Arts Entrepreneurship and Economic Development: Can Every City be "Austin*tatious*"?

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Arts Entrepreneurship and Economic Development: Can Every City be "Austin*tatious*"?*

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Abstract

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

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

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

Contents

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

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

Though his book was a best seller, and Florida's work was praised from many quarters, it was not without its critics on both the political left and right. The distinguished Harvard regional economist Edward Glaeser, while finding Florida's work interesting, found that using Florida's data the so-called Bohemian or diversity index used by Florida, once you control for human capital, was not a significant statistical factor in explaining the growth of cities (Glaeser, 2005). Glaeser sees Florida's work as a popularization of the idea that human capital is what is critical to economic development which is a mainstream urban development idea. What is in question is whether adding Florida's idea that the diversity of the population in terms of culture and sexual preference makes an additional contribution to economic development beyond factors like education and training. Though critics on the political left might be sympathetic with Florida's expansion of government and taxation, there would also be a concern about the displacement of those who were living in the communities that are ripe for Florida's prescription for economic development. Further work by Glaeser and others also cast further doubt on aspects of Florida's main thesis (Glaeser and Resseger, 2010; Glaeser, 2009; Glaeser et al., 2009).

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

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

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

1

What is Arts Entrepreneurship?

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

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

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

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

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

There are a number of reasons why economists have largely ignored the study of these industries. First, the demand for the artist's output is uncertain. For many artistic pursuits, the reaction of the public could vary from wide acclaim to disdain. When the costs of production are very high — movies for example — then the producer's will try to learn as much as possible about the public's taste and preferences. For painters or musicians, such information may be hard to obtain and relatively costly for an individual artist. The problem is not just lack of information which could be overcome with marketing surveys, but really ignorance about how the public might react to the artist's product. Because of this, Caves notes, the use of the option contract is pervasive in the creative industries. Production of the art proceeds, but during the process of production of the art, new information may determine whether production continues since the contract allows an option to cease production.

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

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

The recognition that products are differentiated led economists to develop the analysis of the market structure of monopolistic competition. This structure contains elements of competition since economic profits are competed down to zero, but the monopoly elements are present since producers' choice of price and output can vary. For art with the same price, consumers may find other factors influence their decision about which to purchase such as taste, style, and so on. There can be many factors that affect the quality of a piece of art and thus the number of differentiated products can be very large. Caves calls this the *infinite variety* property of art. Because the number of different products can be virtually infinite, this creates a role for an art critic, a disc jockey, or others whose role is to help the consumer evaluate the quality differences in the artistic product. While consumers view the artists differently in unpredictable ways, it is also the case that the skill levels of the artists vary considerably. There are good songwriters and there are great songwriters and this is true for writers, directors, and other artists. Caves labels this the *A List/B List* property of artistic output.

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

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

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

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

1.1 Defining Creative Industries

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

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

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

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

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

Moving from a purely empirical definition to a theoretical one, Potts et al. (2008) find that the standard industrial classification approach to defining creative industries is inadequate and propose a market-based definition of creative industries in terms of the extent to which both demand and supply operate in complex social networks. The creative industries are different because consumer choice does not fit into standard consumer demand theory. Creative Industries are defined in terms of a class of economic choice theory where the predominant fact is that the decisions both to produce and to consume are determined by the choice of others in a social network. Hence, the class of social network choice is the proper definition of the creative industries. This social network-based definition of the creative industries means that they are re-positioned from a lagging to a leading sector. This conceptual change in the nature of creative industries, while interesting and important, requires further theoretical development and empirical application.

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

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

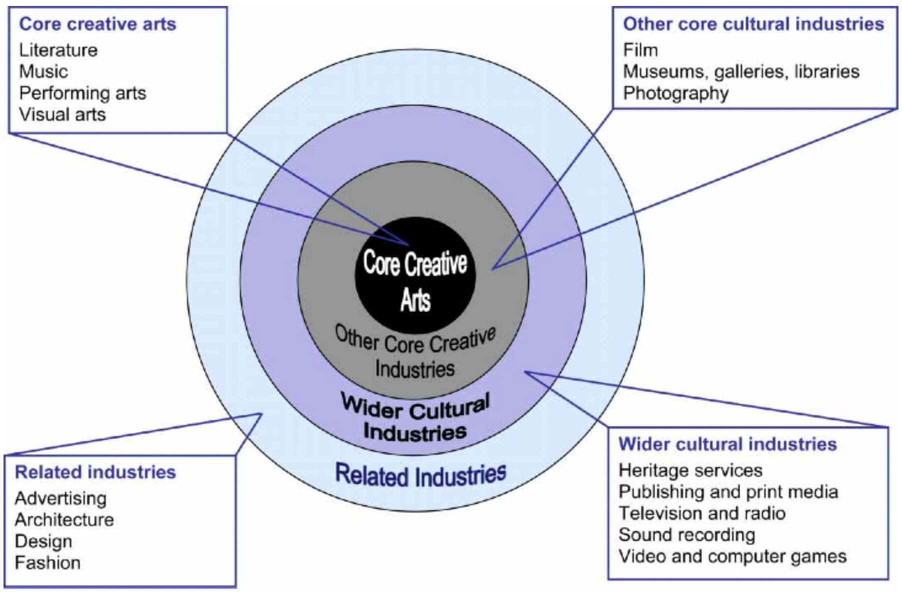

Fig. 1.1 The concentric circles model of the creative industries. (Throsby, 2008b, p. 150).

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

1.2 The Impact of the Creative Industries

Those who advocate the arts believe that it promotes economic growth. But what is the process and how is it to be measured? For example, if one measures the impact in number of jobs created directly, then it could be the case that having a cheese factory in your town could create more jobs than having more painters move into your town. What is special about arts entrepreneurship that makes it more desirable than a cheese factory? One group that has long played an important role in promoting and advocating for the arts is Americans for the Arts (2006) which was founded in 1960. Its Board of Directors include business and community leaders throughout the country. Their publication of *The Arts & Economic Prosperity* is a national economic impact study on the nation's nonprofit arts organizations and their audiences. They also publish *Creative Industries* which uses Dun & Bradstreet data to map and report the number of arts-related businesses and employees in any geographic region or political jurisdiction in the country. There is a consulting staff available for communities and Americans for the Arts also maintain a database where arts policy researchers, advocates, and administrators can access current information on a multitude of topics related to arts policy.

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

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

In the *welfare model*, it is hypothesized that the creative industries have a net negative impact on the aggregate economy because they consume more resources than they produce. This is the type of model implicitly assumed by the Baumol–Bowen cost disease where productivity declines relative to productivity gains in other industries (Baumol and Bowen, 1966). The creative industries are only viable when there is a transfer of resources from the rest of the economy. In the Baumol–Bowen argument, the subsidy comes from the government — meaning the general taxpayer. The reasoning is that the arts provide a benefit to society that is not quantifiable in terms of economic growth but justified on the basis that the creative industries are welfare enhancing. As the authors note, this is the view of many researchers in the creative industries arena and is not inconsistent with assumptions of rational economic agents. If this model is true, then we should expect to observe in the real world an economically stagnant or low-growth creative sector and one with lower returns on investment and lower incomes.

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

The third model they term the *growth model* because it postulates that the creative industries have a direct positive impact on economic growth in a way similar to agriculture in the early part of the twentieth century and the industrial sector in the latter part of the twentieth century. The explanation for this could be that there is something about the creative industries that introduces novel ideas into the economy and therefore raises economic growth. This would be the supply-side factor for stimulating growth. On the demand-side, as income grows, there is an increase in demand for goods in the creative industries. Though empirically it may be difficult to separate out the supply and demand factors, this approach assumes that there is in fact something special about the creative industries in stimulating economic growth. The creative industries are the drivers of growth in the economy. This is the model assumed by many advocates of the arts when prescribing policies to promote the creative industries. If this model is true, there is a clear case for redirecting resources to the creative industries. This model is the opposite of the first model which assumes the creative industries are a drag on economic growth.

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

Sacco and Segre (2009) present the outlines of a new theoretical model of endogenous growth along the lines of the innovation model which focuses on the importance of cultural investment that moves beyond the "black box" mechanism presumed by most cultural-led development strategies. Assuming that consumers are competent to pay for the creative component of a given commodity, and part of the consumers are made up of creative workers, then firms hiring those workers will take advantage of the creative skills to creative better creative goods and services. The firms will thus have an incentive to invest in increasing its creative assets, and will expect a high rate of return on this investment (relative to other investments). In turn, this will result in a menu of cultural opportunities and an increase in the stock of cultural, symbolic, and identity capital. The virtuous circle consists of a relationship between the demand for cultural and creative goods and the corresponding supply, which, by increasing creative choice opportunities, further boosts creative demand.

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

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

1.3 Defining the Creative Economy

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

Markusen et al. (2008) seek to clarify definitions of the creative economy and the cultural economy and begin with two ways of conceptualizing creative workers: those who are employed in cultural industries and those belonging to cultural occupations. Cultural industries employ many workers who are not involved with creative tasks and cultural occupations include many cultural workers who are self-employed rather than in a particular industry. The occupational approach is appropriate for analyzing workforce development aspects of the cultural economy and how they are linked to entrepreneurship and new firm formation, they argue. A better understanding of creativity in a region is acquired by using the data at a regional and national scale from both the industry and occupational approaches. The results of their study find that estimates of employment in the cultural industries vary considerably in the regions they analyze depending upon the approach. Using the occupational approach, they find that some cultural industries would include some sectors, such as religious institutions and scientific services that are included in existing definitions. These definitions and measure of the cultural economy are important because of differing agendas of arts advocates, local and state economic developers, cultural training institutions, city planners, and others. In order to be able to evaluate whether particular strategies followed at various geographical levels are successful requires a clear understanding of the definition of the cultural economy.

1.4 Arts Entrepreneurship

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

The final term that must be defined is *entrepreneurship*. There is a long history of the use of term entrepreneurship in the economic literature (Hébert and Link, 2009). In their review of the history of entrepreneurship, Hébert and Link find at least 12 identities to the entrepreneur (Hébert and Link, 2009, p. xviii). Those that apply to artists are: risk taking associated with uncertainty, innovator, decision-maker, and an organizer and coordinator of economic resources. Artists may also be an owner and employer, but that is secondary to the artist entrepreneur.

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

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

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

However, the study of entrepreneurs and entrepreneurship was neglected for much of the post-World War Two period which saw the rise of what John Kenneth Galbraith termed "The New Industrial State" (Galbraith, 1967) whose workers were characterized by William Whyte as "The Organization Man" (Whyte, 1956). The rise and fall of this managerial economy and its replacement by what Audretsch (2007) calls "The Entrepreneurial Society" have been discussed by many writers.

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

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

1.5 Geography and Arts Entrepreneurship

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

Scott (2006) develops a theory of why geography is important to entrepreneurship. For Scott, the notion of a "creative field" is defined as "all those instances of economic effort and organization whose spatial and locational attributes, at whatever scale they may occur, promote development- and growth-inducing change." (p. 3) Though creative destruction is a central element of the competitive dynamic of capitalism, the creative field at the urban and regional scale is of special interest and significance, Scott argues, because it functions as a site of (a) entrepreneurial behavior and new firm formation, (b) technical and organizational change, and (c) the symbolic elaboration and re-elaboration of cultural products. Geography, in other words, is not simply a passive frame of reference, but an active ingredient in economic development and growth. Scott concludes that "the creative field in all its manifestations can never be adequately grasped as a function of a set of "independent variables," but only in terms of structures of direct and indirect interdependence that play out in many different ways in different geographical and historical circumstances." (p. 17) Scott (2008) further develops the arguments about the importance of the creative field.

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

1.6 Are the Arts "Special"?

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

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

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

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

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

Source: Nutley et al. (2002)

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

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