

THE SMART ECONOMY: CULTURAL AND CREATIVE INDUSTRIES IN GREECE. CAN THEY BE A WAY OUT OF THE CRISIS?¹

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“If artistic expression can be valued as an energy potential that can be invested and bear fruit, then surely the economic crisis will not dampen the spirit of the restless artistic world.”

Athens Art Network (October 2013)²

I INTRODUCING THE CULTURAL AND CREATIVE ECONOMY

In spring 2014, the European Commission will announce the winning city of its first “European Capital of Innovation” competition.³ The competition seeks to encourage urban areas to build up a “sustainable innovation ecosystem”, connecting citizens, businesses, universities and research centres, public organisations and financial institutions, with a view to “creating an appropriate network of cities which can share their best ideas for the future”.⁴ The winning city has to demonstrate that it is following a comprehensive strategy, which is (a) innovative, in terms of concepts, processes and tools; (b) inspiring, with the aim of attracting talent, funding and investment; (c) integrated, i.e. pursuing smart, sustainable and inclusive growth in line with the goals of the “Europe 2020” strategy; and (d) interactive, building a community for innovation within the city and with other cities.

The launch of this competition attests to the European Commission’s growing interest in the new “cultural and creative economy” and to the pivotal role that this new economy can play in economic growth and competitiveness, in the context of the Commission’s ultimate goal of making the EU an “Innovation Union”.

Over the past few years, the cultural and creative industries have emerged as one of the most dynamic sectors of the European economy. They are seen as “...a catalyst for innovation in industry and in the services sector...” and thus “...play a prominent role in the

Europe 2020 strategy as they are contributing to a new type of growth...”, strengthening the EU’s international competitiveness and promoting its linguistic and cultural diversity.⁵ They are closely linked to education and training, and their dynamic evolution is reflected in both economic and social development. “Culture can contribute to inclusive growth through promoting intercultural dialogue in full respect for cultural diversity.” It is acknowledged that creative industries “...play a central role in growth, competitiveness and the future of the EU28 and its citizens... They are generators of comparative advantage that cannot

1 This article forms part of a more extensive paper commissioned by the Ministry of Culture and Sports and presented at the conference on “Financing Creativity” (20-21 February 2014), which was held in the context of the 2014 Greek Presidency of the European Union. I would like to thank Lina Mendoni, Zoi Kazantzaki, Monika Tsiliberti and Maria-Xeni Garezu for their invaluable contribution throughout the preparation of this study. I also extend warm thanks to Grigoris Karantinakis, Myron Michailidis and Maria Fasoulaki for kindly providing me with statistics from their respective institutions. I am greatly indebted to Marlen Moulou, George-Michael Klimis and Dionysis Potsolakis for the extensive and constructive discussions and the very fruitful exchange of views I had with them. They helped me to better grasp key concepts and get a clearer picture of the state of play in Greece. I also thank Dimitris Malliaropoulos for his pertinent remarks and for his encouragement. Last but not least, among my colleagues at the Bank of Greece, I would like to express my gratitude to Christos Catiforis for his help with certain trade statistics and to Penelope Tsalaporta for her assistance in the collection of background material at the early stages of the study. Any errors or omissions remain the sole responsibility of the author, and the views expressed here do not necessarily reflect those of the Bank of Greece.

2 The Athens Art Network is a society of artists, which since 2012 has launched a project of cultural intervention in the city of Athens. A part of this project was the “Little Paris in Athens” festival, which ran between 9 and 16 October 2013.

3 IP/13/808, iCapital. It is worth noting that the EU programme *Horizon 2020* (2014-2020) will be more focused on ways of funding innovation at all of its stages of development, from the lab to the market.

4 Máire Geoghegan-Quinn, Commissioner for Research, Innovation and Science, 3 September 2013.

5 CCMI/098, Opinion of the European Economic and Social Committee on the proposal for a regulation of the European Parliament and of the Council on establishing the *Creative Europe Programme*, 28 March 2012, p. 1.

be reproduced elsewhere, ... factors for local development and drivers of industrial change... They can strengthen social cohesion and community development as well as enable individuals or a community to fully engage in the social, cultural and economic life".⁶

The social and cultural changes of the past few decades, most notably the advances of information and communication technologies,⁷ including the internet, new forms of digitisation and remixing, mashing and sampling techniques, have strengthened the demand of European citizens for cultural goods, intellectual creations and new types of entertainment and recreation. Moreover, in the context of population ageing in the developed world, a new group of active consumers has emerged: people in their third age, who can afford the time and money for enjoying experiences and emotions by consuming cultural and creative goods and services. At the other end of the demographic scale, members of the new generation are increasingly familiar with the new information and communication technologies and emerge as a dynamic market that does not only consume, but also has an interactive involvement, thereby becoming a co-producer and co-creator of the end product.

These changes have paved the way for the emergence of new types of businesses and innovative industries (e.g. those engaging in the design of computer games and web applications), while at the same time inducing a reorientation of the traditional cultural industries away from targeting intellectual and/or economic elites towards wider social strata and mass consumption. They have also prompted consumer goods industries to redesign and redefine their products, their supply and distribution networks and funding sources, in response to their customers' ever-growing and changing needs. As a result, the general public now has easier access to art, both in its traditional forms, such as painting, sculpture, music, architecture or theatre, and in more modern forms, such as television and cinema.

The existence of an audience eager to consume cultural goods, the availability of sufficient funding in the form of grants, investment or credit and a supply of human capital and creators have all helped to bring together traditional industry and the economy in general with culture and creativity. Thanks to new technologies and their applications, investment in culture and creativity does no longer require so large amounts of capital as in the past. What it still does require, however, is ingenuity, imagination, originality, quality of expression, extroversion, craftsmanship, versatility and an ongoing process of learning and keeping abreast of developments. Sufficient funding, low production costs and low selling prices are no longer the sole factors of successful business activity in this area. Uniqueness and authorship and the ability to offer personal experiences and emotions are equally important determinants of productivity and comparative advantage.

The European cultural and creative sector is currently emerging as a global leader, with a world market share of 70%.⁸ Having a comparative advantage in export trade to third countries, it is ideally positioned to act as an ambassador for European industry and for EU and national identity and cultural heritage. Using knowledge, emotion, culture and innovation as its main inputs, it can spread Europe's moral values and political virtues to the rest of the world.

Based on the latest available data, the cultural and creative sector accounts for 3% of the

⁶ See OJ C 51, 17 February 2011, pp. 43-49, and the conclusions of the EU Council meeting on education, youth, culture and sport, 19-20 May 2011.

⁷ According to the latest report of the International Telecommunication Union, 2.7 billion people in the world are connected to the internet via personal computer or mobile telephone, and the number of mobile subscriptions stands at 6.8 billion. Also, 50% of the world population is covered by 3G mobile broadband networks. In the EU28, the percentage of households that have internet at home has reached 79% (Eurostat, December 2013). In Greece, half of the population aged between 16 and 74 use a personal computer or have access to the internet. The percentage is higher (86%) for young people aged up to 24. See ELSTAT survey on the use of information and communication technologies by Greek households, March 2012.

⁸ European Commission, *Commission Staff Working Document on Competitiveness of the European High-End Industries*, SWD(2012)286 final, 26 September 2012.

EU27 GDP – excluding the financial sector – and for more than 7 million jobs, of which about 1 million are self-employed or independent professionals. According to the Green Paper (European Commission 2010), the sector contributes about 2.6% of the EU27 GDP and offers employment to more than 5 million people.⁹ Between 2002 and 2011, Europe’s cultural and creative exports to the rest of the world rose by an average of 6.3% annually.

The sector has shown remarkable resilience to the current debt crisis and recession and has the potential to grow further and create jobs, especially for the youth.¹⁰

While in the first decade of the new millennium the sector was growing at a steady pace, since 2010 its annual growth rate has exceeded 10% and is expected to remain strong in coming years.¹¹ Moreover, the high correlation between GDP per capita and employment levels in the cultural and creative industries (CCIs) has been statistically verified (Power, 2011) for a sample of 266 regions in 30 European countries, suggesting that CCI employment and specialisation can explain about 50% of the variance in GDP per capita across regions.

1.1 THE GREEK ECONOMY, CULTURE AND CREATIVITY

The importance of CCIs for the Greek economy cannot be overstated. The structure of the Greek economy and society exhibits a number of peculiar features that offer a comparative advantage to Greek businesses in the sector, such as:

- (i) predominance of medium-sized or micro businesses;
- (ii) high labour intensity;
- (iii) a distinctive personal character;
- (iv) productive or creative imagination, seen as the ability to process new useful images and concepts;
- (v) free thinking and critical spirit;
- (vi) adaptability to an ever-changing environment;
- (vii) high aesthetics and quality of expression;
- (viii) emphasis on innovation;
- (ix) the country’s advantageous geographic location and mild climate;
- (x) the uniqueness of the Greek language;
- (xi) a large inventory of expertise and skills.

Although statistics on the evolution of CCIs in Greece are, at best, scarce and incomplete, a recent European Commission paper (Power 2011) ranked the region of Attiki in Europe’s top 30 CCI employment clusters in a total of 266 regions in European countries (based on 2007 data).¹² At a more detailed sectoral level, Attiki is ranked among the top 10 regions in terms of radio and TV media employment and among the top 20 regions in terms of print media employment.¹³ Greece as a whole has a score of 4.1% in CCI focus (measured by the share of CCI employment in total employment), ranking 18th in 30 countries. This is clear evidence of not only the bright outlook of the sector, which encompasses a wide variety of activities, but also its importance as a driver of economic growth, given its potential to diffuse significant benefits to several other sectors of the

⁹ See Frontier Economics (2012) and European Commission (2010). Including people employed in cultural tourism, employment in the sector amounted to 5.9 billion or 3.1% of the EU27 labour force in 2014 (see KEA 2006). Between 2004 and 2007, its share in total employment remained stable at 2.5%, with only slight divergences across countries. For 2009, based on the ISCO-08 classification of activities (2011), it was estimated at 1.7%. This apparent decrease in employment was largely due to the change in the statistical methodology and the revised classification of activities and occupations. Thus, data are not comparable across time.

¹⁰ See *Youth employment initiative*, European Council of 7-8 February 2013.

¹¹ For 2012, its growth rate is estimated to have remained between 7% and 9%. See *Altagamma Monitor Update* (2012).

¹² It is ranked 9th in CCI employment and 25th in regional population size.

¹³ Ranked 10th and 6th, respectively.

national economy. Indeed, the European experience so far has shown that:

First, the business model used in the CCIs is considered to be very successful.¹⁴ It is largely based on the significance of origin and branding and on the symbolic or intrinsic value of the product, offering pricing power relative to standard non-branded products. Higher prices are justified by: the product's expressive value; the high standards of production, such as strict criteria for selecting the raw materials and for quality assurance of the final product; the originality of concept and uniqueness of design; the author's personal touch; the harmonious co-existence of traditional styles with new technologies; and the adaptability of the product to the needs of each and every consumer. These factors make the product unique and cause its demand to be relatively inelastic to prices. This means that productivity in the CCIs depends not so much on production costs, but rather on skill, inspiration and imagination, as well as on the intensity of the personal emotions that the product can evoke in its consumers.

Second, skill and talent are essential conditions for the product to be unique, original and branded. This calls for high specialisation, continuous learning and training, as well as preservation of the knowledge of traditional techniques. At the same time, in view of the constant need to design new products, it encourages innovation, both in production methods and in the use of materials.

Third, the production, supply and distribution of cultural products and services involve a nexus of several and typically small or medium-sized businesses as suppliers, providers and distributors and diverse labour inputs (manual or intellectual workers), often located in smaller urban centres or less wealthy regions. In this respect, the development of CCIs can contribute to the overall development of local economies and to job creation in the respective regions.

Fourth, given that culture and creativity as economic activities, by definition, rely on exploit-

ing the potential of innovation, whether technological, scientific, aesthetic or artistic, they promote patenting across the economy and actively contribute to the adoption and implementation of policies to protect intellectual property.¹⁵

Over the past few decades, the national effort to establish Greece as a major pole of attraction for foreign visitors and, by extension, to communicate its cultural values and lifestyle beyond its borders relied exclusively on the traditional triad of "sea, sun and antiquities", which combined leisure, recreation and comfortable accommodation with the country's natural landscape and history. Arguably, this model has so far worked well, as demonstrated by sharp increases in the number of foreign visitors and tourism receipts after a protracted period of declines; however, today it seems rather outdated within the emerging global economic environment.

As early as the 1990s, there was a shift in the global industrial production paradigm as a result of the advent and integration of the new knowledge and information economy. By the first decade of the new millennium, the frontiers of this new economy were pushed forward to include culture and creativity as additional wealth-generating factors. Moving beyond being identified with cultural heritage and the fine arts only, culture has come to be seen as a wider concept, as a way of life and as a set of shared values and experiences. Moreover, the internationalisation of telecommunications and digital technology has revolutionised cultural and creative expression and exchange. On the one hand, consumers have changed their behaviour, turning from passive recipients of information to active (co-)creators of the product to be consumed. On the other hand, industries have shifted away from mere reproduc-

¹⁴ The widely shared view that culture can be a tool of economic growth has been incorporated into the British national economic policy since the mid-1990s, with excellent results for economic performance, as will be shown below.

¹⁵ For a discussion of how innovation, research and technology can contribute to Greece's exit from the current adverse situation, see Herrmann and Kritikos (2013).

tion towards production and distribution for targeted markets, in which aesthetics, design and innovation have prominence. Furthermore, there is a need to link the CCIs with cultural tourism, which provides a reliable tool for leveraging the cultural and creative assets that determine each region's growth outlook.¹⁶

Against this background, we can identify three underlying forces that shape the growth path of the cultural and creative economy: technology,¹⁷ strong demand for experiences and emotions,¹⁸ and tourism.¹⁹

In line with the new international growth paradigm whereby the economy of knowledge and technology fuses with the economy of culture and creativity, Greek policy-makers, in their quest for a new sustainable growth model, cannot afford to disregard the visible benefits of the smart economy, which is widely recognised today as the next engine of growth. In the light of these trends, the challenge for Greek society and economy today is not only to protect and preserve the existing national cultural heritage and historical past, but also to create new forms of culture, engaging all citizens in the process of generating knowledge and ideas, promoting originality, personal expression and innovation, which after all is what culture is all about. In other words, the challenge for the country's cultural management policy is a shift away from a static (heritage) towards a dynamic approach to culture (creation of new forms). Clinging to a static approach would turn society into a passive consumer of, typically imported, cultural products. Instead, a shift to a dynamic approach would deliver a creative society, with a positive impact on the economy as a whole.²⁰

This shift is the key point that this paper intends to make. Apart from representing a first tentative attempt to quantify Greece's performance in this new sector of economic activity, in the absence of adequate statistics that would enable a safe and clear picture to be drawn, this study is mainly aimed to raise the awareness of stakeholders (economic agents

and social partners, private and public bodies, economic policy makers, public opinion) about the need to factor in the CCIs in the current debate on a new growth model for the country, better suited to the requirements of the modern, internationalised Greek economy and society. The study thus advocates a holistic approach to the new growth strategy, one that would place emphasis on identifying and fostering the country's distinctive cultural features as a solid component of its competitive advantage. Such an approach should tap the potential of the creative nexus whereby culture and creativity are linked to growth, technology, investment and international trade, thus ultimately helping to increase employment and combat unemployment and social exclusion, especially among the youth.

These considerations can be of much relevance and use in the context of the current adverse circumstances of Greece. We hope that this first endeavour in the field of cultural and creative economics will kick off a systematic effort to record Greece's "new economy", which remains largely unmapped territory, to study its specificities and monitor its performance and, at the same time, will inspire concrete policy initiatives aimed to strengthen this type of economy.

Specifically, we will attempt to take stock of the Greek experience to date and outline the growth prospects and challenges of the CCIs. In so doing, we will try to answer the following questions: First, can the CCIs become a driver of growth for the Greek economy? Second, can

¹⁶ For the importance of cultural tourism, see Khovanova-Rubicondo (2011) and Greek Ministry of Culture (2010).

¹⁷ Digital technology has hugely contributed to the development of content distribution channels, such as cable, satellite and digital television, computer games, podcasting and streaming.

¹⁸ The growth of world population to 9 billion by 2050, increased life expectancy and lower prices as a result of technological advances are factors bolstering demand for cultural and creative goods.

¹⁹ Although the current global financial and economic crisis has taken a toll on all sectors of activity, tourism has recovered faster worldwide. According to estimates from the World Tourism Organization (UNWTO 2009), the number of tourist arrivals globally will increase by 4% per year, reaching 1.6 billion by 2020.

²⁰ The links between culture and tourism, between "creative" and "traditional" sectors or between regional and local economy are quite obvious. See http://www.ceanet.eu/report/BISC_creative_industries.pdf and <http://www.europe-innova.eu/creative>.

they contribute to the reorientation of the country's economic model from an introvert consumerist economy, largely based on retail trade and construction, towards a "smart", extrovert economy focused on establishing a strong comparative advantage in terms of skills, technology and innovation? Third, what are the challenges faced by the CCIs within a domestic environment of deep and protracted recession, excess and now cheap labour supply, economic uncertainty and credit squeeze, but also in a global environment of stagnation, deflation and intense competition?

The remainder of the study is structured as follows. In Section 2 we propose a definition of the cultural and creative economy, setting out the necessary preconditions for its growth and describing its multiple dimensions. In Section 3 we attempt for the first time to outline Greece's profile in this field. We assess the country's performance over the last decade, focusing on the challenges it faces as an integral part of a globalised economy. In more detail, we experiment with defining, measuring, and classifying culture and creativity within a conceptual framework which is useful for the statistical delineation of the smart economy. We define the statistics which are necessary for monitoring, assessing and evaluating its performance and attempt to describe culture and creativity in numbers. In Section 4 we discuss the specific features of the cultural and creative sector in Greece and suggest 11 practical recommendations that would foster the emergence of a new virtuous circle linking culture, creativity and the economy.

2 CONCEPTUAL CONTENT: IN SEARCH OF A DEFINITION

In traditional industrial organisation theory and practice, the terms "cultural industries" and "creative industries" often refer to activity sectors that lie on the periphery of the focus of economic and industrial analysis and typically cover the area of culture and the performing and visual arts.²¹ The harmonious

blending between the notion of culture and artistic and intellectual creativity on the one hand and the market economy on the other has resulted in a new concept, the "cultural and creative sector", and has opened up new fields of interest for economic science, those of "cultural economics"²² and "creative economy".²³

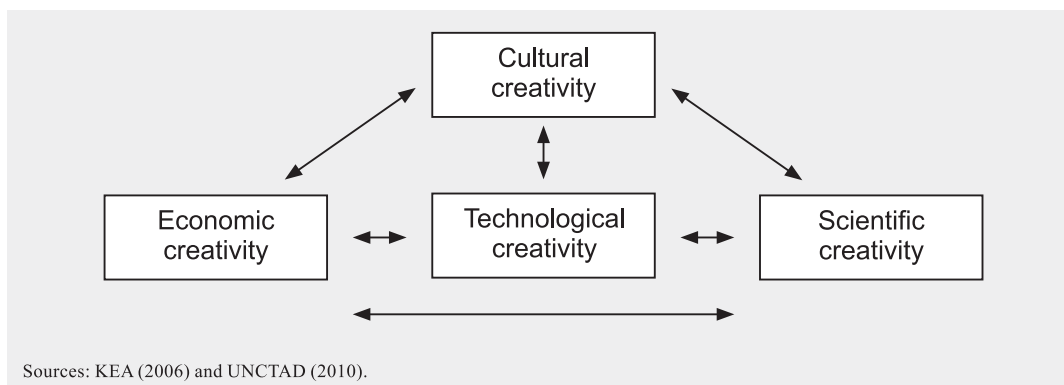
The rapid growth of the CCIs worldwide in recent years has led to their recognition as a distinct sector of the economy, encompassing many activities that are significant from a production viewpoint, such as advertising, architecture, design, mass and social media, film, the plastic arts, literature and drama, software, music, photography, libraries and archives, museums and archaeological sites and, more generally, various forms of cultural heritage and folk tradition, publishing, art and concert halls. The sector therefore spans a wide range of diverse activities that are related to culture in a broader sense. However, as shown in Figure 1, there are strong similarities, interdependencies and interactions between cultural, economic, scientific and technological creativity. *Cultural creativity* is the ability to conceive an original expressive idea or a different aesthetic interpretation of the world around us. *Scientific creativity* is the desire to study and experiment in an aim to acquire systematic knowledge and find new ways of solving problems. *Economic creativity* is the ability to exploit a comparative advantage to achieve gains in terms of growth, employment and trade shares. Finally, *technological creativity* is the ability to introduce new methods of production, distribution and dissemination.

²¹ As recently as fifteen years ago, the term "cultural and creative economies or industries" meant absolutely nothing to economists, sociologists, statisticians and cultural managers. The British paradigm, dating from the mid-1990s, introduced the term to describe, identify, delineate and quantify this sector of the UK economy. Related terms include "creative economy", "creative society", "creative class" and "creative workers" (see British Council 2010).

²² A definition of cultural economics is implicitly provided by the prestigious *Journal of Cultural Economics*, which, in defining its own scope, states that "it applies economic analysis to all of the creative and performing arts and the heritage and cultural industries [...]. It also explores the economic organisation of the cultural sector and the behaviour of producers, consumers and governments within the cultural sector" (see <http://www.springer.com/economics/micro-economics/journal/10824>).

²³ According to Howkins (2005), the term denotes the link between creative capacity and the economics of wealth creation.

Figure I The concept of creativity in today's world



“Creative entrepreneurs” are called upon to bridge the gap between artists/creators and audiences/consumers. Across the entire spectrum of creative industries, creative entrepreneurs, whether publishers, broadcasters, music and film producers, interactive game developers or craftsmen, decide what cultural products, and how, will be consumed, while at the same time caring for the viability of their businesses.

The term “creative industries” (Mato 2009, Miller 2009, UNCTAD 2010, Throsby 2001) encompasses all enterprises that have creation at the heart of their activity, where creation is understood as any intellectual and social process generating new ideas, concepts, designs, associations, procedures and clusters.²⁴ A new idea has to be original, personal, meaningful, useful (Howkins 2005) and capable of leading to a comparative economic advantage (Florida 2002, 2005). Alternatively, according to the British paradigm (see DCMS 2001), in an effort to quantify the added value of the arts and culture sector, which until the mid-1990s was financially dependent on state aid, creative industries are defined as “those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property” (p. 4). In other words, the emphasis is on knowledge and talent as a key input rather than on the end product itself, which is

more relevant for the cultural industries (Power 2009). Creative industries thus cover a broader field than cultural industries, in a way that new dynamics emerge, which had hitherto largely slipped the attention of cultural, employment and education policies.

Over the past decade, academic literature in the fields of economics and the arts has featured an overwhelming number of terms and concepts seeking to describe the cultural and creative economy. Various notions and ideas have alternated around such terms as “cultural industries”, “creative industries”, “creative economy”, “experience economy”.²⁵ A lively debate is also ongoing on whether the cultural and creative economy is a sector, an industry or an activity, as well as on whether it is appropriate to use a purely economic term such as “market economy”, with its strong for-profit connotations, to describe activities which are largely not-for-profit.

While the formulation of simple and functional definitions is still hotly debated²⁶ in academic

²⁴ A cluster is defined as a geographically concentrated, complex group of strongly interdependent companies, suppliers, providers and relevant institutions promoting innovative thought and competition (Porter 2005).

²⁵ Underlying the term “experience economy” is the view that consumers are willing to spend an increasing share of their disposable income to get emotional experiences and feelings, and this is reflected in stronger demand for cultural and creative products (Pine and Gilmore 1999).

²⁶ See e.g. Kroeber and Kluckhohn (1952), who gathered more than 150 definitions of culture. See also Flew and Cunningham (2010).

literature, given the blurring lines between these industries, the common practice is to consider cultural and creative industries together, due to the large overlaps between their activities (Jeffcutt and Pratt 2009, Power and Scott 2004), and the two terms are used interchangeably to describe those enterprises that conceive, produce, disseminate and distribute marketable goods and services by extensively using knowledge, innovation, creativity and culture as their main inputs. According to the US paradigm,²⁷ a crucial element for a business to be classified in this sector is whether it is market-oriented so that it can fund itself and is liable to pay turnover tax (Söndermann et al. 2009). In this regard, distinctive features of the end product would be the following:

- (i) innovativeness;
- (ii) symbolic meaning;
- (iii) intellectual property, i.e. protected origin and branding;
- (iv) experimentation and originality;
- (v) use value, i.e. the product should respond to actual personal needs and thus carry exchange value in market terms.

The Green Paper, on the other hand, adopts a more flexible approach, in an effort to combine activities of both commercial and social character. In particular, Article 2 of the proposal for a Regulation establishing a “Creative Europe” framework programme defines cultural and creative sectors as “all sectors whose activities are based on cultural values and/or artistic and other creative expressions, whether those activities are market- or non-market-oriented, whatever the type of structure that carries them out...” (European Commission 2011).²⁸ This definition is based on the “concentric circles model” (Throsby 2001, KEA 2006, ESSnet-Culture 2012): the more intense the content of artistic, cultural and creative expression of a product is, the more clearly it is placed at the

core of the cultural and creative economy (see Figure 2). It is clear from the figure that industries in the broader area of culture and creativity cover a diverse range of activities. All of them, however, share a common feature: they all earn income and make profit, first, from the creative inspiration of their workforce and, second, by the exclusive exploitation of the relevant intellectual property rights. The protection of intellectual property itself is important because it transforms what would otherwise be a mere amateur pursuit or an isolated productive activity into an industry.

2.1 PREREQUISITES AND INTERACTIONS

The development of the cultural and creative economy requires five essential conditions, known in academic literature as the “four Ts” (plus one) (Florida 2002, British Council 2012, Levickaité 2011):

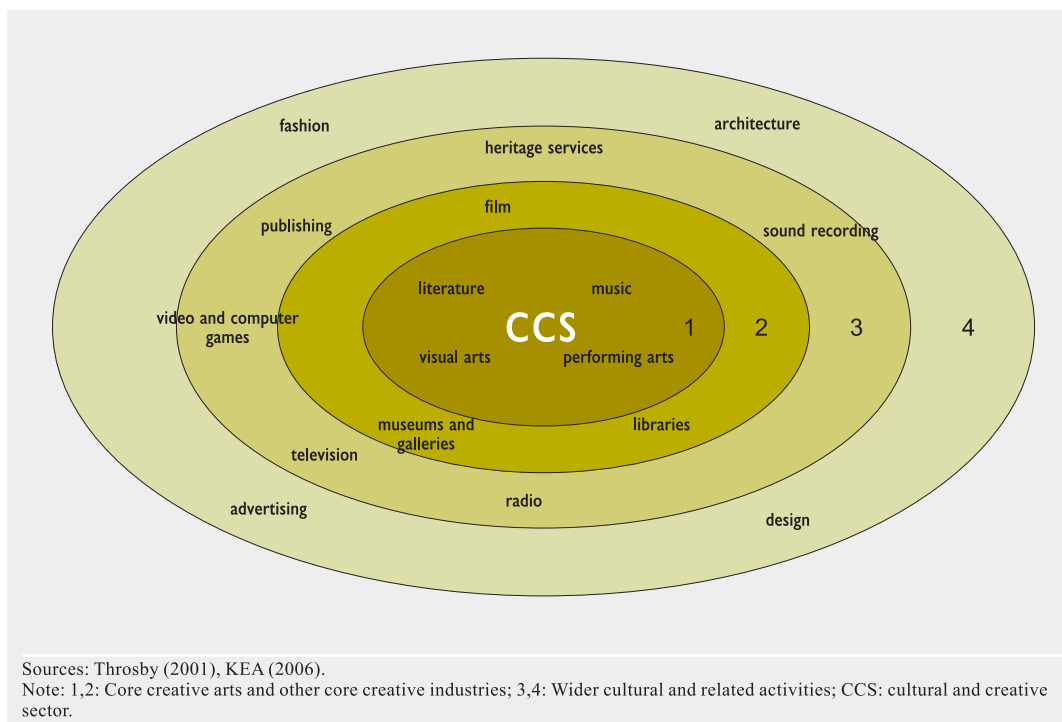
- (i) technology, i.e. applied human knowledge;
- (ii) talent and identity, i.e. human capital;
- (iii) tolerance, i.e. absence of physical or other barriers between communities, cities and regions which hamper or discourage citizens’ access to, and participation in, the society of knowledge, information and innovation;
- (iv) territorial assets that influence business location decisions; and
- (v) experimentation, i.e. the experience of constantly introducing new ideas, products and processes.

An additional significant prerequisite is the existence of “creative workers” that are char-

²⁷The US paradigm refers to building a cultural/creative sector characterised by minimal reliance on state aid, with a clear market and profit orientation as well as adequate self-financing.

²⁸The European Commission defines as market-oriented those cultural and creative enterprises whose income (including subventions, sponsorships, donations, etc.) is at least 50% earned by selling their own products and services. See ESSnet-Culture (2012, p. 172).

Figure 2 The cultural and creative sector: the concentric circles model



acterised by: (i) diversity, specialisation, free thinking, quality education²⁹ and lifelong learning; (ii) high mobility across jobs and geographical regions; (iii) multi-skilling and multi-tasking as workers/creators and producers/entrepreneurs; (iv) less attachment to old patterns of collective/corporatist formations and unions in the labour market; and (v) less confinement by traditional boundaries, such as social class and origin (McRobbie 2005).

Moreover, it should be noted that the exponents of culture and new ideas are faced with multiple challenges in the entrepreneurial sphere.³⁰ First, unlike traditional industries, creative enterprises often find it hard to convince consumers of the value of their output, since every re-production of an idea is not just a repetition, but a whole new production with results and returns that cannot be known in advance.

Second, knowledge and new ideas can best be generated in a context of small-sized and

loosely regulated networks of self-employed practitioners rather than within large and cumbersome organisations.

Third, related to the previous, the small size of CCI businesses³¹ and the development of communication channels among many small and diverse parties complicates the exploitation of economies of scale, access to financing, protection of intellectual property rights, penetration of foreign markets, coordination of actions and interconnection with other productive sectors or mobility of artists/creators across geographic regions and in/out of the cultural and creative sector. On the other hand, the oligopolistic structure of certain creative

²⁹ Quality education requires a shift of basic education from imitative and sterile learning towards intellectual freedom and creative-thinking skills.

³⁰ See European Economic and Social Committee (2013).

³¹ There is a strong presence of micro, small- and medium-sized enterprises, which account for almost 80% of the total. See Opinion 2011/C 51/09 of the European Economic and Social Committee on "Unlocking the potential of cultural and creative industries (Green Paper)" COM(2010) 183 final (17 February 2011).

industries, such as the media and advertising, reduces competition.

Fourth, with free thinking and expression lying at their core, creative and cultural industries often come in conflict with the social and economic establishment.

Fifth, the high fragmentation of the European market, the absence of a commonly accepted definition that would help to identify CCIs at the local, national and regional levels, and the inadequacy of reliable quantitative data regarding their contribution to the national and European growth process raise significant obstacles to the establishment of a body in charge of strategic planning and coordination of action.

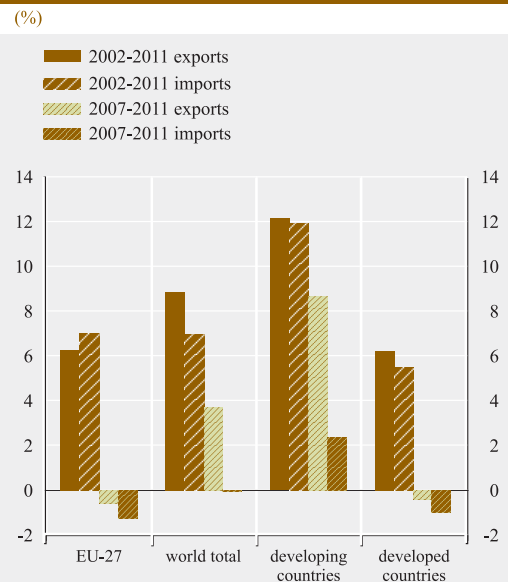
Sixth, with the rapid diffusion of new technologies in production and distribution processes, skills become quickly outdated; to address this, direct synergies within the cultural and creative communities as well as partnerships between education/training and the business world are urgently needed.

Seventh, the inherent difficulties, financial institutions' insufficient familiarity with, or even cautiousness towards, enterprises that are predominantly based on intangible assets and are thus hard to assess in terms of credit risk, combined with uncertainty regarding future demand for their products, all contrive to limited or no access of such enterprises to credit markets, making them fully dependent on state aid.

2.2 THE EUROPEAN AND INTERNATIONAL EXPERIENCE

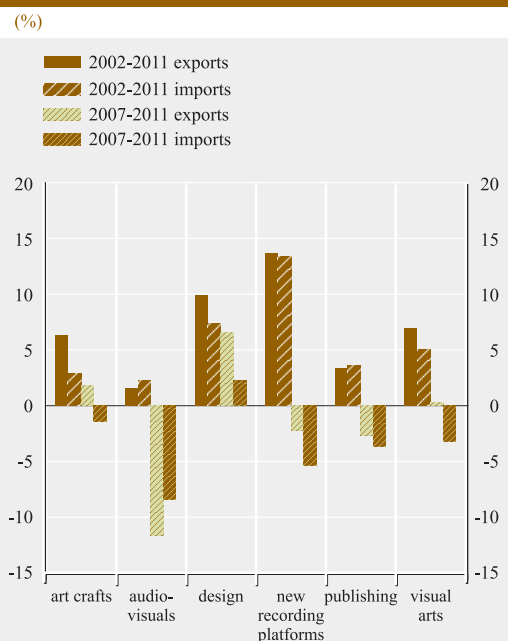
Despite the extensive work that has so far been done at the EU level, the delimitation of activities and occupations covered by the cultural and creative sector still remains largely unclear, preventing a precise assessment of the sector's contribution to domestic output and total employment or the development of an EU-wide regulatory framework that can

Chart 1 Average annual growth of cultural and creative trade (2002-2011 and 2007-2011)



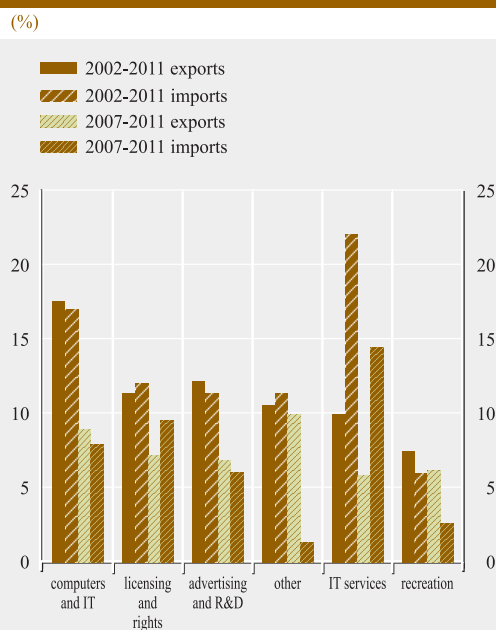
Source: UNCTAD Database, June 2013.
Note: All categories.

Chart 2 Average annual growth of global cultural and creative goods trade by category (2002-2011 and 2007-2011)



Source: UNCTAD Database, June 2013.

Chart 3 Average growth of global cultural and creative services trade by category (2002-2011 and 2007-2011)



Source: UNCTAD Database, June 2013.

recognise and address the specific needs of the sector.³²

However, we have a clearer picture of the sector's performance and relative weight in international trade. Global exports of cultural and creative goods and services grew at an average rate of 14.4% annually between 2002 and 2008. In 2008, exports of cultural and creative goods and services represented 2.7% and 4.8%, respectively, of the total volume of global exports. In 2009, the first year after the breakout of the crisis, the volume of total global trade shrank sharply by 10.6%.³³ By contrast, during the crisis period (2007-2011), according to the latest available data,³⁴ exports of cultural and creative goods continued their upward trend, rising on average by 3.7% per annum, whereas the respective imports declined slightly by 0.08%.

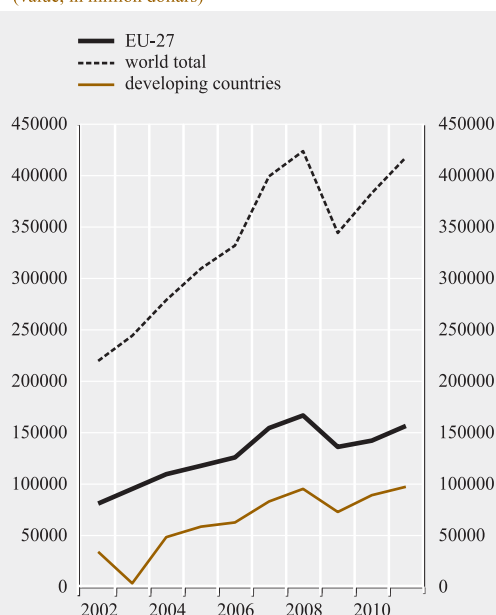
³² Museums and fashion design were only recently included in the EU cultural and creative sector. See European Economic and Social Committee (2013).

³³ See IMF, *World Economic Outlook*, October 2013.

³⁴ <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>.

Chart 4a Cultural and creative imports (2002-2011)

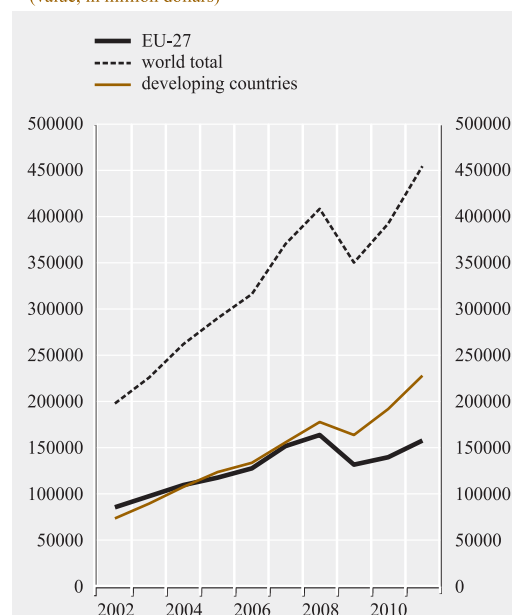
(value, in million dollars)



Source: UNCTAD Database, June 2013.

Chart 4b Cultural and creative exports (2002-2011)

(value, in million dollars)



Source: UNCTAD Database, June 2013.

Chart 5 The share of the EU-27 in global cultural and creative trade (2002 and 2011)

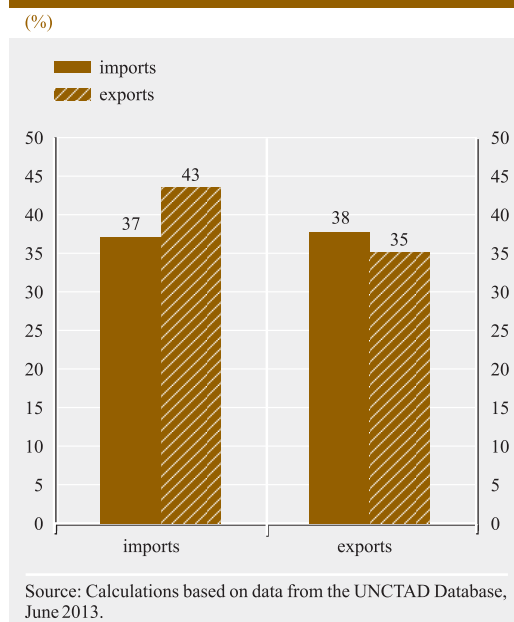


Chart 1 shows the evolution of cultural and creative trade. Between 2002 and 2011, global trade of cultural and creative goods grew rapidly, with exports rising by 8.8% and imports by 7% on average per annum. The corresponding figures for the EU-27 were 6.2% and 7%, respectively. During the crisis, however, stagnation or a slight decline was observed for the EU-27 and the developed world. Although the global export growth rate halved, it remained positive and robust, mainly owing to the buoyant exports of China and India. The industries which posted the strongest growth of cultural and creative exports throughout the decade 2002-2011 and the smallest contraction during the crisis were: art crafts, design (fashion, furniture), new media and video and computer games (see Chart 2). By contrast, publishing and audiovisuals (film and video) recorded the largest falls.

Turning to services (see Chart 3), computer and IT services, together with advertising, licensing and rights, are seen as the most dynamic industries globally. Moreover, the value of cultural and creative imports and

exports was between 1.5 and 2 times higher in 2011 than in 2002, while for developing countries it was almost three times higher (see Charts 4a and 4b). The EU27 accounts for more than one third of the value of global cultural and creative trade (see Charts 3, 4a, 4b and 5).

3 THE GREEK EXPERIENCE: PROSPECTS AND CHALLENGES

In the early 21st century, Greece, as an integral part of the globalised economy and society, is faced with the complex challenges arising from a protracted global recession, a retrenchment of societies worldwide to fruitless nationalism, and growing inequalities across and within countries. Having for long followed a self-chosen carefree path, by developing and maintaining an unsustainable growth model which resisted adapting to the requirements of the world economy, Greece is now called upon to embark on an effort to reconstruct its national economy within the new post-crisis global economic environment.

In the context of this national effort to achieve sustainable growth, the cultural and creative industries represent a crucial link in the creative nexus between culture, economy and technology. Today's world is full of images, sounds, colours, symbols and ideas that can generate employment, income and wealth, but also new, marketable forms of culture. Nowadays, no one can claim exclusivity of knowledge, information and creativity; creators of intellectual and artistic expressions are constantly changing the way in which we produce and exchange goods, services and knowledge and, more generally, the way we live and communicate.

In designing a successful and sound national CCI growth strategy, there are three areas to be explored and worked upon:

First, identification of the institutional, structural and organisational features of the cultural

and creative sector: which are the stakeholders? How do they interact? What is their impact on other sectors of the economy?

Second, systematic analysis of how the sector functions and how it influences key economic and social parameters at the national level.

Third, collection and compilation of comprehensive statistics for quantifying the sector's impact on output, employment and trade.

3.1 DEFINITION, CLASSIFICATION AND MEASUREMENT

Defining, measuring and classifying culture and creativity within a conceptual framework enabling statistical identification is a daunting task. This is so because, for one, culture and creativity are not the final products of a single branch of production or distribution; unlike traditional industries, CCIs are not homogeneous in terms of structure and product identity. Instead, the CCI sector comprises a variety of activities that cross, or hide in, several other sectors, such as manufacturing, services, communications or trade. Second, culture encompasses various manifestations of social life that are not specific to any single social group; it represents individual values, aesthetics and morals, intellectual values, behaviours and beliefs, habits and practices that define personal identity.

The European Commission only recently (see ESSnet-Culture 2012)³⁵ formulated four main criteria to delineate cultural and creative activities: (i) the creativity criterion, i.e. the ability to create, invent and be original; (ii) the notion of intellectual property (trademarks, patents, etc.); (iii) method of production (cost structure, reproducibility, economies of scale); and (iv) use value, i.e. the intrinsic or symbolic value of the product to its individual user.³⁶

On the basis of these criteria, the European Commission offered a broad delineation of the cultural and creative sector which can accommodate the ethnic, religious and demographic

features of each Member State (see Figure 3). This framework identifies ten cultural domains, based on six successive functions³⁷ that form the sector's value chain. Further, in a first attempt at quantification, it includes four economic and social statistics and four broad indicators for measuring the economic performance of the sector and the diffusion of its impact across the economy.³⁸

Today, in crisis-hit Greece, we have little information about the cultural and creative sector:³⁹ we can hardly spot it on the economy's map, or on the geographical map for that matter; we know virtually nothing about its size, employment patterns and contribution to national output and export trade. Even less is our knowledge of its specific features and needs.

A *first step* towards mapping the cultural and creative sector would be to determine which occupations and professions come under its scope and clearly distinguish them from other, less creative-intense categories. In particular, a decision has to be taken at the administrative and practical level, identifying and finally selecting the industries to be included in the cultural and creative sector. Obviously, there is a need to formulate and adopt a flexible, but at the same time clear, definition, which should:

³⁵ The effort of the European Commission, and Eurostat in particular, to develop cultural statistics started on the basis of a French initiative in 1997 and became more systematic in 2000 with the establishment of the Leadership Group Culture (LEG-Culture). A further step was taken in 2009 with the setting up of the Working Group European Statistical System Network on Culture (ESSnet-Culture), in the context of the Europe 2020 strategy. The ESSnet-Culture submitted its final report for consultation in May 2012. See also WIFO (2010).

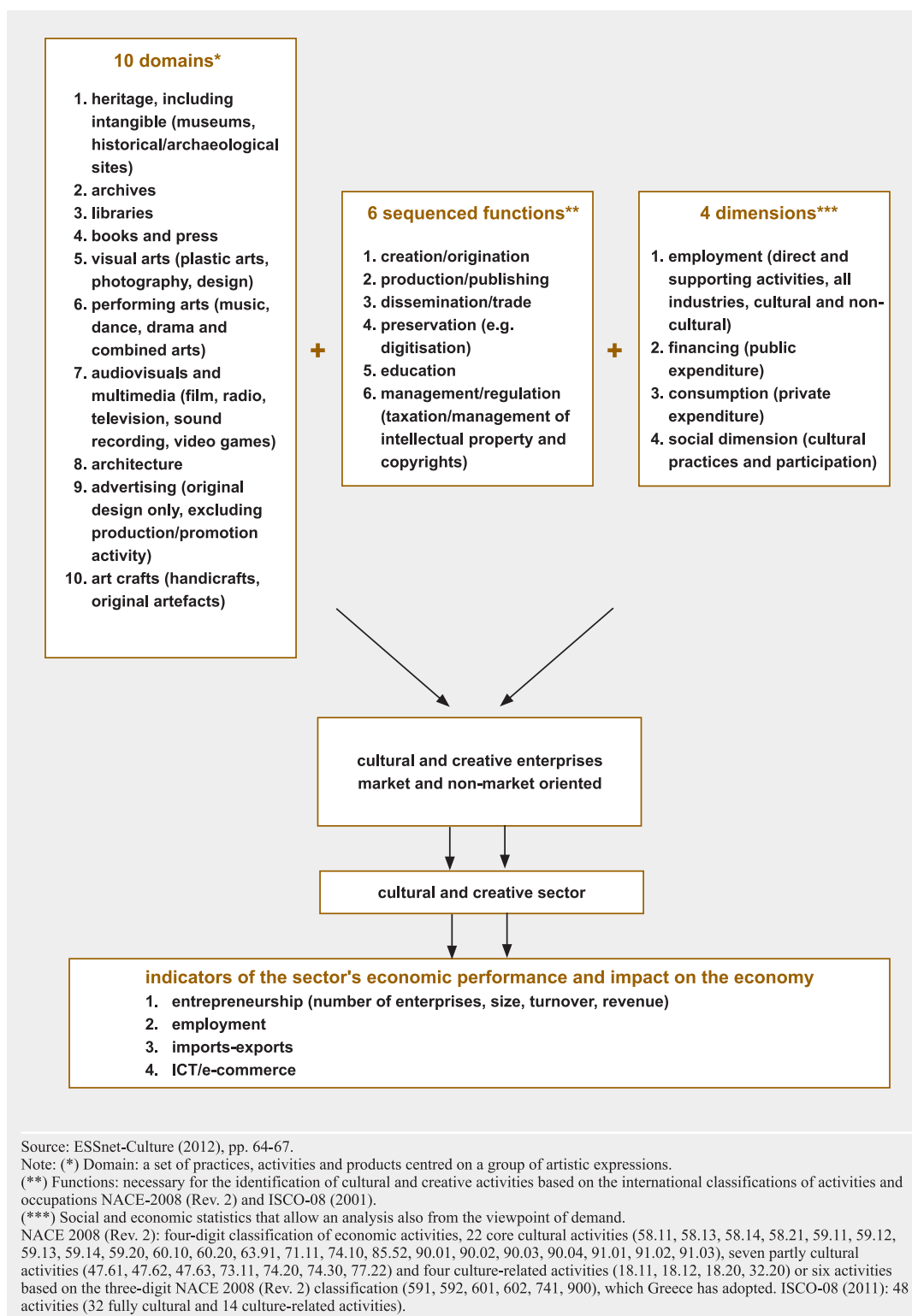
³⁶ Included are both market-oriented and non-market activities (the latter are also referred to as the non-market, social, third or non-profit sector).

³⁷ These are quite different from the forces of supply and demand that determine the functioning of the market for traditional goods and services.

³⁸ According to the British approach, a production or distribution business irrespective of its size is classified as creative when the proportion of people doing creative jobs to its total workforce is substantial and above a threshold of 30%. Based on this "creative intensity" criterion, creative employment in the United Kingdom was estimated at over 2 million people for 2002, accounting for 5.1% of total employment (see DCMS 2013).

³⁹ A comprehensive study of the Greek case in this field is still lacking. The only references are: Louri (2007), Kyriazidis (2007) and Karampatsou-Pachaki (2000).

Figure 3 The proposed European framework for cultural statistics



- (i) be compatible with the specific features and needs of the country;
- (ii) place emphasis on cultural, intellectual and artistic creation itself;
- (iii) exclude activities and occupations that are more related to retail trade rather than to production; and
- (iv) capture forms of cultural and creative production that are hidden in other traditional, non-creative industries.

The *second step* would be to prepare a mapping report document. Specifically, based on the definition reached in the first step, such document would record all industries, occupations and forms of employment fully or partially active in this sector. In this regard, direct contact with all stakeholders through a questionnaire would be an effective way to derive comprehensive and reliable information. The mapping report exercise would help to draw a safe and accurate picture of the size and turnover of this emerging sector in measurable terms. Furthermore, the mapping of all forms of economic activity and employment in the sector would throw the market for cultural and creative market into sharper relief, revealing such features as: (i) the existence of numerous very small businesses, often with only one worker who is also the creator, alongside a few large-sized domestic or multinational companies; (ii) location (urban or semi-urban centres); (iii) the forms of employment (self-employed, entrepreneurs/producers, employees, amateurs, part-time workers); (iv) type of participation (e.g. youth and female entrepreneurship); (v) consumer behaviour patterns; (vi) level of public expenditure on cultural investment; and (vii) level of private (business and consumer) expenditure. These facts reflect the cultural participation of a society, at both the sending and the receiving ends of the creative activity.

Given the need for an evidence-based policy, the *third step* would be to establish a periodic ex post report (e.g. every three years), which

would not only monitor, document and assess the sector's performance, but also quantify its impact on the national economy and society, using economic and social statistics. In addition to economic aggregates (such as national output or gross value added, employment and unemployment rates and export trade volume), statistics on violence and criminality rates, educational attainment and drop-out levels and social indicators of inequality, poverty and social cohesion are also crucial statistics in this respect.⁴⁰

3.2 COMPILATION AND PROCESSING OF STATISTICS

The Greek cultural sector has never been subjected to a process of monitoring, assessment or quantification. Policy actions in this field have rarely been informed by an analysis of economic costs and benefits and almost never have they been evaluated ex post based on their results. Culture used to be seen as a social value that a welfare state must fund and safeguard. Of course, how much money a government spends on culture and the arts in a given year or number of years does not alone determine the size and quality of the cultural output of the respective country. Planning, vision, efficient organisation and implementation, valorisation of cultural resources, awareness of, and adaptability to, the changing needs, as well as dynamism and extroversion are equally important determinants of healthy and sustainable cultural activity.⁴¹

A number of crucial questions arise in this respect:

⁴⁰ For details, see the latest OECD report (2012) on education and OECD (2012), *Equity and Quality in Education: Supporting Disadvantaged Students and Schools – Spotlight Report: Greece* (<http://www.oecd.org/greece/49603577.pdf>). Moreover, recently released Eurostat data on poverty in Greece (December 2013) reveal the extent of poverty and social exclusion experienced by more than 30% of the country's population (3.8 million people): based on data referring to the year 2012, one out of three Greeks was in at least one of the following three conditions: at-risk-of-poverty, severely materially deprived or living in households with very low work intensity.

⁴¹ See ACE (2010). Notable examples are the recent dynamic comeback of the Greek National Opera, the success of the Athens and Thessaloniki Biennales (October-November 2013 and December 2013, respectively) and the new cultural park under construction at the Faliron Delta.

First, is private funding appropriate for a sector whose output promotes culture and fosters social development and therefore has a strong “public good” character?

Second, how can cultural and social development be quantified?

Third, how to statistically depict an activity such as that of the cultural and creative sector, when its forms and models of production constantly change in line with ongoing technological change?

To answer these questions, we need to have clear statistics on key aggregates such as expenditure (public and private), employment, productivity and profitability. The compilation and processing of such statistics would enable us to quantify the impact of this sector on the rest of the economy, which is essential information not only for entrepreneurs/investors, but also for economic policy-makers. More specific questions to be answered using this statistical base would include the following:

- (i) What is the sector’s share in total employment and what are the qualitative features of its workforce, such as type of employment, gender, education and skills?
- (ii) What is the sector’s contribution to reducing school dropout rates and raising participation to lifelong learning?
- (iii) What is the sector’s contribution to improving the country’s international competitiveness through the promotion of research and technology?
- (iv) What is the sector’s contribution to reducing poverty, social exclusion and long-term unemployment and to the successful inclusion of disadvantaged and economically and socially declining regions and social groups?⁴²

In an attempt to take stock of the Greek experience, we encounter a number of stumbling blocks:

First, the lack of a commonly accepted definition of the cultural and creative sector.

Second, the lack of a statistical database, at least for key economic and social statistics of the sector, such as turnover and value added, number and size of enterprises, employment, export values and volumes, expenditure (public and private, consumption and investment) and consumption patterns (participation and time use).

Third, even if the methodology proposed by the European Commission (see Figure 3) were to be adopted, it would still not be possible to accurately quantify and statistically depict this sector. This is so because Greece applies the three-digit classification of activities (NACE Rev. 2) and occupations (ISCO-08),⁴³ which prevents classification on the basis of different cultural and creative intensity, i.e. “fully cultural occupations”, “partly cultural occupations”, “culture-related occupations”, etc. A more detailed breakdown by four-digit code is thus necessary, otherwise there is a risk that their size and importance might be overestimated or underestimated.

Fourth, in the pre-crisis period, culture in Greece was largely financed at central, regional and local level with taxpayer money. The projects to be financed were selected on criteria which had little to do with their efficiency or their impact on the local and national economy and society. Ex post, results-based evaluation was non-existent. The harsh austerity measures implemented during the crisis included drastic cuts in public expenditure also in the area of culture. Most importantly, the

⁴² The effort that started in the early 2000s to quantify the UK cultural and creative sector showed that the sector has a positive and growing impact not only on the economic level, but also on the social and cultural levels. It also showed a number of benefits to other public policy agendas, such as urban regeneration, the reduction of crime, conflict resolution and cultural diversity. This prompted a shift of public investment resources from more traditional sectors of the British economy towards the broader sector of culture and the arts. See Pembroke (2013), DCMS (2011), ACE (2011) and McMaster (2008).

⁴³ Categories of activities related to culture, arts and creativity: 591, 592, 601, 601, 602, 741, 900. Categories of occupations: 216, 235, 262, 264, 265, 343, 352, 731.

scarcity of public funding highlighted the need for an evidence-based approach in the selection of projects to be funded with public money, with social and economic effectiveness being the primary criterion.

3.3 GREECE'S CULTURAL AND CREATIVE PROFILE

Despite the limited availability of statistics on the new cultural and creative economy in Greece, in this section we will attempt for the first time to sketch the country's profile in this area.

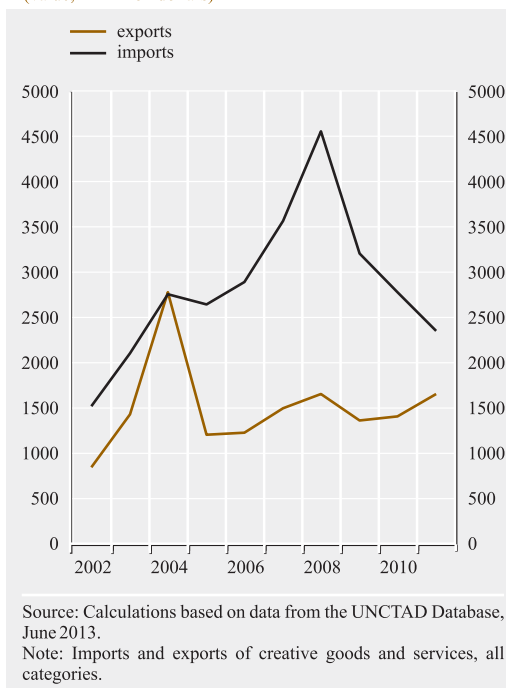
Trade performance

Based on international trade statistics, which are virtually the only sources of complete and comparable data,⁴⁴ we can conclude that, although between 2002 and 2011 Greece's trade in cultural and creative products and services grew sharply in value terms, the balance remained negative, as can be seen in Table 1 and Chart 6 showing the country's cultural and creative trade performance (exports and imports). The deficit position stemmed from the category of goods, while the small – albeit rising – surplus in the category of services is not sufficient to reverse the overall negative balance.

Charts 7-10 show the country's cultural and creative trade performance by good and service category between 2002 and 2011. The data point to rapid growth, which was broadly based across all categories of goods and services. The most export-oriented activities were design, publish-

Chart 6 Greece's creative trade performance (2002-2011)

(value, in million dollars)



ing, computer games and advertising/market research. As shown in Table 2, design (mostly fashion and furniture) was the single best performer, with a share of 76.8% in total cultural and creative exports in 2011, but also had the highest share in terms of exports (66%). Audio visuals and visual arts were the least export-oriented industries. Table 3 provides similar data for services. Advertising/market research/opinion polls was the most export-oriented

⁴⁴ According to the UNCTAD classification (2012, pp. 283-284).

Table 1 Greece's cultural and creative sector: trade performance

(value, in million dollars)

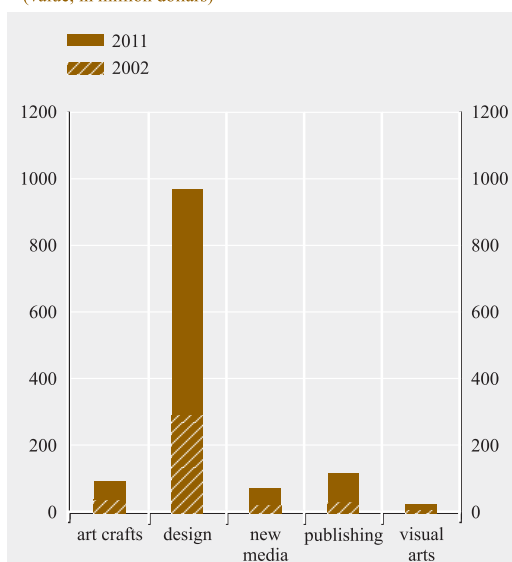
	2002			2011		
	Exports	Imports	Balance	Exports	Imports	Balance
All categories	836	1,517	-681	1,646	2,348	-702
Goods	413	1,146	-733	875	1,712	-837
Services	423	371	52	771	636	135

Note: A negative sign denotes deficit.

Source: Calculations based on data from the UNCTAD Database, June 2013.

Chart 7 Greece's exports of creative goods by category (2002 and 2011)

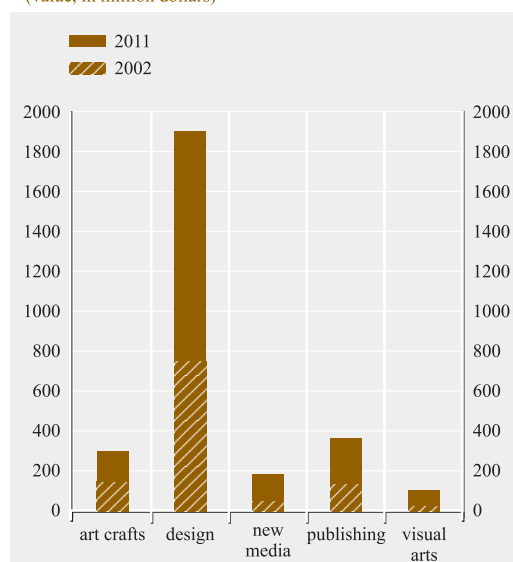
(value, in million dollars)



Source: Calculations based on data from the UNCTAD Database, June 2013.

Chart 8 Greece's imports of creative goods by category (2002 and 2011)

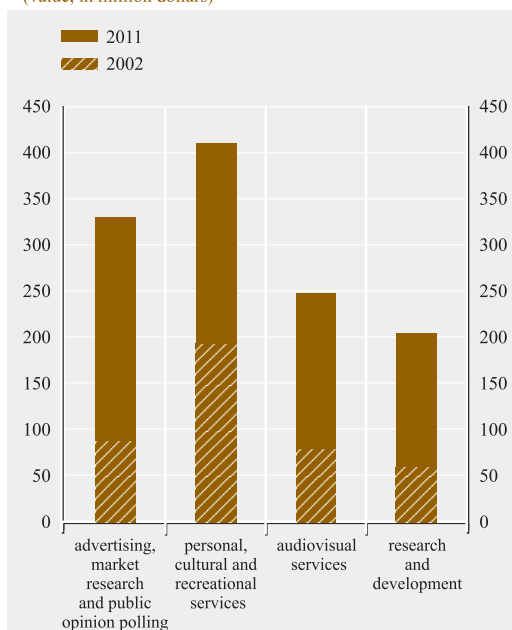
(value, in million dollars)



Source: Calculations based on data from the UNCTAD Database, June 2013.

Chart 9 Greece's exports of creative services by category (2002 and 2011)

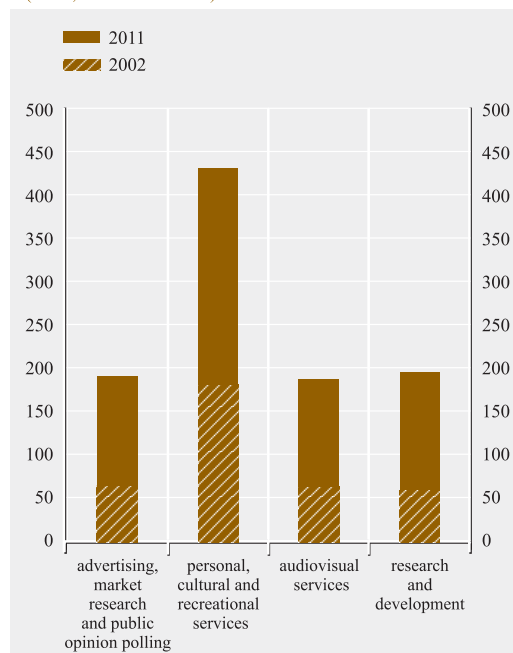
(value, in million dollars)



Source: Calculations based on data from the UNCTAD Database, June 2013.

Chart 10 Greece's imports of creative services by category

(value, in million dollars)



Source: Calculations based on data from the UNCTAD Database, June 2013.

Table 2 Greek exports and imports of cultural and creative goods: percentage breakdown (2002 and 2011)

	Imports (%)		Exports (%)	
	2002	2011	2002	2011
<i>All categories</i>	100.0	100.0	100.0	100.0
Art crafts	13.32	8.42	9.68	6.30
Audiovisuals	0.14	0.11	0.12	0.05
Design	65.31	66.83	70.98	76.79
New recorded media and video games	5.09	7.40	6.36	5.51
Publishing	12.65	13.09	9.07	9.62
Visual arts	2.81	4.14	2.11	1.70

Source: Calculations based on data from the UNCTAD Database, June 2013.

industry, while research & development remained the least export-oriented one.

Furthermore, Greece's share in global or EU27 cultural and creative trade in value terms is low, without visible signs of increased penetration of export markets (see Tables 4 and 5 and Charts 11a and 11b). Unweighted for country size, Greece has a share of 0.86% in total cultural and creative EU27 imports and just 0.4% in exports. Using population-based weights, the per capita value of exports is four times lower than the per capita value of total exports of the EU27, ranking Greece to the fourth lowest place, after Romania, Bulgaria and Cyprus, and four places below Portugal.

Similarly, the per capita value of imports in Greece is two times lower than the respective figure for the EU27.

Employment

While consultation on a consistent EU-wide methodology for the compilation of complete statistics on cultural and creative employment is still under way, it might be useful to look at the available, even if incomplete, statistics on employment in the sector in Greece. Based on the latest Eurostat data release referring to 2009 (Cultural Statistics 2011), employment in five selected cultural occupations (taken together) had a share of 1.2% in total employ-

Table 3 Greek exports and imports of cultural and creative services: percentage breakdown (2002 and 2011)

	Imports (%)		Exports (%)	
	2002	2011	2002	2011
Advertising, market research and public opinion polling	17.79	19.81	21.04	31.26
Audiovisual and related services	16.98	19.65	18.91	21.92
Personal, cultural and recreational services	49.06	39.15	45.86	28.02
Research and development	16.17	21.38	14.18	18.81

Source: Calculations based on data from the UNCTAD Database, June 2013.

Table 4 Greece's share in global cultural and creative goods trade (2002 and 2011)

(% of total value)

	Imports		Exports	
	2002	2011	2002	2011
<i>All categories</i>	0.521	0.410	0.208	0.193
Art crafts	0.751	0.495	0.228	0.161
Audiovisuals	0.377	0.388	0.110	0.097
Design	0.579	0.424	0.256	0.223
New recorded media and video games	0.292	0.271	0.150	0.110
Publishing	0.489	0.523	0.125	0.195
Visual arts	0.188	0.250	0.057	0.048

Source: Calculations based on data from the UNCTAD Database, June 2013.

Table 5 Greece's share in EU-27 cultural and creative goods trade (2002 and 2011)

(% of total value)

	Imports		Exports	
	2002	2011	2002	2011
<i>All categories</i>	0.95	0.86	0.28	0.40
Art crafts	1.61	0.81	0.55	0.57
Audiovisuals	0.79	2.03	0.22	0.46
Design	1.26	1.01	0.31	0.49
New recorded media and video games	0.64	0.66	0.23	0.23
Publishing	0.69	0.98	0.20	0.32
Visual arts	0.14	0.11	0.11	0.10

Source: Calculations based on data from the UNCTAD Database, June 2013.

ment in Greece, compared with 1.7% in the EU27. The respective headcount cultural employment was 52.6 thousand in 2009.

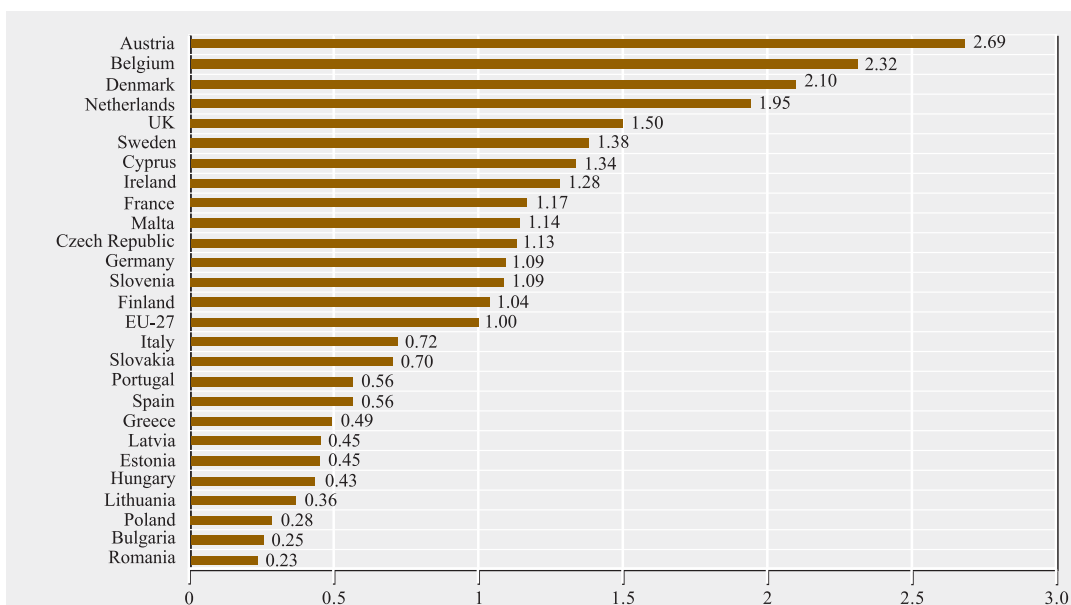
As shown in Table 6, providing more detailed data on cultural employment in Greece and the EU27 for that same year, publishing activities had the highest share (30.6%) in total employment in the case of Greece. Moreover, female employment accounted for 40% of total employment in the sector, and the number of tertiary education graduates was more than 1.5 times higher than the total number of tertiary education graduates in the national economy. Of the total employment in the sec-

tor, around 30% were self-employed or workers in family businesses, more than 10% had occasional or part-time jobs and more than 20% worked at home. Overall, the picture of cultural employment in Greece was quite similar to that for the EU27.

Turnover

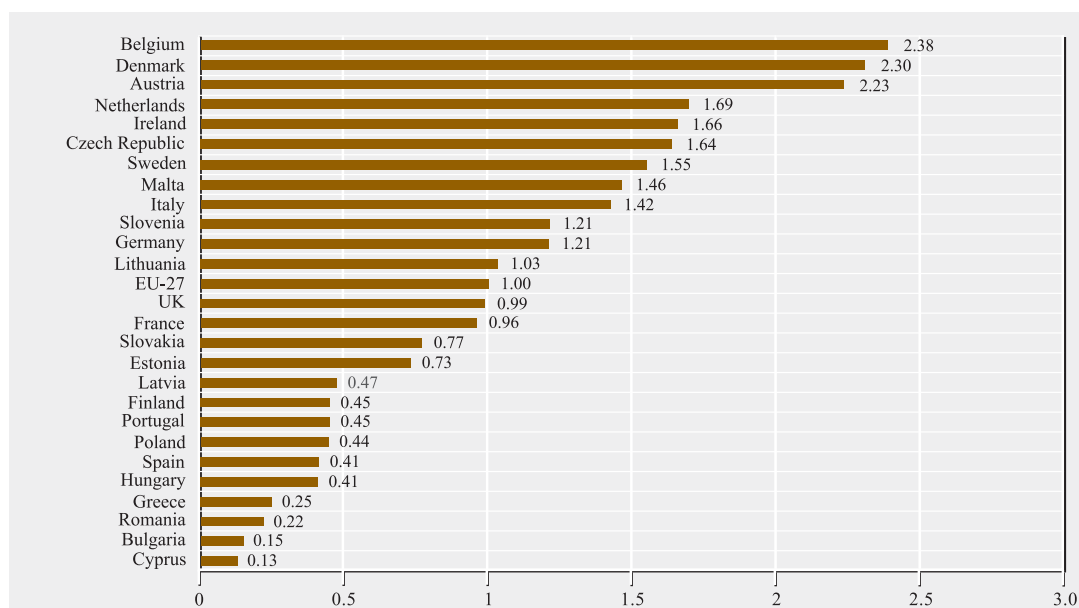
Chart 12 shows the evolution of the turnover of three cultural and creative industries for the period 2001-2012. In all three industries, with publishing as the leader, turnover grew strongly between 2004 and 2008. However, since 2009 the turnover index has been on a

Chart IIa Country shares in total cultural imports (2011, per capita value of imports)



Source: Calculations based on data from the UNCTAD Database, June 2013.

Chart IIb Country shares in total cultural exports (2011, per capita value of exports)



Source: Calculations based on data from the UNCTAD Database, June 2013.

Chart 12 Turnover index of selected creative services in Greece (2001-2012)

(2010=100)

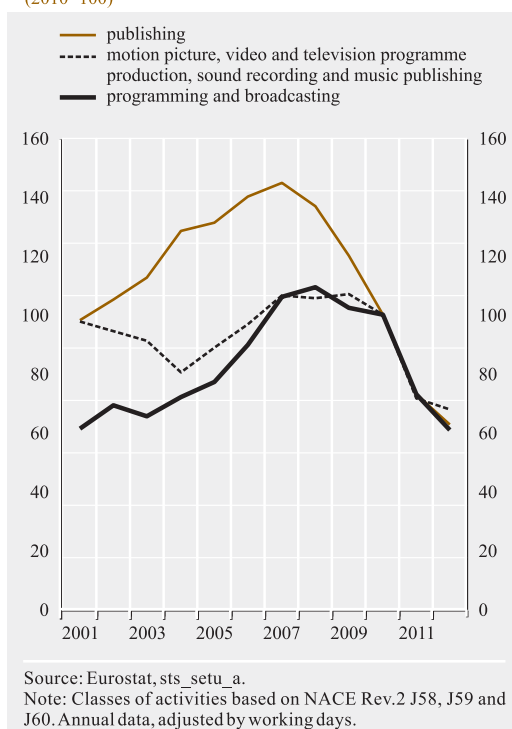


Chart 13 Percentage distribution of average monthly expenditure of households (2008-2011)

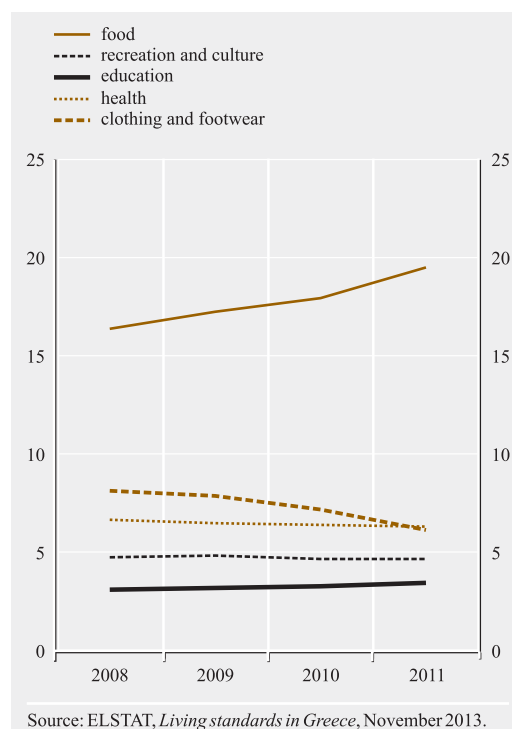


Table 6 Cultural and creative employment (2009)

	Greece		EU27	
	Headcount (thousand persons)	%	Headcount (thousand persons)	%
<i>All CCIs</i>	52.6	1.2	3,638.5	1.7
Publishing	16.1	30.6	1,251.7	34.4
Film, video, TV, music recording and publishing	5.4	10.3	402.3	11.1
Programming and broadcasting	11.7	22.2	348.6	9.6
Creative arts and entertainment	9.1	17.3	1,045.6	28.7
Libraries, museums, archives	10.2	19.4	590.3	16.2
<i>Women</i>		36.1		43.9
<i>Tertiary education graduates</i>		49.8		68.6
<i>Self-employed and family workers</i>		28.5		42.2
<i>Working at home</i>		20.1		45.9

Note: Occupations and activities according to NACE Rev 2. (58, 59, 60, 90, 91) and ISCO-88 (243, 245) classifications.
Source: Eurostat pocketbooks, *Cultural Statistics*, 2011.

sharp downward path, owing to adverse national and international circumstances, and fell to almost half of its 2008 level.

Consumer participation

Household expenditure on cultural goods and services can be used as an indicator of cultural participation and engagement on the part of consumers. As shown in Chart 13, the share of culture and recreation in the average monthly expenditure of Greek households remained broadly unchanged during the crisis period, in contrast to the shrinking share of clothing and footwear. As another measure of cultural participation, the total number of cinema tickets sold in Greece increased from 9.7 million in 2008 to 12.5 million in 2009 and stood at 11.7 million in 2010 and 10.9 million in 2011, before returning close to 2008 levels in 2012 (9.9 million).⁴⁵

4 PRACTICAL RECOMMENDATIONS

Each country is different, each market has its specific features, and each cultural and creative product offers a singular touch and unique glamour to its user. It is therefore the task of each country to identify the distinctive features of its citizens' cultural and creative capacities and develop a strategy for promoting its cultural and creative economy, exploiting its comparative advantages and addressing its shortcomings.

In Greece, as in other developed countries, cultural policy has traditionally and historically been confined to matters concerning grants, tax exemptions and reliefs, and education in the fields of visual and performing arts. However, the emergence of a new inter-sectoral and multidimensional economy such as the cultural and creative economy has revealed an urgent need to align the current cultural policy with a comprehensive national growth strategy.

In particular, given the multifaceted impact of such strategy on the country's cultural, economic, tourist and educational development, it

is logical that political and administrative responsibility should be shared among multiple policy domains, with the involvement of a multiplicity of stakeholders.⁴⁶ Fragmented strategies and piecemeal action to foster this new economy entail a visible risk of self-reversing measures, hesitation and unnecessary delays. This points to a need for a holistic approach to the sector and its impact, as well as for a single, comprehensive policy to boost its growth. To address this need, an efficient body should be set up and undertake to coordinate action across the various parties involved, and a well-designed, sound and transparent regulatory framework.

More specifically, action along these lines could include the following:

- **Government and infrastructure.** The government should continue to provide infrastructure (facilities, transport, distribution, access to technology and communications) as necessary for the functioning of the sector. Furthermore, through public investment, it should protect and preserve cultural capital, which is the main input for the production of cultural goods and services.

- **Interministerial observatory for culture and creativity.** This would be a new institution with a consultative, executive and supervisory role. Its main points of focus would be, first, the design of a comprehensive medium- to long-term national strategy for culture. Second, starting and maintaining a regular and structured dialogue (as detailed below) among all stakeholders. Such dialogue would be informed by a periodical stocktaking exercise and report. And third, launching an online platform for open communication and information sharing. The latter is particularly relevant for the less favoured geographic areas or low-income regions or social groups.

⁴⁵ Data provided by the Greek Film Center, November 2013.

⁴⁶ A diverse set of public entities, non-profit organisations (some of which benefit from state aid), private for-profit organisations, associations of the civil society, institutions, academies, professional and artistic associations and clubs.

4.1 SPECIFICITIES

The cultural and creative sector in Greece exhibits more or less the same specificities as its counterparts elsewhere in the world.

- *The so-called “missing middle”.* The market is characterised by the co-existence of few big players, usually multinational corporations, alongside numerous local or regional micro-enterprises, mostly sole proprietorships and vertically integrated businesses.⁴⁷

- *Segmentation of the domestic market,* which is characterised by individual creative contributions, lack of professionalism and limited financial resources. The market is typically organised around best-selling artists and creators. This pattern largely reflects the fact that the use of technology enables mass production and direct dissemination, keeping reproduction and distribution costs to a minimum and low sunk costs. Large corporations are able to make substantial profits, while small producers and individual artists can at best recover the cost of their initial investment.

- *The probability of financial failure is very high.* The launch and dissemination of a cultural and creative product should be well-timed to coincide with the public’s desire to use it; this results in a volatile and unclear business cycle. Bad timing can spell commercial failure, no matter how good the product is. In addition, demand for the product remains highly uncertain,⁴⁸ how it will be received by consumers cannot be known in advance or safely assessed or interpreted afterwards.

- *Lack of strict and formal employment relationships.* The most common type of work is project-based, whereby a team or network is set up on an ad hoc basis for a given period of time. In their vast majority, the members of such team or network are freelancers or self-employed. Once the project is completed, the team or network is dis-

solved. Therefore, in designing and implementing any policy initiatives in the sector, this peculiarity of the relevant labour market should be given serious consideration.

- *Clustering and co-location.* One aspect of the sector’s specificity is a tendency towards clustering, concentration and co-location in a specific geographic area, with a view to the benefits that creators/producers can gain from coexistence, collaboration, interaction, specialty complementarities and competition, as well as from the designation of a geographical area as a pool of creative workers and a hub for consumers. In other words, creative clusters function as a meeting place for creators, artists, producers, entrepreneurs, creative workers and consumers and as a place for an exchange of experiences, emotions and expertise. Athens is a good case in point.

- *Use of social media,* which can be a key driver of the sector’s development and expansion, by bringing together artists/creators, entrepreneurs and consumers, disseminating information and promoting and establishing trademarks.

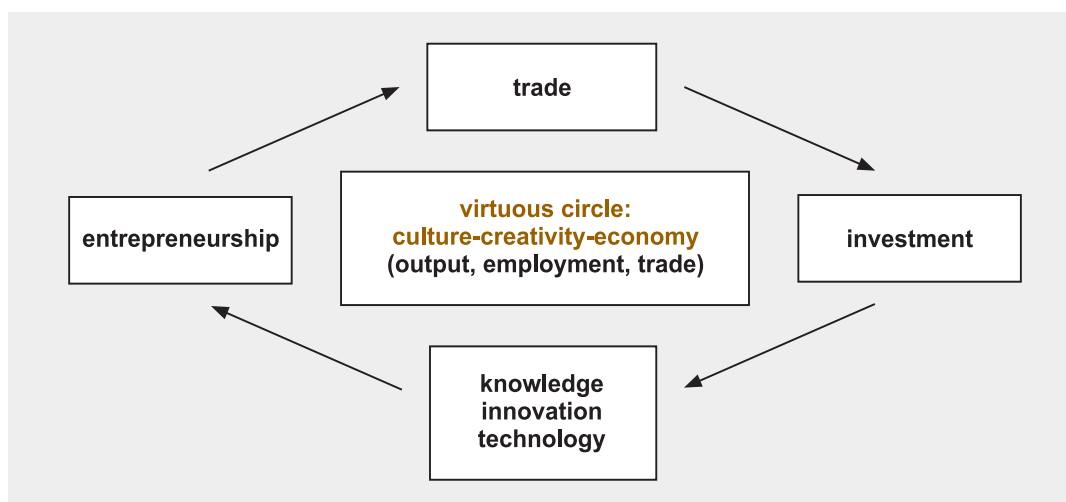
4.2 SUGGESTED POLICY ACTIONS

In light of the above, this section attempts to suggest a set of policy actions that, as a minimum framework, can contribute to the emergence of a new virtuous circle linking culture, creativity and the economy, as illustrated in Figure 4. This virtuous circle reflects the positive externalities generated by the combination of private investment, knowledge, innovation and technology, entrepreneurship and export-orientation, which can have a quantitative impact on output, employment and trade. In this regard, the role of the government shifts towards taking initiative for concerted action in the context of the interministerial observatory in four main areas:

⁴⁷ This type of organisation is prevalent both in the developed and the developing economies, although absolute aggregates vary across countries (see KEA 2006, Higgs et al. 2007).

⁴⁸ This is referred to as the “nobody knows” hypothesis.

Figure 4 The virtuous circle of culture-creativity-economy



First, providing strong incentives to attract investment.

Second, providing appropriate infrastructure that will allow to reap the benefits of digital technology and its applications.

Third, providing incentives to promote entrepreneurial talent, through education and recognition of the social role of entrepreneurship.

Fourth, formulating a policy to increase the extroversion of the economy, focused on modernising and streamlining export promotion policies.

Fifth, adopting and credibly implementing a regulatory framework governing the operation of the new cultural and creative economy (legal protection of intellectual property, equal tax treatment, labour arrangements, strengthening competition).

Indicatively, we would suggest **11 policy actions**:

1. Tax treatment. Can tax policy promote economic and social development? If the answer to this question is yes, then taxes can

be a tool for the promotion of culture and creativity. There is the common but wrong belief that cultural and creative products are luxury goods and as such should be subject to high tax rates. The current VAT rate structure should be reviewed on the basis of the principle that similar goods should be taxed at the same rate.⁴⁹ Other matters refer to the tax burden arising from dual taxation of international co-productions, as well as tax rebates. Finally, the 1.5% levy imposed on annual advertisement revenue of all private TV broadcasters for the production or co-production of Greek films is also a crucial issue (see Laws 1866/89 and 3905/2010).⁵⁰

⁴⁹ An example is the different tax treatment of theatre and music. Theatre is subject to a reduced VAT rate (6.5% on the admission ticket), while the rate applied to music is 13%. Adding the applicable 7% tax in favour of the Hellenic Society for the Protection of Intellectual Property (AEPI, i.e. the entity managing the rights of music artists) and the special tax on entertainment shows, levied at a rate of 5% on gross profit per concert in the areas of Attiki and Thessaloniki (introduced in 1950 as a levy in favour of “pauper maidens”), the tax burden on a music product is disproportionate, at a total rate of 25% in Athens and Thessaloniki and 20% in the rest of the country, or 35% or 40% respectively if we also add a levy on the use of sports facilities (15% of turnover).

⁵⁰ Public broadcasters, pay TV operators and companies in the telecommunications and new technology sector are subject to a special tax of 1.5% on their annual turnover. Revenue from this tax is allocated to the Greek Film Center (80%) and the Ministry of Culture and Sports (20%). Up to half of the allocation of the Greek Film Center is granted in the form of advertising time for the promotion of Greek films.

2. Education. There is an urgent need to redefine education, including basic schooling, further education and lifelong learning. This is so because: (i) the link between education and entrepreneurship is today loose or even non-existent, which prevents an active fostering of creative entrepreneurship; (ii) primary and secondary education is not geared to encouraging and expanding pupils' creative skills and talents; (iii) cultural and creative subjects are conspicuously absent from school curricula; (iv) IT literacy and skills in new technologies are inadequately developed not only among mainstream students, but also among students of fine arts and design; (v) opportunities to acquire practical experience through internship programmes and training are absent or scarce; (vi) initiatives for competitions and awards of excellence for new talent and new entrepreneurs remain limited in scale and scope;⁵¹ and (vii) there is also a lack of initiatives aimed at familiarising artists and creators with business and technology matters.

3. Launching a structured dialogue, in the context of the interministerial observatory, with all stakeholders (public and private entities, civil society, local bodies and authorities, trade and professional associations) aimed to establish a network for communication, planning and coordination. A questionnaire-based survey and consultation with the various parties involved would help to gather useful inputs. Needless to say, public initiative should be entrusted to people with expertise in the field, selected on the basis of transparent criteria. This collaborative network should work to design a comprehensive and coherent strategy for developing the cultural and creative sector. In pursuing this goal, the network should build on the experience of other countries, tailored to the specific needs of the Greek economy, and should undertake the following tasks: *first* a mapping exercise. This exercise, to be reviewed at regular intervals, should adopt an evidence-based approach,

building on the available experience of people active in the sector. *Second*, collection and processing of all relevant information and data, with a view to establishing a reliable statistical database with facts and figures about the sector's profile, size and contribution. This should be an ongoing process, with the database being subject to constant review and updates, enabling economic and political decision-makers to have an informed view of the sector and helping to raise awareness of its importance for economic growth and social progress. *Third*, establishing transparent and merit-based criteria for planning and budgeting. Although private economy criteria tend to prevail, budgets should not only target profits, but also focus on the broader benefit to society. The key criterion should thus be a proper mix of marketability and quality. *Fourth*, introducing ex post audits and performance assessments, both of which are sufficient and necessary conditions for a successful mapping exercise.

4. Labour market. Cultural and creative occupations need to be recognised by the establishment of a registry of creative workers, and appropriate legislation should be adopted to govern labour relations in the sector. The lack of such recognition, together with the informal and loose work arrangements, mainly in the form of short-term contracts, the absence of a social safety net and the inadequate protection of very short-term contracts lead to a high unemployment rate in the sector and long intervals between jobs. Emphasis should also be placed on lifting obstacles to cross-sectoral and cross-border mobility of artists/creators, as well as barriers to market entry. Both the domestic and the international cultural and creative labour markets remain closed, divided along corporatist lines and subject

⁵¹ Examples include the recent partnership of the Hellenic Federation of Enterprises (SEV) with Google aimed to support youth entrepreneurship by providing expertise, as well as the innovation awards competition jointly organised by the Ministry for Development and Eurobank.

to administrative obstacles linked to differences in legislation across countries, but also across sectors within the same country.

5. Intellectual property protection. It is necessary to improve, strengthen and modernise the existing legislation in order to ensure effective protection of intellectual property, i.e. the right on patent, industrial design, the right to use an appellation of origin or trademark. Relevant matters in this respect are the monetary valuation of intellectual property, the sharing of relevant profits and the fight against piracy.⁵²

6. Opening up to international partnerships/co-productions. A crucial role in this regard can be played by a less restrictive regulatory framework, as well by initiatives to organise periodical events and/or internet campaigns for the promotion of Greek cultural and creative products abroad. A successful example is the regular showcasing of Greek film-making in London every year.⁵³

7. Measures to strengthen competition, especially in industries characterised by oligopolistic structures.

8. Creating physical locations for production and exhibition. The numerous small and geographically scattered creators/producers can benefit from their location in a large working space gathering a large number of producers and buyers.⁵⁴ Abandoned industrial buildings, rundown public spaces and decommissioned infrastructures can be transformed into vibrant places and homes to new ideas and products, but also to educational and training activities. Such co-locations have multiple and positive spillover effects on tourism, on the economic development of disadvantaged and poor areas and on urban and regional regeneration. A good example is the Athens Gazi Industrial Archeological Park, a former gasworks site which has been redeveloped and repurposed as a major venue for cultural and entertainment activities.⁵⁵

9. Forms and sources of funding. Financial institutions are not familiar with considering “experimental”, “original”, “smart” or “creative” projects for funding. The European Commission (2013) estimated that the financing gap of the cultural and creative sector as a result of difficulties in access to finance would come to up to €13.4 billion in the EU28 over a 7-year period. On the other hand, though, neither have creators/producers or artists, in their majority individuals and very small firms, the managerial skills to draft a solid business plan. A further impediment is the fact that the notion of creative entrepreneurship is not adequately recognised, while there is also a lack of specialists in, and clear guidelines on, the drafting and evaluation of such plans. Building expert capacities and establishing clear guidance in this field are essential conditions for ensuring the sector’s access to private finance. The termination of grants, subsidies and other forms of state aid and the lack of bank financing have led, in the past few years, to a quest for alternative sources of funding, such as: (i) private cultural sponsorship;⁵⁶ (ii) the programme Creative Europe 2014-2020 and its Culture and MEDIA sub-programmes;⁵⁷

⁵² It has been estimated (TERA 2005) that as a result of piracy of cultural and creative products (software, film, recorded music, TV series), the European Union’s creative industries lost €10 billion in retail revenue and 185,000 jobs in 2008 only.

⁵³ 6th Annual Greek Film Festival, Westbourn Studios, London, 7-18 October 2013.

⁵⁴ Virtual reality and multimedia parks, computer media centres, business centres.

⁵⁵ See Gonis and Defner (2011).

⁵⁶ Cultural sponsorship (see Law 3525/2007) is an institution established by the Greek state and is aimed to ensure funding for cultural activities undertaken by public and private entities with resources coming exclusively from the private sector. It is a form of corporate social responsibility, whereby companies seek to raise awareness of social, environmental and cultural issues, while at the same time strengthening their corporate image. However, cultural sponsorship has not worked in practice. A major shortcoming of the relevant legal framework is its failure to clearly define the rewards to be gained by the sponsor, which would provide strong incentives for sponsoring.

⁵⁷ The new programme, with a budget of €1.46 billion (increased by 9%), launched in January 2014 as a follow-up to the previous Culture Programme (2007-2013), will provide funding to at least 250,000 artists and cultural professionals, 2,000 cinemas, 800 films and 4,500 book translations. It will also establish a financial guarantee facility of up to €750 million, enabling small businesses in the cultural and creative sector to have access to bank credit (see http://ec.europa.eu/programmes/creative-europe/opportunities/index_en.htm).

(iii) venture capital and private equity funds;⁵⁸ (iv) crowdfunding⁵⁹ and peer-to-peer lending;⁶⁰ and (v) the new National Strategic Reference Framework (2014-2020) focusing on technology, innovation and youth entrepreneurship.

10. Redefining export policy. Greek and international experience confirms the extrovert character of the cultural and creative economy. Given the very small size of the domestic market and the sector's positive impact on export trade and on attracting foreign investment, the national export strategy should be redefined in order to include this new economy as well, with an emphasis on the protection of designation of origin and branding and on the observance of high quality standards. An example is the revival of the once forgotten brand "Greek Cinema" and increasingly recognised brands such as the "Armonia Atenea-The Friends of Music Orchestra",⁶¹ the Greek National Opera, as well as the "Stavros Niarchos Foundation Cultural Center". Second, emphasis should also be placed on facilitating exports by simplifying export procedures and everyday business practice, in terms of customs clearance and other bureaucratic procedures. And third, efforts should be made to establish a big city of Greece as an international or regional cultural and creative hub, exploiting the country's geographic and cultural proximity to both the rest of Europe.

11. Linking culture and creativity to tourism with a view to better coordinating all parties involved and to advertising cultural activi-

ties in time for the forthcoming tourist season. To date, cultural event programmes (theatre, music, dance, visual arts, etc.) are usually announced so late that travel agents are not able to include them in cultural holiday packages (e.g. events of the Epidavros Festival). If such events were announced several months in advance, travel agents would be able to provide their customers with timely information regarding cultural activities in Greece during the forthcoming tourist season; this would eventually make cultural tourism an important component of overall tourism.

⁵⁸ These entities can provide substantial amounts of capital for the implementation of an artistic and creative idea and, by so doing, assume all the risks of the investment; they can thus play a pivotal role in mobilising funds and investors and in promoting artistic and creative entrepreneurship.

⁵⁹ See Röthler and Wenzlaff (2011). Crowdfunding is one of the most successful and rapidly developing methods of financing new ideas worldwide, whereby creators address the public directly in order to raise funds for their ideas. The benefits are multiple. This is more than about securing money; it is also about building a community among people sharing a common goal, who thus become active co-creators and not passive recipients of the artwork. Moreover, the internet-based crowdfunding platform can be a useful market research tool for the artwork in question. See *The Economist*, "Equity crowdfunding: Cream of Devon" (2 November 2013) and *Financial Times*, "Investors rush to be a part of the crowd" (1 September 2013). Although this practice is hardly known in Greece, the first Greek crowdfunding web platform already operates successfully (<http://www.groopio.com>).

⁶⁰ Peer-to-peer lending (P2PL) is a new form of funding and online lending that is growing rapidly in the United States and in Northern Europe. In Greece it is completely unknown, with the exception of the private firm Profile, which has developed relevant software. Peer-to-peer lending operates under the supervision of regulatory authorities via a web platform, connecting demand and supply. Individuals and businesses obtain interest-bearing loans by directly addressing other individuals, savers and investors via the platform, which acts as a complement to traditional banking intermediation. The benefits are multiple. Investors can secure higher remuneration relative to a term deposit account, while borrowers can secure funds, often at a lower interest rate, which they could not have otherwise been raised in the context of bank deleveraging and restricted supply of bank loans to small and medium-sized enterprises.

⁶¹ Evidence of the extrovert character of Greek culture is the recent international acclaim for the Athens Camerata/Armonia Atenea production of Händel's *Alessandro*, which was voted "Opera of the year" at the Mezzo TV awards (December 2013) and its recorded version won first prize at the International Opera Awards 2013.

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