber of Commerce and Trade Berlin 2005; Artists social insurance fund 2005; Own calculations.

3.6. Advertising

3.6.1 Creativity and Advertising

The definitions of creativity in the literature are diverse, but in advertising according to the traditional definition, creativity is ‘...about creating something different and involving enough to grab the attention of consumers and communicate with them and speak their language; and creating a relationship, so that they understand the brand and feel that it is their kind of brand’ (ECCLESHARE 1999). Advertising can in subjective perceptions be more artistic or strategic. Some creative concerns hold creativity as a prerequisite for advertising effectiveness, while others equate the two concepts (KOVER, GOLDBERG and JAMES 1995).

Thus advertising creativity can be seen as a ‘[strategy] disciplined art form’ (KOSLOW ET AL. 2003). The boundary between art and design is a fluent one. There are only gradual differences in factors of strategy, originality, and artistry among creatives and noncreatives.

Apart from creative professions and people who develop and realize creative concepts (technicians), comes business management who is also responsible for the success of the advertising firm. It can be organized in many families as semi-independent units. The basic unit is a partnership with a specialist for the visual part and one for the conceptual part. For many of these partnerships, a creative director and a consultant are responsible.

The families are enveloped by the different strategic groups such as media planning, administration, executives and other advertising related services.

This creates a potential problem because many people who are not creative per se are also included in this headcount. Their work is labour-intensive with low technology work environments and thus do not require priority innovation. Others however like the content part of advertising, use skilled labour in knowledge-, creativity- and innovation-intensive work environments. This industry is characterized by high degrees of creativity in their production and distribution processes (BANKS ET AL. 2000, POWER 2002). Production activities in the advertising industry are describable in terms of flexible specialization, which means economic operations that (in contrast to mass production) are oriented to the production of small batches of output for specialized market niches, and where competitive strategy typically entails constant product differentiation and/or significant levels of customization (PIORE & SABEL 1984).

The chapter analyses how the perceived characteristics of site and location affect the creative process. From the national level via the regional level I examine the intra-regional level as a lower geographic unit which is defined as clusters of industrial activities for research.

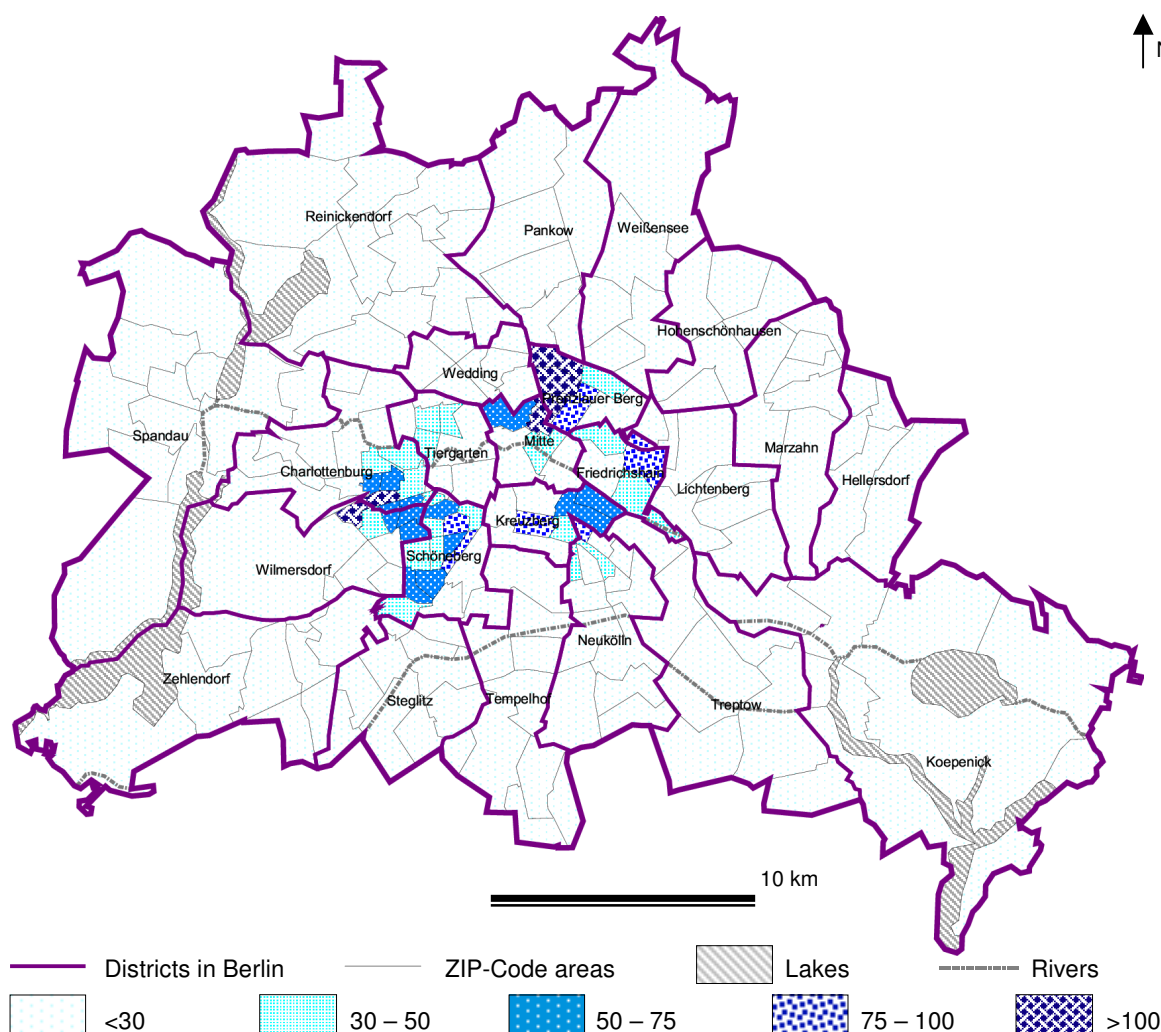
There have been notable increases in the local concentration in the advertising industry over the past few years. While all leading locations have increased their share in the German market, the development of Berlin was even more remarkable. The current capital city did not have much of an advertising industry before the reunification, but experienced highly impressive growth over the past decade.

While I provide some basic information on the partial relocation of the German advertising industry, based on official data for all German regions, the focus of this particular chapter is on the spatial clustering of the advertising industry within Berlin and changes in the patterns of clustering during the period 1990-2003. This analysis is based on a recent questionnaire survey covering all advertising-related services of the media sector, the focus of which is on innovation, local milieu and networks. (E.g., to what extent and in which way do the advertising firms organize their innovation processes in collaboration with other

firms.) Creative milieus are of particular importance as they perform the role of being the driving force in developing the field of advertising. Furthermore, the results of a number of interviews with the clients of advertising firms and relevant institutional actors in Berlin are also utilized.

By using data on the spatial concentration (see map 2) in terms of clusters of advertising companies and institutions as well as firm data relating to social capital (i.e. social networks, norms, and trust), I try to provide some reliable evidence on the impact of social capital on spatial patterns.

Map 2: Intra-regional spatial distribution of advertising firms in Berlin
Density of firms per km²



All: 7,789

Source: Chamber of Commerce and Trade Berlin. Own illustration.

3.6.2 Berlin' Advertising in Competition with other German Locations

3.6.2.1 Germany's Business Situation in Advertising

Advertising, as a part of the media and cultural industry, enjoys a large share of investment. This amounted to about €29 billion in 2003. Its contribution to the GNP was 1.4 per cent and it employed 352,000 people⁵¹. In 2000, the growth rate of advertising-related expenditures was a whopping 15.4 per cent which was six times the German growth rate. This development was particularly welcome as the years 2001-03 saw a recession in the advertising industry, particularly as a result of the Dot-Com crash⁵². There was a decline of 13 per cent (€4 billion) in terms of investment into advertising campaigns.

This development was coupled with a general economic recession and dampening of consumption. The main function of advertising is to sell products on the market. This promotes overall development and success of the industry contributing to total economic prosperity⁵³. Therefore one can say that since advertising contributes to the market economy, there is some interdependence.

3.6.2.2. Berlin's Advertising Situation

The situation in Berlin in the advertising industry is slightly different from other regions in Germany. More than 40 per cent of the agencies are new start-ups. There are 35 media and communications-related fields of study comprising a total of 12,500 students. The yearly growth rate of students is about 8 per cent a year. Ten of the twenty largest advertising agencies are represented within Berlin.

⁵¹ Umbrella Organization for the German Advertising Industry (ZENTRALVERBANDS DER DEUTSCHEN WERBEWIRTSCHAFT- ZAW)

⁵² See also BÖBEL (1982), who reports on evidence for pro-cyclical behaviour of advertisers. The most common method for determining the budget is to take a certain percentage of the expected revenues (HENRY 1985); other typical rules of thumb should also lead to pro-cyclical advertising.

⁵³ The strongest economic advertisers are the mass media, the auto market followed by the telecommunications networks.

Due to the inadequacy of existing data sources to allocate industrial functioning, new evidence on the spatial dynamics of the advertising industry is desperately needed. Over the seven year period from 1998 to 2004, the number of employees of the Berlin advertising industry increased 8.8 per cent percent per year, taking them to the third position and in the top 10 ranking. This is the highest average growth rate. Hamburg, as the leading location, gained 3.6 per cent annually, Duesseldorf 1.3 per cent. Berlin's share of the entire employment in the advertising industry constitutes 5.74 per cent (in comparison to 4.42 per cent in 1998). Hamburg and Duesseldorf lost more than one per cent points in comparison to 1998. The share of number of firms increased in this time period by 4.7 per cent in Berlin. Berlin ranks second place for counties in Germany.

3.6.3 What's behind the Ad

SCHWEIGER & SCHRATTENECKER (1995) define advertising as: 'a communicative impact process strengthened by mass communication measures with the goal to improve the impressions and behavioural patterns of consumers thereby benefiting the firm'.

HASELOFF (1973) defines advertising as public goal oriented communication of information and motivation. It works to manipulate a defined section of society in order to strengthen the market chances a of product or improve the image of a firm.

Other forms of advertising that are becoming increasingly important are public relations, event-marketing, sponsoring, telephone marketing and multimedia. These forms transcend all previous and more traditional forms of advertising.

Thus strategies and tactics, or marketing and advertising concepts that directly co-ordinate sites and locations and thereby want to create identity and symbolic and hence simultaneously adjoin location or site as a dimension.

ZUKIN (1995: 31et seqq.) makes it clear that increased symbolic quality of location presents an important strategy for the appreciation of land value. Cities and city districts can successfully personify social aspects, if cultural values are consolidated into a visual image. The keyword, festival-making⁵⁴ ('Festivalisierung'), has been referred to in this context, because it exhibits 'a production of public spirit and identification with political institutions' and indicates the transformation to a corporate city (HÄUßERMANN & SIEBEL 1993: 23).

The economic valuation⁵⁵ of urban culture results, among other things, from the culture industry. Besides external effects for society, urban culture serves the individual welfare; parts of benefits are not defined in price formation, leading to market failure, i.e., inefficient allocation of resources. There are spreading effects on other industries without paying for it. However, it is no longer the culture industry alone that economizes culture. What is described in the approach of the economies of signs, goes a step further: 'Symbols are pictures and images [...] An economy of symbols is picture production, distribution and consumption [...] For this reason [the area acquires a new visual identity with cultural commercialization] a collective perception (collective image, 'Aura') of the area is first produced; areas become 'eye-catching' and with that the next steps, distribution and consumption, become accessible' (KIRCHBERG 1998: 49). Two levels are addressed: Areas become eye-catching through the creation of urban landscapes of consumption, and 'commercial eye-catching areas [can] be properly marketed to target groups' (ibid. 49). Mere purchasing is no longer the focus; rather entertainment is a central component of these landscapes of consumption. The change from a simple product to a label is meant on the other level. The functionality is no longer the focal point, rather the selling of images, an attitude to life.

⁵⁴ The German notion 'Festivalisierung' of city policy is identical with the strategy of 'city-marketing' of the respective city.

⁵⁵ For example the account of income and employment and the effects on the local economic development (see POWER & SCOTT 2004, PRATT 1997); the rigid distinction between productive and unproductive work in this point seems to be misplaced (see also GREFFE 2002: 8; THROSBY 2001; FREY 2000).

The aforementioned systems can only emerge locally and spatially-integrated, given that sector-related knowledge has a considerable significance in these network structures. Cultural knowledge and its exchange are based on local traditions as well as concrete local conditions and experiences. MOLOTCH (1996) illustrates, in the example from Los Angeles, that a 'local aesthetic- a manner in which people draw, create, play, imagine and form experiments- moulds the economy of a city, and that this typical southern California style became a label'. 'Globalization does not disestablish a location' (LEFEBVRE 1991: 330, quoted in MOLOTCH 1996: 140), and precisely because the world is becoming increasingly homogeneous, consumers are more aware of subtle differences. Authenticity should be communicated, and this is only possible through a corresponding context (cp. MOLOTCH 1996: 140).

3.6.4 Strategies of advertising

To enter the market there are several strategies. The client will hire an agency for the consumer knowledge and creativity that it has. To the client advertising helps them in product innovation, pricing, distribution and corporate culture around their consumers (MCILRAITH 2002).

The expected success of advertising depends mainly on creative reputation. Normally advertising firms achieve this reputation by the quality of their services. This is further enhanced by contests, ranking and making people aware of an agency's product or service.

The problem however is that in order to participate in the competition one has to pay a certain sum of money. Therefore companies of larger size are able to have international presence whereas smaller companies are unable to do so. (E.g. in institutions like General Association of Communication Agencies or International Advertising Festival in Cannes, ADC of Europe).

To win contracts, one needs no more than office space, computers and internet connections. Several companies started like this and still remain in the same place. Work place sharing stimulates a strong aspiration to be a freelancer or to be self-employed.

One or two friends coupled with a pool of ideas and management/business knowledge could be the perfect recipe for success. In other words, creative people with abilities like inspiration, imagination and creative expression is not alone enough to have a successful organization. One needs talented potential with specialized knowledge, which is a multifaceted and flexible combination. But one of the main problems is that 'everybody wants to be in creative fields, but few are creative' (KOSLOW et al. 2003: 101).

The integrated patterns of thinking, living, beliefs and others are combined with boundaries of social morals, codes and norms. In this sense advertising is a 'cycle of symbol production' (PETERSON & BERGER 1975).

People, who are originally from a city or have lived in the particular city for a long time, use their knowledge of local forms of consumptions, norms and values, rules and practises and their 'emotional involvement in local lifestyles to design successful products' (O'CONNOR 1999, DRAKE 2003).

Also important, however, somewhat complex, is the relationship to clients. It requires a 'more long-term infrastructure of personal ties and networks based on mutual loyalty' (GRABHER 2001). This implies trust.

The client learns because parties are privy to thicker and richer information flows on account of the fact that people divulge more to those they know (MORGAN 2004).

'Trust is a versatile and complicated topic to research empirically, particularly because of its social and cultural embedding as well as limitations to dynamic research (WELTER ET AL. 2003).

An employment bureau full of people with a certain level of individual creative reputation can bring out tacit knowledge that is decisive for the arrangement of the team (see GANN & SALTER 2000). An important aspect to note is the insecurity and risk that accompanies such undertakings, namely activating resources, finding people for the various projects and the possible competition that exists. Free lancers are not always in convergence with the company ideal. This affects the stability of company relations. For free lancers there is a higher form of competition, namely the personal demand of him/her depends on previous success and the ability to live up to it.

The firms that come from outside bring along with them international methods and ways of doing things. This is then combined with local services to gain effective access in to the market. The advantage lies at hand. All customers and supplier's relations, in particular the existing networks including personal contacts, are very important. The specific features of the socio-cultural basic conditions are extremely necessary for the local market which includes production, consumption and distribution. Several firms have located offices near different markets, in order to deal with the spatial heterogeneity of cultural norms and values or standards in the world in these places. Advertising is more than a linear process. Since it is seen as a marketing strategy to be successful in a competition selling products, it is necessary to point out the relation between subjects related to material objects. (BRENNA 2003).

Additionally importance is given to a unique phenomenon, namely the student communications agency, 'Töchter + Söhne' (Daughters and Sons). It has about a 100 freelancers (they are all enrolled students) and was a sponsored initiative by the University of Arts. With 4,000 students enrolled at the university, there are many potential participants.

It can be seen as a kind of cadre smiths of the Berlin advertising firms. Students from the department for experimental media design; society and economic communication and visual communication are admitted to enter the labour market with previous work experience. This is a point to note as only enrolled students are able to work at 'Töchter + Söhne'.

These shows, how important knowledge transfer through informal learning and collaborative practices between firms themselves and between firms and local institutions, such as universities, is (SAXENIAN 1996).

Next to classical communication strategies, there are two other possibilities namely related to niche products. These risks are once again those which are not a threat to established advertising firms. On the other hand, there are 'Guerrilla Tactics' whereby contents of a product or service are provided though the consumer does not consciously recognize the presence of an advertisement. The relay runs 'Below-the-Line'⁵⁶.

Advertising has reached places where, before, no such thing existed. The contents of the message are without previous understanding, as is often the case especially since the advertisement message is not immediately clear. It has brought forward unknown symbolism. And this is why the contemporary cultural and symbolic significance of advertisements and the sensitization of symbols, sign and existential orientations are so important.

Alternative and subversive staging possibilities are used and resemblances are copied, for example Hip-Hop culture, radical political mode of expression. The art and performance of message transmission function outside of the conventions, legal and the conservative advertising image.

⁵⁶ 'Below-The Line' is a typical advertising concept. It refers to activities like sport marketing and events.

The second platform of the communication is bound to the Internet. This is known as 'viral-tactics'. Face-to-face contact is substituted by anonymous exchange relations who result in knowledge generation. For all users of this platform, it is possible to discuss the working and efficiency of the content to be presented in the advertisement (personal interview).

Companies that today work with a lot of energy on the call of a creative, innovative and living advertising branch, are the firms that flourish in Berlin. If Berlin would develop into one of the centres for advertising many more firms would come to the city and would greatly profit just by being in the city and environment (Please refer to chapter 3.2). The point to be noted here is that currently the most efficient firms are in Berlin and the coming of new and large firms could threaten their livelihood (school of fish).

From the holistic point of view, there is a fruitful cooperation among all the individual firms and the 'we' feeling, but from the micro perspective, firms are also faced with market domination. This knowledge leads to the strengthening of the small and medium-size firms and as a result benefits the image and reputation of the entire region.

A basic problem lies in the mimetic behaviour of 'free-riders'. The technological progress allows clients to create their own advertising (e.g. Internet performance; poster-making), to copy with the user-friendly software and to use sources from the Internet in order to steal ideas and modify them to a successful advertising product.

3.6.5 Econometric Investigation of 3 groups in the advertising industry

In the analysis of spatial arrangement, the advertising industry has long been seen as an important topic⁵⁷ but the limited availability of good quality data on advertising agencies continues to pose a

⁵⁷ See also PATON & CONANT 1999, GRABHER 2001 and 2002.

considerable barrier for researchers. In this chapter I examine the empirical evidence obtained in a questionnaire survey and in interviews and argue that the relationship between location and creativity are not only substantial but are also highly personal, complex and varied.

Out of the 896 questionnaires⁵⁸ that were distributed to the advertising industry, 111 were returned. The study is therefore based on 12.4 per cent of all advertising agencies identified in Berlin.

With help of the questionnaires I try to understand the structure of this industry, e.g., some of the links and value chains that emerge.

One question addresses the sources of inspiration of new ideas and trends would be identified as contributing most to the employer and employees' creative ideas and innovations. Some of these are easier to use in local proximity; I classified the following sources for inspiration as mainly local: co-operating firms, competitors, newly hired employees, private contacts, suppliers, local cultural scene. The number of different local sources indicated was taken as a proxy variable for networking or the importance of networking. Taking this as a dependent variable, what are the determinants of the importance of networking?

Hypothesis 1: Firms sort themselves in space, with those for whom networking is especially important residing in the central districts of Berlin. A dummy variable 'CENTRAL' is included (which is 1 for Charlottenburg, Schoeneberg, Friedrichshain, Kreuzberg, Mitte, Prenzlauer Berg and Tiergarten).

Furthermore, East and West Berlin might still differ in this respect; hence a dummy variable 'EAST' for East Berlin is also included.

⁵⁸ Please refer to the appendix to view the questionnaire that was utilized for the study.

Hypothesis 1: Older firms had more opportunities to build up local relationships; hence the impact of 'FYEAR', the founding year of the firm, should be negative (or the impact of age positive, respectively).

Hypothesis 2: Firms with more employees have more opportunities for utilizing different sources of innovation and inspiration; hence the impact of the number of employees, 'EMPL', should be positive.

Hypothesis 3: I generate a variable 'FREE', which is the share of freelancers (freelancers divided by ('EMPL'+1)). I formulate an ex ante hypothesis, as different impacts of 'FREE' are possible: firms with many freelancers might need more intensive networking in order to have good and stable relationships with this group of creative personnel. On the other hand, if innovation and inspiration is brought into the firm by freelancers, the firm itself might need to care less about other sources. Table 3 shows the results of an OLS regression.

'CENTRAL' and 'EAST' turn out to be insignificant, as in other regressions I ran. 'FYEAR' is significant, but with an unexpected sign, whereas the coefficient of 'EMPL' is positive as expected. The role of freelancers turns out to be substituting for other sources of inspiration and innovation for the firm.

Table 3: Networking in Advertising

	Networking
Constant	-5.406 (-1.71)*
Central	0.107 0.37
EAST	-0.022 -0.08
FYEAR	0.028 1.78*
FREE	-0.122 -1.81*
EMPL	0.191 1.95*
Observations	96
R-squared	0.12

Absolute value of t statistics in parentheses
 * significant at 10 per cent; ** significant at 5 per cent;
 *** significant at 1 per cent

Source: Written survey; own calculation.

The advertising industry as a part of copyright industry within the CIs is, in my view, one of the borderline industries in the concept of CIs. Only proportion of the agents in this industry is continuously actively creative. The larger portion of agents is involved in the process of transforming the creativity, which is generated by only a few people. Here are implied larger firms due to the division of labour.

In contrast, agents in small firms have more responsibilities, as their resources limit other possibilities. It is often the case that one person takes over all the responsibilities in origination, production and distribution. However, it is mainly the origination process, in which there is a high demand for creativity and innovation. To show another example of the cultural and social embedding of firms and the organization of work processes in networks and milieus the example of the music industry follows. In this investigation of music industry in Berlin take centre stage, how different interdependencies between firms' settlement and socio-cultural and socio-economic environment exist and what the music industry highlighted within the investigated creative industries in Berlin.

3.7 Music

In comparison to all other investigated CIs, networks and milieus probably play the most important role in the music industry. The following hypotheses emanate from the theoretical approaches discussed in chapter 2.

3.7.1. Hypotheses

According to 'the attempt to examine and rethink culture by considering its relationship to social power' (HESMONDHALGH 2002: 38), I investigate whether there is any measurable evidence for cultural and creative producing firms and their concentration of economic activities and their social embedding (e.g. TAYLOR & LEONARD 2003).

Following up the basic concepts of the geographical clustering and the assumption that music firms use the same urban milieus in the same areas like creatives from other industries as breeding grounds, I take also other creative agents into account for spatial analysis. I hypothesize that firms in the music industry are likely to be found close to creatives from other industries (hypothesis 1). Since small music firms and start-ups have stronger affinities to specific milieus to be closer to the pulse of creativity, information and knowledge (FRITSCH & MUELLER 2005) the dependence of firms on other creatives is stronger for smaller firms (hypothesis 2).

Event locations and clubs and other live performance venues take function 'as potent frameworks of cultural reproduction and arenas of socialization' ...'within which players and audiences come face to face and in which new musical idioms and tastes are often worked out' (SCOTT 1999: 1974-1975). LEYSHON (2001) also mentions the importance of the spatiality of the cultural milieu within which music is produced, reproduced and reflected in the audiences. So the idea is that event locations and clubs are close to the music firms in order to utilize the spatial interdependencies (hypothesis 3). Despite the increasing importance of soft locational factors for the firms, the hard locational factors play an important role in the decision making about the place to be. In spite of cost minimizing behaviour of firms, small music firms especially are more dependent on restricting costs (hypothesis 4). In order to consider the socio-cultural and socio-economic context for music firms' settlement (COOKE 2002; ELFRING & HULSINK 2003; NOOTEBOOM 1999; WESTLUND & BOLTON 2003) I took a closer look at available data from Berlin's districts. Because of the gap of evidence of the relationship between firm settlement performance and their embedding in a social environment I formulate that the social and status indices are important for attracting music firms (hypothesis 5).

3.7.2 Data

To gain insight into the socio-cultural and socio-economic interdependence, on the intra-regional level in Berlin, I used data from the 'Sozialstrukturatlas' of Berlin (the atlas of social structure in Berlin)⁵⁹. This atlas serves as a social structural analysis tool to show existing state and subsequent changes in the spatial socio-structural circumstances in Berlin. For the analysis of data, a spatial socio-ecological multidimensional approach was implemented. The building of indices using standard scales through factor analysis was applied, with results concerning two factors: social index and status index. For the building of the two indices, 25 variables were correlated, and the results of the analysis implicated a dominance of factor loadings with variables of social concernment (social index) and the highest completed level of education in young population groups (thus status index) (see table 8 in the appendix).

The addressed music firms for the written survey and the used counts per postal code areas for music and other creative agents only includes registered firms that were rigorously assessed by the tax authorities as legitimate active trading companies. Such a categorization applied to SIC sorted data highlights a difficulty regarding this type of data, namely, that by applying a single code to a firm, one can misrepresent the diversity of the firm's activities and the structure of the industrial system (see also POWER 2002).

Cultural indicators, such as event locations and clubs, were found using the yellow pages and other similar sources. The heterogeneous picture of the real estate market price segments were used to build the indicator for the index of the real estate market prices in Berlin⁶⁰.

The variable 'Other Creative Agents' was also taken from the business register and supplemented by the address database of the 'Künstlersozialkasse', which makes it possible to map the agents by

⁵⁹ After 1998 and 2000, the 'Sozialstrukturatlas' 2003 was the third of its kind in Berlin.

⁶⁰ CB RICHARD ELLIS BÜROMARKTBERICHT 2004.

district. Altogether there are nearly 21,000 addresses available, not including the agents in the music industry. As an endogenous variable, I used the number of music firms in the respective district. In each case the music, creative players, as well as the event sites and clubs were weighted per unit area. Definition and descriptive statistics of variables used are shown in table 5.

The study's main intention was to investigate the interdependencies between firms' settlement and socio-cultural and socio-economic environment. For example, are there differences between small and larger firms, and if so can I indicate a typical environment for this industry?

Table 5: Definition and descriptive statistics of variables used

	Total	per district	
		Mean (Std. Dev.)	Minimum Maximum (per unit area)
Music firms in Berlin 2004	1,401	3.50 (4.48)	0.24 15.19
Small ¹ music firms in Berlin 2004	1,101	2.81 (3.83)	0.22 12.79
Medium-size and large ² music firms in Berlin 2004	300	0.69 (0.89)	0 3.36
Creatives in Berlin 2004 (excluding music firms)	20,912	44.01 (48.14)	3.97 147.38
Event locations in Berlin 2004	182	2.05 (3.89)	0 15.51
Index for market prices		9.41 (1.69)	7.5 14.0
Social Index		-6.96e-09 (1.00)	-2.31 1.80
Status Index		8.79e-07 (0.99)	-1.27 2.40

¹ With less than 3 employees. ² With more than 3 employees.

Source: 'Sozialstrukturatlas' (2004); CB Richard Ellis Büromarktbericht (2004); Chamber of Commerce and Trade Berlin. Yellow pages; own calculation.

3.7.3 Empirical Results

Table 6 reports the results of the OLS regression⁶¹ for music firms for the three different outcome variables distinguished.

The dependent variable is all music firms [1], there from small music firms [2] and from all music firms the medium-size and large music firms [3].

Table 6: Results of the OLS regression for spatial distribution of music firms in Berlin

	[1] All music firms	[2] Small music firms	[3] Medium-size and large music firms
Constant	5.093 (2.78)**	6.976 (3.42)***	-1.88 (-2.53)**
Social index	-0.876 (-2.37)**	-1.063 (-2.57)**	0.187 1.24
Status index	0.884 (1.93)*	1.082 (2.12)**	-0.198 -1.06
Index of real estate market prices	-0.576 (-2.97)***	-0.778 (-3.59)***	0.202 (2.56)**
Event locations and clubs	-0.258 (-1.72)*	-0.291 (-1.74)*	0.033 0.55
Other Creative Agents	0.099 (6.94)***	0.085 (5.36)***	0.014 (2.37)**
Observations	23	23	23
R-squared	0.96	0.93	0.84

Absolute value of t statistics in parentheses

* significant at 10 per cent; ** significant at 5 per cent; *** significant at 1 per cent

Source: Written survey 2004; 'Sozialstrukturatlas' (2004); CB Richard Ellis Büromarktbericht (2004); Chamber of Commerce and Trade Berlin. Yellow pages; own calculation.

Other Creatives

Referring to hypotheses 1 and 2 an interesting finding from the regression was that small music firms, Column [2], are situated where there is an abundance of other CIs and artistic people.

A look at Column [3] shows, that medium-size and large music firms have fewer affinities towards the presence of other creatives, confirming hypothesis 2. Once a firm has a stable market position and/or a prominent reputation, one strategy could be to position itself in a representative area, with high-valued property and a distinct aura, setting the location apart from others.

The music industry sees itself as a part of the CI (see LEYSHON 2001; SCOTT 2001; NEGUS 1992; HESMONDHALGH & NEGUS 2002; Florida 2002, MUNDELIUS & HERTZSCH 2005). Music firms are looking for other creatives because of the spirit and humus of creative artists. It is essential for small music firms to belong to a scene in order to read codes and later market themselves. This finding perhaps indicates that location is of particular importance when identifying a profession, thus highlighting the obvious proximity of creative firms in such a locality. It seems to be especially important for small firms and start-ups to locate themselves where they can easily use the advantages of firms and institutional thickness (AMIN & THRIFT 1994:13).

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. The networks are critical for creative city planning. However, these networks are very fragile, personal and are neither producible nor controllable within the realm of classic planning.

Event locations and clubs

Concerning hypothesis 3 that the infrastructure of event locations and clubs is very important, I have to state in the case of Berlin there is no statistically significant influence on the choice of firms' location decision. Theoretically they can serve as platforms for face-to-face communication⁶² as well as places where the produced music can be

⁶² For a detailed explanation of the meaning of face-to-face contacts see also e.g. STORPER & VENABLES 2004.

tested on audiences. To be within a close proximity to these locations can be advantageous, e.g. for spontaneous business meetings.

In this way, event locations and clubs can be seen as a kind of marketplace and recruitment base and sometimes only a space for experiment fields to sensitize new trends as a node for artists, institutions and audiences (see also LEYSHON 2001).

However, the astonishing results show that, for small and medium-size companies, there is no significant correlation regarding the spatial distribution. In a visualization of the spatial distribution, the impression is that a homogenous pattern of event locations and clubs exists in Berlin with no obvious concentration.

Index of real estate market prices

A look at the index of real estate market prices accentuates that as a company gains respect in the global market, it becomes more necessary to have a striking address, in order to maintain a distinguished image.

Leases for office space fit into these considerations. In context of hypothesis 4 a distinct negative correlation can be noticed regarding small companies; expensive areas within the city will be avoided, normally due to the economic situation. A cost reduction is achieved through settlement in the outskirts of the city, although most firms show a preference for more centrally located office space in the centre of a district (see map 3).

Larger companies have a positive correlation with the amount of the rent. Prestige plays a more important role than does cost saving for medium-size and large companies.

The 'status group' in Column [3] is driven by representation-oriented and centrally located areas. My hypothesis was based on the fact that status is interdependent with the willingness to pay high rent and with respect to image factors related to a site.

Creativity and inspiration as well as an affiliation with a particular scene are no longer defining matters for this group. It is sufficient to have gatekeepers to observe and pick up talents and new styles for the

creative-related firms. The gatekeepers serve as a contact and a link to the scene and public relations. Another point is the reputation acquired over time. After reaching a critical bulk of the target population, the company's reputation alone attracts artists and talent. A well-known company could even settle in the outskirts of the city, because the salary possibilities, in addition to other incentives, make it a convincing employer.

Social and Status Index

To present evidence for hypothesis 5 I will distinguish between social and status index.

Social Index

In the consideration of the meaning of the social and status indices to attract music firms the results were surprising.

Only for small firms did the social and status indices bear a significant correlation. Districts with negative, lower values seem to be interesting for music firms. In order to interpret this observation, the individual variables must be more closely examined.

These districts are normally socially weak and are characterized by low-income households, high unemployment, poor health care and low education levels. But the majority of these districts are downtown. One of the most dominant variables is the share of immigrants in the individual districts.

A large percentage of immigrants contribute to the character and culture of a place by adding their own origins to it. These factors combined provide inspiration, a friendly⁶³ environment and a new culture and microcosm in itself. These localities are highlighted by people, multi-cultures, lifestyles and colours, each with a unique twist. Such areas are original in nature because the only thing that binds its elements together is the lack of conformity. What goes without saying is that such localities thrive on the youth of society. Such artistic and

⁶³ The discussion on 'friendly' environment is also burdened by sceptic concepts, that too many immigrants mean more social problems.

creative communities are constantly changed and improved by a moving population and flexibility. It is this very feature that makes Berlin not only an exciting halt for many young adults, but also adds tremendously to the city's attractiveness. The music industry is perpetuated by young people who bring life, freshness, energy and creativity to it.

As a result of the perceived and also existing socially weak pattern of such districts, the negative effects of gentrification and the resulting pressure on land use affects real estate market prices to a lower cost of living and production. The concept of gentrification (see also GLASS 1964) and the negative effects do not refer, in this circumstance, to the first generation of pioneers, who discharge the process. As a result of correlated factor loadings the districts with low social index are also characterized by pioneer features like young alternative living with low or precarious incomes more so than the following second generation of BOBO's⁶⁴, Yuppies⁶⁵ and DINKS⁶⁶, who displaced the pioneers. This process makes the pioneers again tragic and paradoxical figures in this process of gentrification.

One of the interviewed persons said: 'I can be twice as creative in Berlin, because I only have to work half as much in order to survive.' There is more time left to experiment, to generously use the leeway to implement ideas and thus effect entry into the market. Widely project-oriented work in teams are characterised by flat hierarchies, a new culture of entrepreneurship and self-determination, the interdisciplinary integration of business and technological matters with aspects of content and creativity. All these features appear to give an impression of how the information economy would look like, being primarily built around the personality of the individual 'reflexive' worker (LASH and URRY 1994: 122) on whose creativity and capability business success was considered to be based.

Status index

⁶⁴ BOBO's - BOurgeois BOhemian (for more details see BROOKS 2000).

⁶⁵ Yuppies - Young Urban Professionals.

⁶⁶ DINKS - Double Income, No Kids.

As seen with the social index, again the small firms correlate with this index, in this case positively. Districts with a high value attract music firms for many reasons.

A predominantly young, highly educated social group make up the structure of many single households.

Corresponding to the results for the relationship of creativity and education in Dutch cities (MARLET & WOERKENS 2004: 14), I have also found evidence for the importance of human capital for the creative industries, especially for music companies.

3.7.4 Interviews

The interviewed firms are mainly labels, publishers of sound recordings, event organizers and sound studios.

These agents do not completely correspond with the music firms addressed in the questionnaire, but with the majority. The artists, the production of musical instruments and related services are missing.

I concentrated the empirical survey only on popular music related industries. In all, I spoke with 18 companies and 12 industrial organizations and institutions. Only two of the interviewees were from major companies.

The aim of this investigation was the consolidation of knowledge drives from the questionnaire and to appoint them to the network structure of the music industry in Berlin.

Two areas were selected, with the highest concentration of firms in Berlin ('Prenzlauer Berg'/ 'North East Mitte' and 'Kreuzberg'/ 'Friedrichshain').

In the valuation of site conditions for the category image of Berlin, what I have found is for the interviewees also most important.

Explanations like: 'At the moment Berlin is the most exciting city in Germany', 'Berlin is the capital for pop music' or more drastically 'Berlin is the new capital of music in Europe' (different personal interviews) show examples of the perception of music agents in the

investigated agglomeration. Also, the prompted category 'quality of life' and 'leisure' were substantiated by interviewed persons.

Particularly with regard to the scene and (sub-)culture, in their respective districts, I realized different preferences and socio-cultural features. The consciousness of social affiliation was in high gear. The music agents revealed a high identity to the dominant scene in their districts

'I have lived here, before I started my business here' or 'Prenzlauer Berg is our home base, ... we are definitely not Kreuzberger' (2 different personal interviews).

This is not only a Berlin phenomenon, the Parisian don't describe themselves as inhabitants of Paris, rather they live in their 'arrondissement' (see BENJAMIN 1996: 999).

These statements correspond strongly with the aforementioned lifestyle concept. The identification with the lifestyle image is of immense importance for individual players as well as for the individual music scenes and accentuates, along with its own personality structure, also the credibility of different life models. In the other direction many inhabitants of Berlin identify themselves with the creative hot spots of the music industry and other creatives and their emission to surroundings and define it as a homogeneous and area-wide criterion of Berlin.

The embedding of individual professionals in a community results also in the desire to bring the place of residence and workplace together. Even the small and medium-size firms asserted their preference for the location.

Nevertheless, the maintenance of this identity as artists, despite being a crucial motivation tool, does neither automatically nor completely negate the basic contradiction between the two worlds of reputation building and the different performance criteria they are based on⁶⁷.

In another aspect of site selection, clubs, event locations and stages, as a part of 'cultural infrastructure', played a role for the interviewed persons.

⁶⁷ See also THIEL (2003).

New music styles are only possible in cultural milieus and corresponding music scenes. LEYSHON ET AL. (1998) also refers to the impact of these locations in their book *The Place of Music*.

Besides the basic common cognitive, cultural and social context, these places act as the most important form of knowledge spillovers, in the form of tacit knowledge.

The institutional thickness of Berlin is perceived from both major and independent companies as positive. The most important national industrial organizations are now situated in Berlin; also high profile awards, shows and exhibitions are relocating to Berlin and serve as a platform for the music industry⁶⁸.

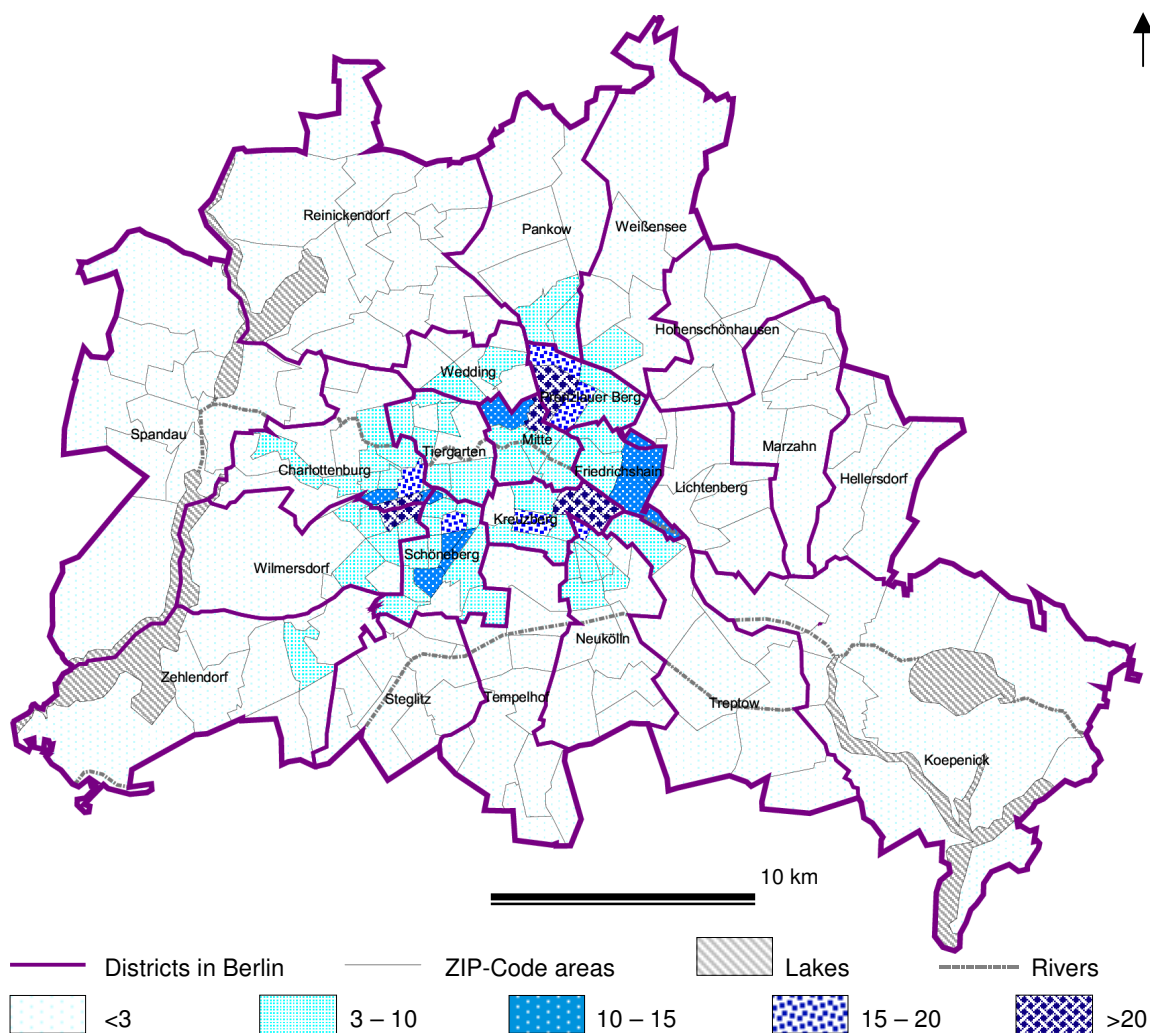
When asked who or what influences cause firms to relocate to Berlin, one interviewed representative of an industrial institution answered, 'O.k., relocation is occurring, but I don't think that it's well-directed like the industrial institutions, who moved to Berlin. It's just a feeling, if anything; there are many possibilities here, and I will try it out. I know that some national labels, who have perhaps one person and a back office here, have said that they want to have a look.' (Personal interview)

The proximity to the political decision-makers, like the German government, was a very important reason to relocate, especially for the major companies.

The local embedding and the spatial proximity to the agents (see map 3) are advantageous for the exchange of knowledge and the development of innovative networks and structures of milieus (DÖRING 2004). In addition, new value chains were initiated.

⁶⁸ Ten years ago, there were no national industrial organizations or other named institutions in the city.

Map 3: Intra-regional spatial distribution of music firms in Berlin
Density of firms per km²



All: 1,404

Source: Chamber of Commerce and Trade Berlin. Own illustration.

As in all cultural economies, a breeding ground, with creatives, talent and also open to innovative individuals, is indispensable to the production and distribution process for the music industry, and thus a pre-condition for success in the market. The interviewees accurately attest to this. The high percentage of young people and the continuous flow of new ones are meant by creative humus.

‘In no other city in Germany can we act out our own creativity and develop like we can here.’ (Personal interview)

‘Berlin seems to magically attract ‘creative potential’.’ (Personal interview)

To add to these assessments, the often mentioned lower cost of living and low rent as well as the availability of gaping spaces and empty business premises in a low-cost segment come into the comparison with other cities in Germany.

3.8 Visual Artists

3.8.1 Visual Artists in Berlin

This analysis finds that visual artists are of particular importance, as they perform the role of being the driving force in developing the field of Creative Industries (Mundelius 2006b: 3).

Along with painting, sculpture, drawing, graphic, design, photography and installation, performance, video/film and new media also belong to the examined group⁶⁹.

Visual artists and their artwork and cultural production⁷⁰ can not always be measured monetarily. The coherence with other creative industries and the ability to be appealing in the tourist industry are important but their effects are practically immeasurable⁷¹. Artists are regarded as ambassadors of art and culture with an international dimension for a location. Because of the associated transfer of image and their omnipresent, publicly effective outer performance, they directly generate positive externalities.

The economic situation of visual artists in Berlin is, in part, extremely tense. It is often an issue of low income, which is often countered with, to some extent, very high costs. (For some areas of visual arts such as sculpture, on the one hand high material costs and on the other hand high lease/rental costs, due to a great need for space, arise.) It is only possible for a third of the artists to finance adequate work spaces. Not even half of the surveyed artists are able to completely dedicate themselves to artistic production.

⁶⁹ The group of designers makes up close to 4 per cent of visual artists.

⁷⁰ Along with painting, sculpture, drawing, graphic, design, photography, and installation, performance, video/film and new media belong to it as well.

⁷¹ That applies to contemporary art as well as the conservation of cultural heritage.

Almost half of the cultural production is sold nationwide, and a sixth is sold on international markets.

As observed in other creative industries, certain city districts are preferred, whereupon the nearness of the places, in which one works and lives, plays a very important role in choosing a site.

In a regional-national comparison, the growth of companies and employment speak for an increasing concentration of visual artists in Berlin and underline the importance of Berlin as a metropolis of art and culture.

An investigation of the economic and social circumstances of visual artists in Berlin on this scale has not been carried out up to now. The following section should help to close this gap and offer suggestions, in what way this profession and its contribution to the achievement of welfare as well as the conservation and maintenance of cultural capital within a knowledge-intensive urban economy is to be classified (MUNDELIUS 2006a).

Information, which was collected within the framework of a written company survey and expert interviews by DIW Berlin in Berlin in the spring of 2006, constitutes the database.

For this investigation, over 5,400 professionally working visual artists in Berlin were surveyed in written form. The response rate was approximately 12 per cent. The share of organized freelance visual artists, who are members of Berlin's Federal Association of Artists of the Fine Arts, lays at one-third. For a nationwide comparison, Berlin has a percentage rate of approximately 18 per cent of all organized visual artists in Germany⁷².

Furthermore, findings were sought regarding the economic and social circumstances of visual artists by way of interviews with Berlin's visual artists and a further reference study. In this connection, it was a matter of an isochronal written survey of aspirants for financial support in catalogues and projects as well as work stipends from the Berlin Senate

⁷² In the Federal Association of Artists of the Fine Arts of Germany (including National Association of Thuringia and Berlin).

Administration Department for science, research and culture, including 110 participants (response rate approx. 30 per cent).

3.8.2 Berlin's development in comparison to Germany's average

Although a statistical survey of this profession is difficult, using benchmark data Berlin's development is to be contrasted with nationwide development, with the aid of a generated time series. The number of those liable to tax on sales in Berlin rose to 6.6 per cent in the years of 2001-03 (national level minus 8.7 per cent), and revenues rose 5.4 per cent (minus 12.7 per cent) in the same timeframe. Companies with employees subject to a social insurance contribution grew 25.8 per cent in this timeframe (1.0 percent), and the employees subject to a social insurance contribution grew 31.0 per cent (minus 7.5 per cent). The number of statistically recorded employees is likely to only represent a small portion of artists, who are actually self-employed⁷³, and thereby this number is an unsatisfactory indicator in the evaluation of the development of these agents.

Using the group statistic as a basis, the development of visual artists can be stated as a yearly growth rate of 3.6 per cent in the time period from 1995-2005. This value lies slightly above the national average⁷⁴.

3.8.3 Attractiveness of Urban Districts for Artists

In Berlin visual artists are remarkably spatial concentrated. (See map 4).

In the favour of Artists are inner-city districts.

At the working places the most counts were given to the innercity-districts (also in this order) Prenzlauer Berg, Kreuzberg, Mitte and Charlottenburg⁷⁵, which were also the most popular districts⁷⁶.

⁷³ In a study from SÖNDERMANN (2004), the assumed share of dependent employees amounted to 6 per cent and the self-employed 94 per cent.

⁷⁴ While the named numbers of employees subject to a social insurance contribution are assigned an industry branch, to which companies are in turn assigned, independent of what occupation is exercised, the profession group statistic demonstrates an attempt to register every employee according to his profession. Since 1995 these data have been combined for East and West Berlin.

Beside personal domain decisions cost minimized arguments counts as well as the quality of socio-cultural and the image as a creative site. In a probit model with three types of different urban districts the preferences of artists for locational site factors were analysed. The working place of Visual Artists which was quoted in the written survey is the crucial factor for building the group membership⁷⁷.

'Rest Berlin' [1] includes the 15 periphery districts Pankow, Weißensee, Hohenschönhausen, Lichtenberg, Marzahn, Hellersdorf, Köpenick, Treptow, Neukölln, Tempelhof, Steglitz, Zehlendorf, Wilmersdorf, Spandau and Reinickendorf (see also map 4).

'Scene'-districts [2] takes the 5 districts Prenzlauer Berg, Mitte, Kreuzberg, Friedrichshain and Schöneberg in.

'Central' [3] contains the 5 'Scene'-districts and 3 additional districts Charlottenburg, Tiergarten and Wedding.

The predictors came from the written survey and mention the reasons for preferences for the respective districts where the respondents work. The predictors were used as a categorical variable, due to overlaps i.e. more than one answer was possible (see table 7).

For locational site factors the cultural offering, the image as creative site, the transport connection, the proximity to customers, suppliers and colleagues and the estimated level of real estate market prices in districts were selected. As an controlling predictor the accumulated age group from 25 to 40 years were used to take them for artists who are in the beginning of there careers.

The likelihood ratio chi-square of 16.66 with a p-value of 0.03 for 'Rest Berlin', the likelihood ratio chi-square of 47.16 with a p-value of 0.0000 for 'Scene'-districts and the likelihood ratio chi-square of 22.23 with a p-value of 0.0045 for 'Central' tells that the model as a whole is statistically significant, as compared to model with no predictors.

In this investigation I find support for hypothesis 2 (for the hypotheses, see section 1.2 above). (They tend to operate based on

⁷⁵ The 23 'old' districts were being available.

⁷⁶ Due to overlaps, more than one answer was possible.

⁷⁷ When no working place was mentioned, the living place was selected.

different strategies dependent on their preferred location in the city (see table 8) and the hypothesis 5 (Since small firms and start-ups have stronger affinities to specific milieus to be closer to the pulse of creativity, information and knowledge, the dependence of firms on other agents in CIs is stronger for smaller firms.

The results of the probit model⁷⁸ for reasons of districts preferences of visual artists in Berlin shows that for the 'Scene' group (column 2 in table 7) of visual artists the cultural offering and the Image as creative site is significant. This confirms hypothesis 5. Notably strong are the affinities in contrast to both other groups. As for the 'Central' group (Column 3) as the 'Rest' group (column 1) the cultural offering is no significant reason.

For the 'Rest Berlin' group the coefficient 'Age group until 40 years' is statistically significant, but with a negative sign; the other coefficients are not significant.

The predictors 'Age group until 40 years, 'Cultural offering' and 'Image as creative site' are statistically significant.

For the coefficient 'Age group until 40 years' and 'Proximity to colleagues' the 'Central' group shows a relevance.

The Off-Culture is located in the Scene districts, not automatically in the innercity-districts, like Charlottenburg and Tiergarten. To be central is not enough.

Even the street credibility plays an important role also for Visual Artists. A Visual Artist appears authentic to potential buyers only if it can be conveyed that one's is a part of scene, has background knowledge and know what to talk about. Therefore a scene-close site is indispensable. Products with the charm of an identity owned imprint to emphasise the originality and mention the socio-cultural element.

⁷⁸ In proving an ordered probit model there were several limitations including the building of an ordinal 'y' variable based on different spatial typology of Berlin's districts. One of the greatest barriers was the missing ('classical') urban monocentre of Berlin (City East with the historical city centre, City West with the post-war and post-Wall developed city centre and the area around the new created centre built after the re-unification.

Visual Artists in this scene districts have a direct access to the scene (or share of it).

As a result of this proximity or affiliations they dispose to niche-specific knowledge and know the different codes and from specific niches required Independent-(ethos)⁷⁹.

Because of these factors Visual Artists get the so called 'Street credibility', which in turn act as a figurehead of a style and raise the competitiveness, because some of demanding customers give them a high significance.

The notion 'Street credibility' as a milieu anchored kind of image finds its source in the „symbolic-imaginary charge of specific spaces with accordingly pictures and association". (LANG 1998: 77)

„It is more about 'imaginative phantasm' as material spatial qualities, which generate a feeling of affiliation" (ibid.).

The reputation and character as artists' districts is at least stamped by the artists even by themselves. In this districts the Off-Culture exhibitions, initiatives and artistic activities take place in open spaces of this districts.

Also the critical mass of Visual artists who sell art and artistic products by their studios, attract attention to the artistic districts and enhance the prestige for the preferred locations.

According to the demographic structure to the 'scene' districts, the most significant empirical result is the predictor 'Age group until 40 years' for both group 'Scene' and 'Central'. This concentration of almost young Visual Artists in the innercity-districts correlates to the other younger inhabitants⁸⁰. In contrast to this, Visual artists over 40 years seem to prefer more periphery districts of Berlin (see column 1).

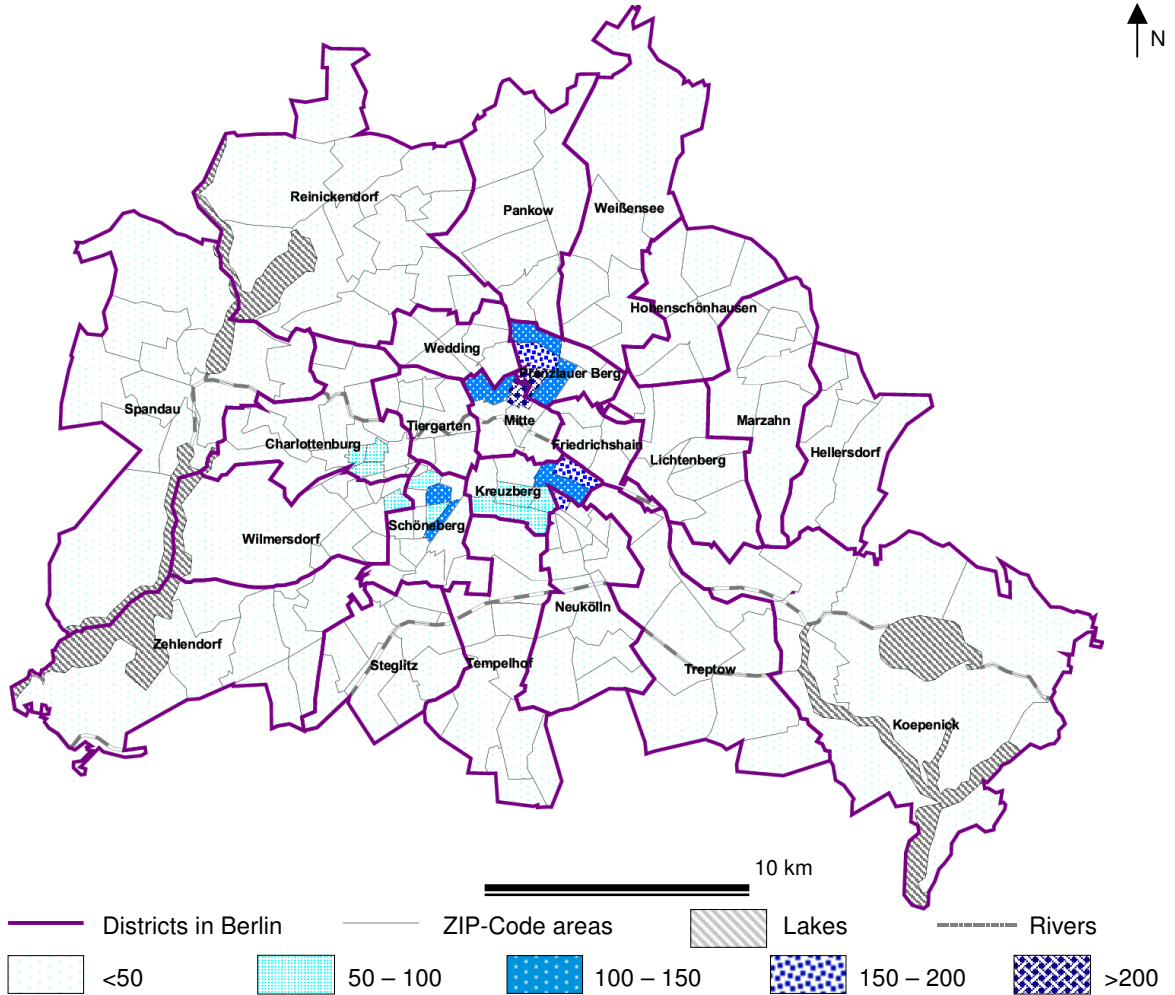
And in the end there are empirical evidences for different strategies of visual artists in finding their living and working places (refers to hypothesis 2).

⁷⁹ This notion is originally from the alternative music industry and refers to the distinctive business and creative ethics that characterise independent cultural production when contrasted to commercialized cultural (mass-)production.

⁸⁰ See SENATSVERWALTUNG FÜR GESUNDHEIT, SOZIALES UND VERBRAUCHERSCHUTZ (Ed.) (2004: 250).

In each case 40 percent of Visual Artists are working in their flat or have a studio, 13 percent a studio flat, 7 percent have no working facility.

Map 4: Intra-regional spatial distribution of visual artists in Berlin
Density of firms per km²



All: 5,495

Source: Federal Association of Artists of the Fine Arts Berlin. Own illustration.

Table 7: Definition and descriptive statistics of variables used

	mean	Std. Dev.
Age group until 40 years	0.378	0.485
Cultural offering	0.235	0.425
Image as creative site	0.211	0.408
Transport connection	0.314	0.365
Proximity to customers	0.161	0.368
Proximity to supplier	0.172	0.378
Proximity to colleagues	0.263	0.440
Low real estate market prices in districts	0.280	0.449
N=640		

Table 8: Results of the probit model for reasons of districts preferences of visual artists in Berlin

	[1] Rest Berlin	[2] 'Scene'-districts	[3] Central
Constant	-0,463 (-5.08)***	0,005 0,06	0,476 (5.20)***
Age group until 40 years	-0,291 (-2.40)**	0,479 (4.19)***	0,291 (2.37)**
Cultural offering	-0,07 -0,45	0,317 (2.14)**	0,033 0,21
Image as creative site	-0,184 -1,15	0,285 (1,90)*	0,243 1,48
Transport connection	-0,016 -0,12	-0,081 -0,63	0,029 0,21
Proximity to customers	-0,162 -0,88	0,207 1,21	0,084 0,45
Proximity to supplier	0,035 0,18	0,164 0,92	0,121 0,62
Proximity to colleagues	-0,216 -1,35	0,089 0,6	0,271 (1,66)*
Low real estate market prices in districts	0,082 0,65	-0,138 -1,16	-0,132 -1,05
Observations	589	589	589
R-squared	0.03	0.06	0.04

Absolute value of z statistics in parentheses

* significant at 10 per cent; ** significant at 5 per cent; *** significant at 1 per cent

3.8.4 Artistic Co-operation Relationships

It will be shown in this section, to what extent an increasing co-operation in content and organization with other artists and other creative industries is observed. For artists as well as actors in other creative industries the challenge exists, to offer, to an extremely high degree, innovative and original creations in times of excess supply on the market of art and cultural production in order to stay competitive. To do both, temporary, project-based work is often suitable as a freelancer, wherein the artists newly define their work spheres as well as personal development paths. Exactly in this position, in which artists are situated, it is essential to reach a trusting and reliable co-operation.

In the survey, a third of the artists specified that they worked on cultural production with co-operation partners within their profession.

The most important co-operation partners for visual artists are architects (12.6 per cent), graphic designers (10.0 per cent), and film, broadcast and video producers (9.9 per cent).

3.8.5 Income of Visual Artists in Berlin

Many artists operate at their economic subsistence level. Income is generated through the most different of sources.

At least 40 per cent of the surveyed can live off the proceeds from their artwork. A third however must substitute their income shortfall through an additional activity.

Now, one could think that there is not much to develop considering 90 per cent of the surveyed artists stated that on average they earn no more than 18,000 euro a year⁸¹. The same share however only earns 11,000 euro exclusively from artistic activities (see figure 9).

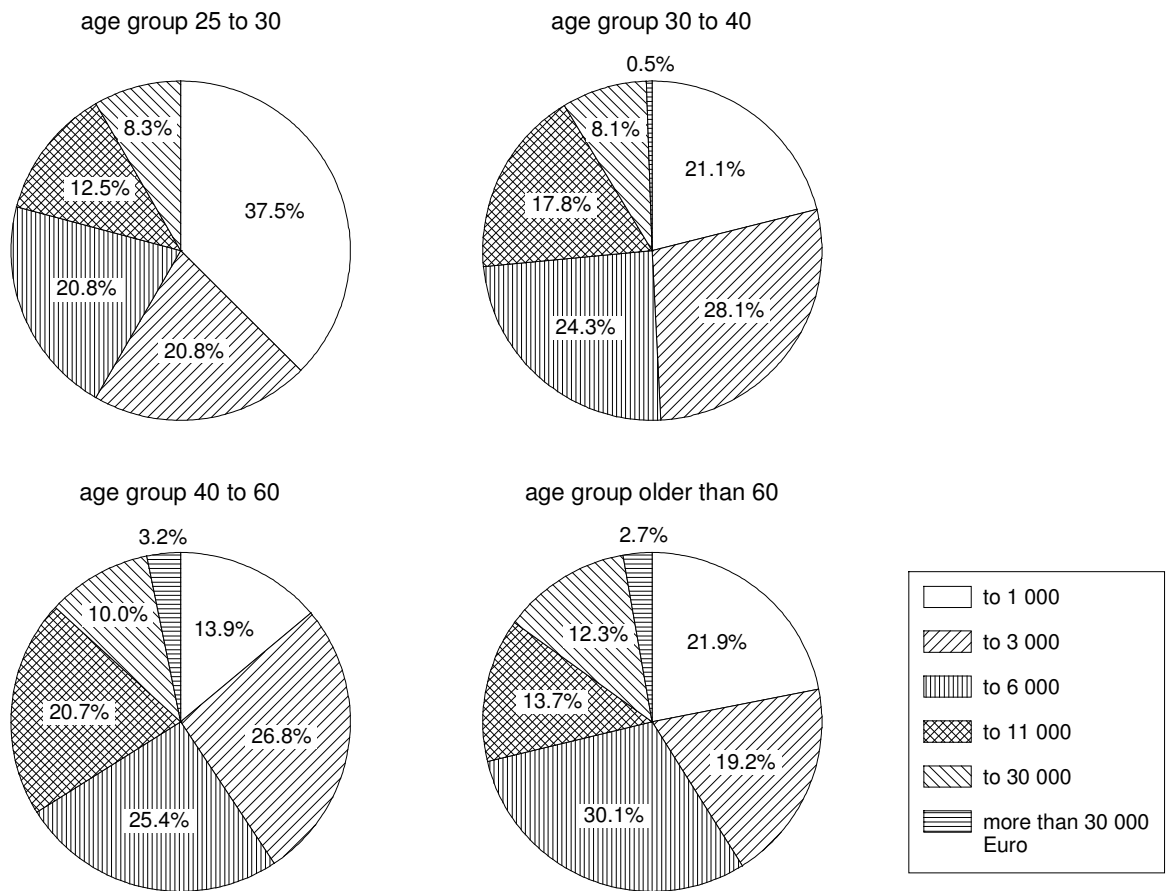
An additional 30% earn less than 7,000 Euro. The minimum level of existence is estimated at 7,356 Euros⁸² indicating that 75% of educated artists live below that level.

For age groups up to 40 years no relevant sex-specific differences can be found. But then male artists have an advantage in the higher income segments over their female counterparts.

⁸¹ 93 per cent answered this question.

⁸² The Federal Government of Germany has declare the non-taxable minimum level of existence in 2005 for singles with 7,356 € per year. (Source: URL: <http://de.wikipedia.org/wiki/Existenzminimum>).

Figure 9: Income exclusively from artistic activities in 2005



Shares of age groups

Age group	25 to 30	30 to 40	40 to 60	older than 60
Share (%)	4.3	32.9	49.8	13.0

N = 562

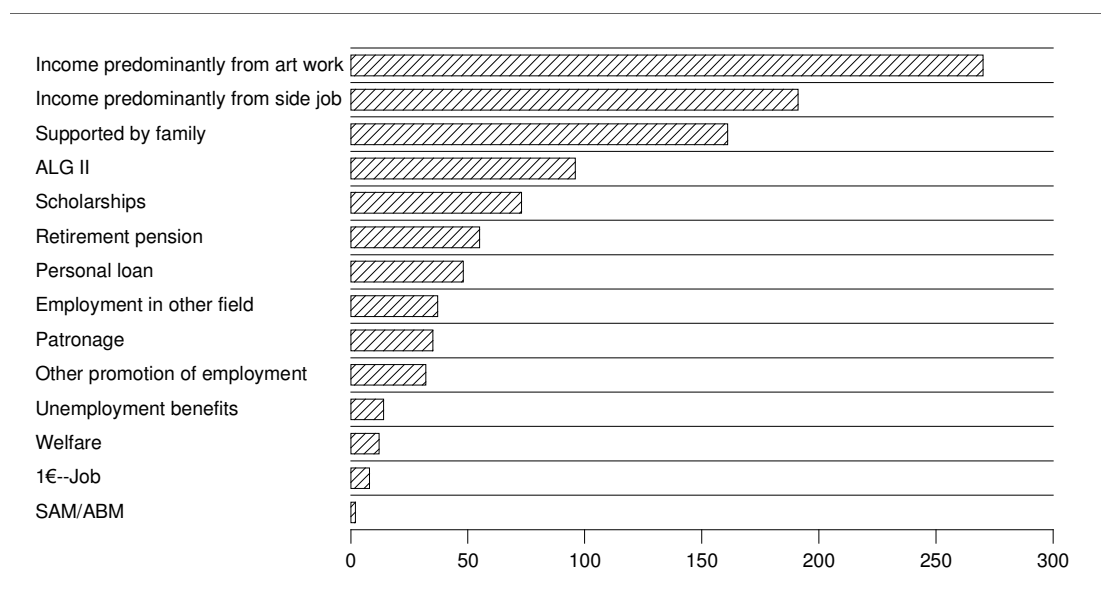
Source: Written survey 2006; own calculation.

The discrepancy between the investment in education (over 60 percent have a higher education) and the expected income is noticeably high. Teaching was named most often as a side job. Moreover due to their varied capabilities, artists work in the entertainment industry or in the fields of health and social work. Arts, craft and service relevant jobs were named less frequently.

Other sources of income are family support, private loans and patronage; alongside transfer payments from the State (see figure 10).

Earnings are mostly attained through direct sales of artwork. Other receipts are made possible through artistic orders, projects and teaching art.

Figure 10: Income generation of Visual Artists in Berlin [N=644]



Due to overlaps, more than one answer was possible. Source: Written survey 2006; Own calculation.

ALG II⁸³, 1€-Job⁸⁴ and SAM/ABM⁸⁵ are governmental programs for unemployed persons. The benefit for persons for a substantial social contribution with the ALG II-Status limited to 345 Euro a month.

3.8.6 Expenses of visual artists in Berlin

Rent

Visual artists can normally not afford to pay rents in line with current market levels. Without consideration of the rent, it has been indicated on average that a studio size of close to 60 m² is necessary. If the different average level of rent for such leases in these districts is used

⁸³ ALG II (Arbeitslosengeld equals unemployment benefit II) is the government basic aid for employable needy persons in Germany.

⁸⁴ Additional to the ALG II the social welfare office can pay a mite of 1 or 1 1/2 Euro per hour.

⁸⁵ SAM (Strukturanpassungsmaßnahme equals structural assimilation scheme) and ABM (Arbeitsbeschaffungsmaßnahme equals State work creation scheme) serves unemployed persons, who have been unemployed for a long time.

as a basis⁸⁶, then the desired size correlates only slightly with the given willingness to pay a particular rent price (approx. 240 euro)⁸⁷. Only 3 per cent of those, who specified the necessary studio size and amount, that they are willing to pay, would be able to pay the rent⁸⁸ at their current work location. In accordance with their indicated willingness to pay, the other artists would only be able to pay a third of the normal rent for such leases⁸⁹.

In the analysis carried out by DIW Berlin of a simultaneously executed survey of visual artists on their admission into the Berlin Studio Programme, 70 per cent of the surveyed indicated the ability to pay a rent of 4.09 euro per m², all inclusive. Only 18 per cent could not pay this rent; 12 per cent see this rent as comparable to market prices.

This shows the high demand for subsidisation in assuming that visual artists have adequate conditions of work (in particular space) because only 15% receive support from the Berlin Studio Programme (see statements for public support for Art in Berlin, chapter 3.8.8).

Other costs

Here it was differentiated between annual expenses for material, job-related travel costs, other job-related costs and advertising costs as well as expenses for a social safety net. With around 2,400 euro, material costs take up the largest share of expenditures. Additionally, travel expenses and other project-related costs also account for a large portion.

1,300 euro is spent on the guarantee of a social safety net. More than half of the surveyed are members of the Künstlersozialkasse (artists social insurance fund); a fourth have some type of compulsory health insurance. The remaining fourth consists of artists who are privately insured or not insured at all (2 per cent).

⁸⁶CB Richard Ellis Office Space Market Report (Büromarktbericht) (2004)

⁸⁷ Correlation coefficient $R^2=0.47$.

⁸⁸ Here the monthly total rent cost is meant.

⁸⁹ Due to the different characteristics of quality in the furnishing of office space and the demands of artists, it can be assumed that the district-specific average levels of rent are somewhat overestimated.

3.8.7 Sales Markets of Berlins Visual Artists

60 per cent of the visual artists market their artwork over their own studio and not through galleries.

For the rest of the surveyed, gallery owners are commissioned to commercialize their artwork. Just 10 per cent have fixed contracts with the galleries. More than half indicated that sales have improved or at least stayed the same. For a third of the surveyed artists exhibition opportunities have either improved or at least stayed the same.

To that effect newly initiated art exhibitions give Berlin hope. With ART FORUM, the 'Berliner Liste', the 'Preview Berlin', the 'Berliner Kunstsalon'⁹⁰ and the Berlinale in the city, which in turn higher the marketing possibilities and boost the value of the label 'Berlin', new presence and sales opportunities are created, that strongly assist the competitive position of the art market in Berlin. Also Berlins CI exhibitions like Design Mai and Bread & Butter can be completed by products of visual artists.

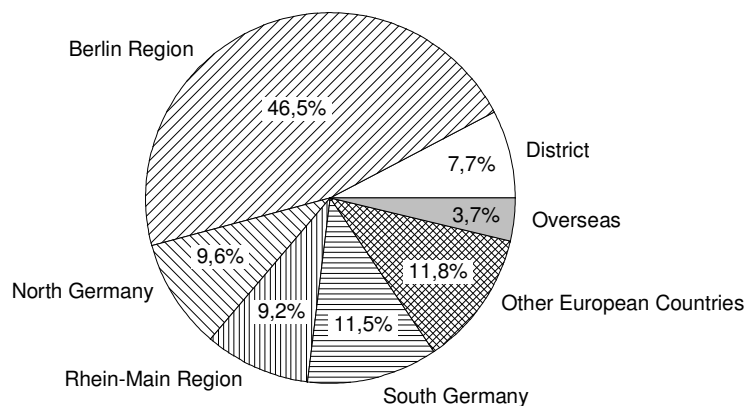
Ultimately, every- even unknown- artist profits from this attention.

Also Berlin profits from this diversity of the art scene. One example is that less than one quarter of the artists were born in Berlin, over the half come from the 'old' states (Bundesländer), almost 15 percent from the 'new' states, the rest from other countries.

In the regional distribution of presence and sales areas, Berlin is represented by slightly more than the half, whereas alone 8 per cent thereof are supplied within a particular district (see figure 11).

⁹⁰ ART FORUM, Berliner Liste, Preview Berlin and the Berliner Kunstsalon as an exhibition between OFF-Culture to established culture have been held in Berlin at the same time in autumn since 2005.

Figure 11: Areas of Presence and Sales of Visual Artists in Berlin [N=436]



Source: Written survey 2006; Own calculation.

A further 31 per cent falls on the inner German market, roughly equally distributed over the regions of the Rhine-Main-Area, and North and South Germany. Internationally it is 16 percent⁹¹.

3.8.8 Statements for public support for Art in Berlin

Despite complex regional-economic effects, potential synergy effects, originating from the co-operation with other industries and an increasing absorption of artists and cultural values in the production of services and products, visual artists have a difficult economic situation to master. Although they decisively initiate and promote innovative processes in value added chains, the discussion on the challenge of artists and their contribution to the economy as a whole is hushed.

Berlin must weigh to what extent art and culture fall under the saving measures due to the consolidation of the state budget. To consider visual artists and art under cost-producing aspects exclusively, is insufficient in the context of an integrated observation of regional-economic interrelations.

⁹¹ This share is differentiated into the following regions: Europe (12 per cent) and Rest (4 per cent).

On the one hand, it is a matter of the preservation of cultural heritage and on the other hand the conservation of diverse art and cultural (sub-) scenes.

After all, regional companies of different branches profit from the label 'Berlin' and the growing role of Berlin as an international art and culture metropolis.

In the end, these impulses can serve as promotion for the settlement of companies of various natures. The political economic strategies, which make Berlin and the neighbouring region a magnet for the international art and culture scene, are manifold.

Since a large proportion of income is generated from the sale of artwork, the promotion of new exhibition formats, such as the Berlin Gallery (Berlin Artists show their work), is an example. Similarly, purchases by museums of contemporary art are made possible⁹².

Furthermore the financial support from the state in paying the stand fees for national and international exhibitions⁹³ for private galleries as well as individual actors is of great importance.

In addition, curator network support should be used in the context of a curator school located in Berlin like the International Studio Program (ISP New York) as a demand-orientated possibility, in order to lure collectors, art buyers, and even sponsors and patrons to Berlin. Simultaneously, the international exchange of art would be accelerated.

A reasonable re-usage of abandoned property, in particular in the downtown area, presents the opportunity to offer visual artists work possibilities especially in such locations, where many artists and other creative and innovative industries are already settled and where there exists already a strong socio-cultural linkage within existing milieus.

⁹² What the state can not afford could then be supplemented through sponsoring, patronage, donations, development associations and partnerships.

⁹³ This is already being practiced by the agents in Berlin's music industry, in a rudimental manner.