



arts & culture

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**MEASURING & VALUING SOUTH AFRICA'S
CULTURAL & CREATIVE ECONOMY**



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A State of Mind

Smart Governance and the Creative Economy



MEASURING & VALUING SOUTH AFRICA'S CULTURAL & CREATIVE ECONOMY

Section 1: Introduction and Context

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- With the expansion nationally and globally of the CCIs and the creative economy there is an increased interest in the associated policy and regulation aspects.
 - Somewhat surprisingly, however, there has been relatively little scholarly work internationally on the relationship between the state and the creative economy.
 - Given the shifting landscape of the creative economy and CCIs, new sets of opportunities and challenges now confront the contemporary state. These include:
 - How to identify and provide cost-effective support for CCIs.
 - the growing power of the large digital tech corporates,
 - maintaining national CCI competitiveness while securing position in global value chains

- A core requirement is the need for institutional agility and reflexivity on the part of the nation state.
- This is particularly the case in regard to the majority of emerging and developing economies, especially those states experiencing unfavourable terms of international trade.
- A further and underestimated dimension is the need to develop requisite policy intelligence systems to distinguish between rhetoric and reality of the creative economy and the CCIs.
- This latter point is encapsulated in Richard Florida's reconsideration of his earlier work and policy advocacy in regard to the creative city and creative class.
- That said it seems important for governments to factor the creative economy and widely the question of creativity into their scenario planning.

- As CCI analyst John Newbigin argues

... creativity is the fuel of the 21st century.

In the same way that energy policy and access to energy was a determinant of geopolitics throughout the 20th century, it may be that policies to promote and protect creativity will be the crucial determinants of success in the 21st century.

If that is true then we will have to rethink

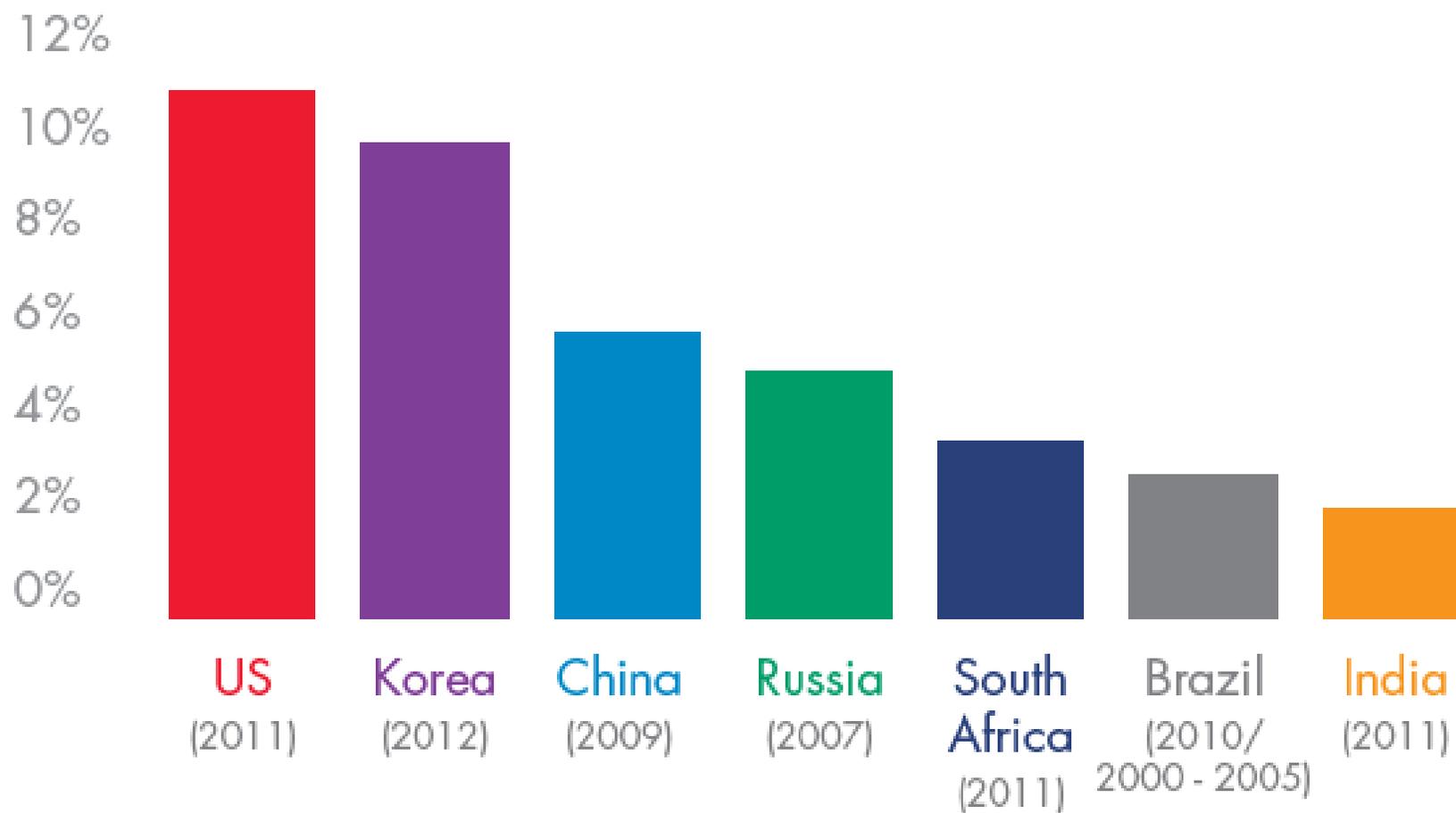
- the way governments are organized,
- the way cities are planned,
- the way education is delivered, and
- the way citizens interact with their communities...

Section 2: The State and the Economy



- The promotion of the creative economy has been underpinned by differing state forms although these forms have been structured over time and in a many cases conditioned by the formal national industrial policy of a particular state.
- Something of a paradox/an anomaly here is the case of the USA where federal policy in regard to creative industry promotion seems still underdeveloped. This is contrasted though by an array of structures and interventions at state, regional and local levels.
- In addition, the USA hosts in effect the commanding heights of the international digital economy through its multinational tech giants such as Google, Facebook, Apple and Amazon.
- That said there is an increasing extra-national space for the creative economy and the CCI sectors. Developed economies may have more leeway in terms of such developments.

- The relationship between the efficacy of a national IP regime and the international ratings of country's CCI sectors shows the dominance of large established and new economies.
- Increasing access to global value chains and markets in regards to CCI production and distribution requires innovative solutions by public and private sectors in developing and emerging economies to maintain competitiveness.



CISAC (2014) estimated percentage of copyright-based/creative industries/media and entertainment sector to GDP, BRICS and selected countries 2000-2012.

Section 3: The Large Tech Corporates and the Global Creative Economy



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- It is surprising how quickly the giant tech companies have come to dominate the world economy. It is a development that has significant implications for nation states.
 - Ten years ago, only one of them, Microsoft, was among the biggest companies in the world as measured by market capitalization.
 - Nowadays, the top five usually consists of Apple, Alphabet (the parent company of Google), Amazon, Facebook, and Microsoft.
 - Of these Apple, Amazon, Google and Facebook constitute in particular a conundrum for governments and pose serious threats to indigenous business especially in the creative industry sectors.
 - Writings by Scott Galloway (2017 and 2018), a Silicon Valley IT entrepreneur and professor at NYU, advocate a trust-busting exercise by the US government in regard to the four companies.
 - **Currently the tech Four have a market capitalization of \$2.8 trillion (the GDP of France), a 24 percent share of the S&P 500 Top 50.**

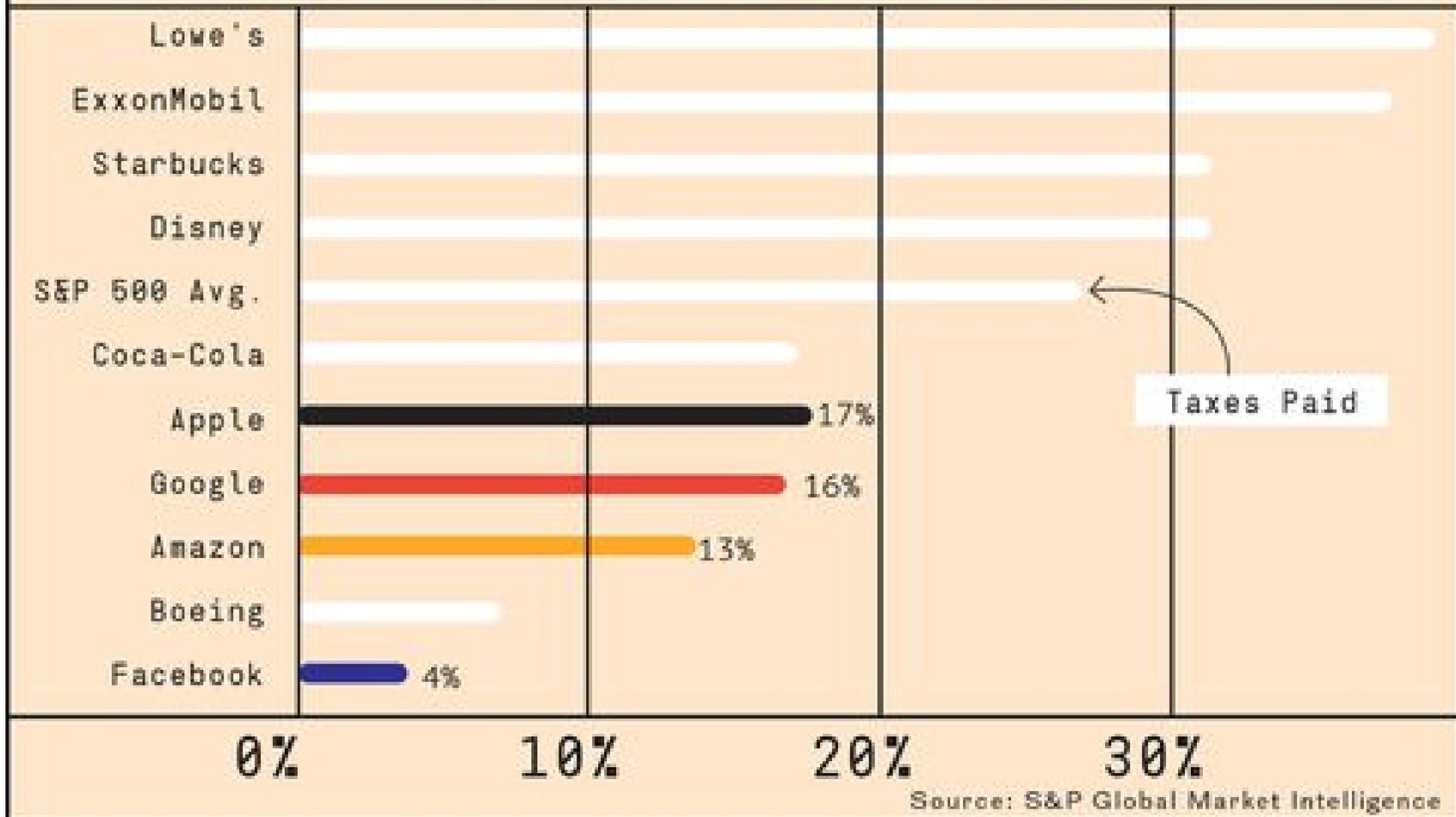
BIG MONEY . . . BUT ONLY FOR A FEW

In the past forty years, four companies have created \$2.8 trillion in market value--yet the middle class has seen its share of income [going to the middle 68% of households] decrease seven points.



BIG PROFITS, SMALL PAYBACKS

For economies to thrive, companies need to hand over about a quarter of their profits, but the Four are treated differently. Between 2007 and 2015, Amazon paid only 13% in corporate-income tax, Apple paid 17%, Google paid 16%, and Facebook just 4%. In contrast, the S&P 500 average was 27%.



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- Julie Cohen, of Georgetown University Law School, argues that current US legal institutions are obsolete in the face of the combined problem of the Four tech companies.
 - Monopolistic tendencies have differing sets of national and international effects and make it difficult for regulators and even anti-trust campaigners to contextualize and articulate possible threats to open economic enterprises.
 - In general, nation states have mostly proved reluctant to confront the Four corporations on matters of tax and the effects of their operations on local businesses.
 - The most noteworthy moves have come from Margrethe Vestager, the EU Commissioner for Competition:
 - May 2017, levied a \$122 million fine against Facebook for misleading the EU about its ability to share data between Facebook and WhatsApp, and
 - June 2017 penalized Google \$2.7 billion for anticompetitive practices

Section 4: Work, Precarity and the Creative Economy



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- The creative and entrepreneurial spirit that helps define the creative economy and CCIs
 - There is no doubt that the expansion of the ‘Fourth Revolution’ is likely to have an impact on employment globally.
 - A number recent studies however have suggested that the creative sector is more resistant to this type of change, though there will be winners and losers in the restructuring process.
 - The paradox is that while the CCIs seems more resilient in terms of future economic restructuring the sector is structurally vulnerable especially with regards to its workforce.
 - Indeed, cultural work is something of a blueprint for the growing experience of ‘precarity’ in other professional occupations.
 - Forms of short-term, unpaid or ‘free’ labour and consequent insecurity across the cultural and creative industries have attracted international scholarly and policy interest.

- This is accompanied by lower levels of unionization and worker protection.
- While risk is an essential part of artistic processes how limited resources can be stretched to ensure some degree of stability while helping secure the preconditions for the expansion of the CCIs.
- Sustaining and even expanding a creative economy given its structural vulnerability places new stresses on current state apparatus – especially lower and middle income economies.
- While it may be less affected by the increasing recourse to robots, machines and AI applications, the creative economy is an evolving phenomenon. New skill sets and the upskilling of existing expertise are and will be the order of the day.
- Overall, more bespoke kinds of resource-effective funding support and where possible social security interventions will be required.

Section 5: Embedding the CCI Sector and the Creative Economy



- Development of the CCI sector and the creative economy requires a much broader sweep than technical and targeted support interventions.
- A flourishing creative economy is predicated in part on the quality of life. A social openness and an establishment of democratic and cultural rights are positive factors.
- Caroline Chapain and Roberta Comunian (2010) suggest that the CCI promotion through such interventions as CCI clustering should be integrated with a 'knowledge pool' perspective.
- Rather than focussing too closely on the clustering dynamics of creative firms, it is thus more productive 'to focus on the wider system that enables and supports the development of creative individuals in a specific urban and regional context'.
- Apart from the fact that the creative economy extends beyond the formal CCI sector, it is important to chart the social matrix of creatively oriented economic activity -- to determine the nature and scope of the 'economy of the imagination' operating at various levels of the national (or regional) economy.

Millieu: Economy of the Imagination

National Economy

Related Industries:

Advertising, Architecture, Design, Fashion

Wider Cultural Industries:

Heritage services; Publishing and print media; TV and Radio; Sound recording; Video and Computer Games

Other Core Creative Industries:

Film, Museums, Galleries, Libraries, Photography

Core Creative Arts:

Literature, Music, Visual Arts, Performing Arts

Section 6: Institutions, Policies and the Creative Economy



New Heterodox Paradigm vs. Traditional Paradigm: Trends in Business Promotion and Development Policies

	Traditional paradigm	Emergent paradigm
Institutionality	State responsibility	Plurality of actors – PPP Associativism, subsidiarity
Institutionality	Centralism	Decentralization
Decisional logic	Political-bureaucratic Top-down	Entrepreneurial Bottom-up
Finance: sources of resources	State	Co finance Self finance
Services provided	Supply oriented	Demand oriented
Approach	Vertical, Sectoral	Horizontal, Territorial
Analytical Unit –beneficiaries	Enterprise – sector	Cluster – networks- productive chains
Areas of support, kind of services provided	Direct financial support Subsidies to specific firms and sectors	Immaterial – intangible factors marketing, consultant, liaison role

Source: Haines and Robino 2008; Haines 2017

- There is still a sense in policy-making circles concerned with the creative economy and CCI promotion that more bespoke and reflexive strategies and policies are required.
- A degree of policy convergence in key areas:
 - Promotion of the creative economy is an inter-disciplinary and inter-agency project with significant use of strategic partnerships with the private and third sectors.
 - Greater degree of interplay between state reform, regional cooperation apparatus on the one hand and new policy development and practice on the other.
 - More emphasis on ‘spill-over effects’ within the wider economy.
 - Growing deployment of CCI industrial clusters in regional industrial and economic policy.
 - This can be seen in the increasing recourse to ‘place-based’ and ‘smart industrialization’ strategies, and a self-conscious use of CCI clusters in such policy processes and implementation.

Section 7: Ten-Point Manifesto for Governments



The Ten-Fold policy recommendations by NESTA for the future promotion of the creative industries and the wider creative economy provide can be usefully adapted to guidelines for governments in general.

1. Government should develop an up-to-date definition of the creative industries and the broader creative economy that take due cognizance of national particularities and take due cognizance of the core role of digital technologies.
2. Policymakers should construct a 'creative innovation system' framework within which inter-agency and inter-disciplinary strategic priorities can be coherently and directly addressed.
3. R&D tax incentives and relief should be accessible for creative businesses. Public procurement should open up opportunities for smaller digital and creative firms.
4. A guide for local government to establish creative clusters should be institutionalized.
5. Government should ensure that generic state-funded business finance programmes do not discriminate against creative businesses. Investor-friendly data should be collected for private sector interest.
6. Treasury and the relevant Department responsible for Arts & Culture should undertake an assessment of the value of public arts and cultural spending, providing a basis for future funding decisions.

7. Funders should incentivise experimentation with digital technologies by arts and cultural organisations and allocate a sustained percentage of their resources to digital R&D ensuring that results from this work are openly shared.
8. A designated body should be given powers to gather information in all Internet markets in order to maximise the chances of sound and timely judgments about the emergence of potentially abusive market power and other market concerns (an 'early warning system').
9. The system for copyright rules and exceptions should be re-assessed and its efficacy improved, along with a system for more effective rights licencing transactions.
10. Government agencies (at national, sub-national and local levels) should make a 'Schools Digital Pledge', designed to ensure that the school curriculum combines art, design, technology and computer science and that young people are able to enjoy greater opportunities to work creatively with technologies, both in and out of school. Furthermore, the disconnect between what creative businesses need from graduates and what universities are teaching them need to be addressed.

Section 8: The Creative State?

- As the international environment for a substantive national creative economy becomes more competitive and tougher to negotiate, the need for the state to reconfigure its resources or draw on under-utilized expertise becomes important.
- The state is too often taken as a given rather than conceptualized as an integral part of the requisite socio-economic restructuring to provide more agile institutions and more dynamic social and economic settings.
- Given the fact that the creative economy extends beyond the CCI sector and the strategic value of the social and political context is under-valued, there is considerable scope for inter-government collaboration as well as improved horizontal and vertical integration.

- A South African example:
Given the possibility for diminished funding for the national defence industrial base as evidenced in the 2017 Defence Industry Strategy, there is significant scope for collaboration in regard to four key macro technologies which are central trends internationally, namely
 - AI (artificial intelligence);
 - Augmented Reality;
 - Virtual Reality and
 - Blockchain (internet- oriented encryption systems).
- There is a need for more substantive inter-state collaboration. This includes increased recourse to regional and extra-national trade and political blocs such as SADC and BRICs.
- One meta project that the Brazilian government have mooted is for more direct underwater cabling from e.g. Brazil to South Africa. The current arrangement is a dog-leg configuration.

Section 9: Conclusion and Select Recommendations



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- In policies and practices in regard to the development and support of the CCI sector and the creative economy the state can and must play a more dynamic role.
 - This is particularly so for most developing and emerging economies.
 - Improved inter-governmental cooperation and cost-effective task-oriented institution building.
 - Increased recourse to partnerships with private and third sectors, as well as leveraging extra-national partnerships and organizations.
 - Linking CCI developments with more reflexive industrial and economic policy
 - Locating and charting the socially embedded 'economy of the imagination' is important as is rethinking the content of education from schools to tertiary educational institutions.



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