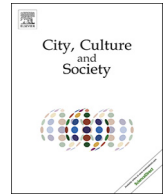




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Review

Cultural industries and spatial economic growth a model for the emergence of the creative cluster in the architecture of Toronto

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ABSTRACT

While the establishment of innovative forms of production and commercialization expressed in cultural industries contributes to an increase in culture, there is a significant lack of tools to assess the contribution of these innovations. This work creates a theoretical model that offers empirical evidence to explain the possibilities of growth and consolidation of spatial agglomerations endogenously from the endogenous growth theory to explain the emergence and consolidation of the Architecture Cluster at the Toronto Central Metropolitan Area in Canada (CMA). The study relies on a quantitative co-relational/causal-historical analysis methodology based on information obtained from the Canada and Toronto CMA Industry Profiles to test the hypothesis that cultural industries improve the development of the regional and local economy. The premise is to model accurate evidence that explains the importance of culture in relation to the generation of value and economic development. The results demonstrate that the endogenous dynamics of the region establish a cycle of growth in which the incidence of specialization, human capital, economies of agglomeration and complementarity between firms and industries determine the competitiveness of the region and the city, and the emergence of a creative architectural cluster in Toronto. This can be verified through the strong values of the concentration index in multiple correlations.

1. Introduction

In the late 1970s, capitalism's turning point constituted the emergence of a new paradigm, which considered the relationship between culture, economics, the productive transformation through post-Fordist principles, specialized labor for differentiated markets of high consumption, and creativity as a productive factor.

The analytical, utilitarian and rational representation of cultural economy is expressed through the emergence of cultural industries, a model of hybrid economic sectors, which combine cultural relations and creative practices in certain spaces, in order to attend the changes in the patterns of consumption and demand, which are affected by technology and the pursuit of competitiveness through innovation.

Contributions to the study of cultural economy from Pratt (1997), Scott (2001), Hesmondhalgh (2002), Markusen, Wassall, DeNatale, and Cohen (2006), Throsby (2008b), Lorenzen and Frederiksen (2008), Kloosterman (2010), Currid and Williams (2009), Flew (2010), offer notions and hypotheses focused on regional development and the new economic geography in order to understand cultural industries, their sectors and complex organizations.

In the relationship among the sectors within cultural industries, producers and firms have the proclivity to concentrate according to the nature of cultural products -creative, moral, idiosyncratic, symbolic, ideological, and conceptual-with patterns and economic characteristics that depend on social interactions, economic exchange, appropriation and dissemination of knowledge. These sectors also promote challenges related to the reproduction of growth factors in geographical spaces with thriving industries. Notwithstanding the recurring debate in academic circles regarding cultural industries, their efforts have not produced practical tools to assess their contribution to the economy.

Considering the above, the specific objective of this research is to build a theoretical model with empirical evidence to explain the possibilities of endogenous growth and consolidation of spatial agglomerations, therefore, to test the hypothesis that cultural industries improve the development of the regional and local economies. For this purpose, we considered the architecture cluster in the CMA (Census Metropolitan Area) of Toronto Canada, for being a thriving cultural industry that has influenced the regional economic growth. We chose this industry due to its relation with creative services and specialized human capital who are devoted to design-based creative work.

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The model is based on the theories of endogenous economic growth of Romer (1989) and Sala-i-Martin (1990), from which the driving variables –human capital and expertise– are emphasized. It is assumed that these variables have an impact on the territorial space by forming central districts that are adjusted geographically in the delimitation of a creative cluster. In this case, the premises of Storper and Walker (1991), Krugman (1990) and Scott (2001) are relevant.

We use a conceptual classification of cultural industries that are statistically weighted to describe the main variables, which will be refined to obtain accurate estimation data. The model outlines a quantitative methodology of co-relational/causal-historical analysis with information obtained from Statistics Canada and Toronto CMA, Industry Profiles. In the period under study, the results demonstrate that the endogenous dynamics of the region establish a cycle of growth in which the incidence of the specialization, human capital, agglomeration economies and complementarities between firms and industries determine the growth of the region and the city and the emergence of a creative architecture cluster in Toronto.

2. Conceptual framework of cultural industries and their exploration in the increase of creative regions

For some time, there has been a strong interest in academic and policy discourse in examining the importance of cultural industry and related concepts (Gibson & Kong, 2005; Hesmondhalgh, 2002; Kong, 2014; O'Connor, 2000; Pratt, 2004; Throsby, 2008a,b) as an alternative to development in the new economy. In brief, cultural industries represent one of the most prolific sectors, and as such, they are identified as suppliers of cultural products. In this regard Scott (2001), assumes that extensive sectors of production in the economy have a symbolic cultural content, while culture itself is provided in the form of marketable goods and services, which are coherently organized in cultural industries.

Such perspective consolidates an aspect within the cultural economics concentrated in production and consumption. The notion of culture as economics imply that production and consumption can be located within an industrial framework and cultural goods and services are considered in the same terms as other assets created within the economic system (Throsby, 2001, p. 126).

Meanwhile, Hesmondhalgh (2002) states that cultural industries are involved in the production and circulation of products, i.e., texts that influence the understanding of the world. Markusen et al. (2006, p. 6) analyze the impact of these industries by defining them as aggregates of sectors that are a part of the manufacturing and service industries; Pratt (2008, p. 107), assumes that cultural industries have an economic and cultural presence as their importance is based on the close relationship they have with production. As such, cultural industries are one of the potential drivers of growth and urban regeneration - a practical example of the complex hybrid relationships between production and consumption, the symbolic and the material.

Throsby, suggests that cultural goods and services require some input of human creativity in their production, they are vehicles for symbolic messages to those who consume them, and they contain intellectual property that is attributable to the individual or group producing the good or the service (2008a, 219).

Therefore, the productive process of a cultural industry is conditioned by the expansion in the number of employees with high levels of specialization in analytical thinking, decision-making, social perception, social skills, knowledge, experience and creativity (Scott, 2010, p. 115).

The endogenous economic process -most economic and human resources allocated for production are local- (Santagata, 2002, p. 2), that distinguishes cultural industries exalts them as a novel component of national economies that are able to generate measurable contributions to total employment and income. In this regard, there are significant efforts to assess their significance as a means to stimulate growth.

The advocacy, as evidenced by the economic activity, emphasizes the emergence of new forms of productive organization and the need for compatible strategies with alternative growth paths.

Theories and scientific research related to cultural industries have arisen since 1990, bringing new theoretical perspectives to understand these industries in terms of their use or exchange value, cultural or profit value, and their incorporation into the creativity-based economy model. Such model emphasizes innovation research, learning and dissemination of knowledge in the context of multiple interactions, symbolic and tangible values as part of a local social structure. Currid considers the informal social life as the central force, the *raison d'être*, for culture. Thus, cultural economics is more efficient in the informal social areas (2009, 4).

So, how do cultural industries work? They require ideas, creativity, cognitive skills, tacit and intellectual knowledge, learning, a favorable environment for the reproduction of interactions, an intensive feedback among the participants where such processes take place.

2.1. Endogenous effect

The theoretical basis that links these trends to economic growth lies in the endogenous theory and its renovation. First, the model of Romer (1986), whose distinctive feature is a production function with capital externalities, suggests that the positive externalities impact all firms within the economy due to learning by doing and the overflow of knowledge (knowledge spillovers) introduced by Arrow in 1962. Even the four basic inputs are capital, labor, human capital and an index of technology level (Romer, 1989, p. 10), it is the accumulation of human capital that determines the level of growth. Second, in the model of Sala-i-Martin (1990, 6–9) regarding constant returns to scale, to have a constant growth, the production function must show constant returns on inputs that can be accumulated (externalities). What matters is the quality of the labor force, that is, the accumulated human capital. Furthermore, the Sala-i-Martin model also states there are rents that contribute to the expansion of the frontiers of knowledge, such as research and development (R&D).

Thus, the proposal presented in this paper is based on assumptions where the use and organization of human potential are the key because it reduces the uncertainty of transferring knowledge, an endless source capable of multiplying investment revenues, fostering innovation and equipping itself with internal-external factors.

This statement implies that the evaluation of the variables attributable to local and regional economic growth is changed. Regulation of the productive activity and the key factors raises the debate about the implications of creativity and culture into areas where they are increasingly perceived as agents of change in economic growth.

3. Creative economic geography. An approach to the spatial logic of cultural industries

The assumptions of the endogenous theory are applicable to the territorial context. It has been shown that the intensification of the relationship among creative industries shifts the attention to the fundamental role of clustering forms (Lazzeretti, Boix, & Capone, 2008; Mommaas, 2004; Santagata, 2002).

The understanding of the production system and the processes of agglomeration in cultural industries are derived from conceptual theories of local growth determinants where internal factors are used intensively. In this aspect, it has been determined that the new economic geography is the first space from which the trend of cultural industries establishes its geographical territorial composition as it focuses on the specialization of endogenous factors and forms of creative organization.

Accordingly, we first argue the geographical organization of cultural industries, as explained by Storper and Walker (1991) in their work “the spatial dynamic of industrial growth” The main hypothesis is that industries build regions as sites of economic activity wherein they

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