

## What is the Creative Economy?

The Illinois Creative Economy Initiative demonstrates the state's recognition of the important role creative enterprises play in the economy. The National Governors Association explains why states are emphasizing the creative economy:

“Creative industries provide direct economic benefits to states and communities. They create jobs, attract investments, generate tax revenues and stimulate local economies through tourism and consumer purchases. They provide other benefits, such as infusing other industries with creative insight for their products and services and preparing workers to participate in the contemporary workforce. In addition, they enhance quality of life attracting young professionals to an area.”<sup>1</sup>

The creative economy is made up of creative enterprises and the people and businesses that patronize them. Economist Stuart Rosenfeld defines creative enterprises as those companies and individuals that produce and use creativity of form, design, and language. Rosenfeld divides creative enterprises into three tiers<sup>2</sup>:

1. The first tier encompasses the traditional notion of artists. It consists of artists<sup>3</sup> that produce unique, individual pieces one at a time. These artists do not employ others, except for the occasional family member or apprentice.
2. This tier consists of artisan-entrepreneurs and small to mid-sized firms that can meet a larger market demand. They might reproduce their own work, such as a potter that designs a vase and then produces multiple copies, or the work of others, such as a stage/screen production of an original play.
3. Enterprises applying art, design and creative writing to other areas of commerce occupy the third tier. These companies provide the artistic and creative content—and thereby competitive advantage—to a large number of more conventional clusters such as construction, furniture, consumer appliances, electronic products, and apparel.

The three tiers can be viewed as steps in the scale of creative enterprises. The first tier is the smallest in scale, usually consisting of a single individual. The second tier requires a larger scale as the work of individuals is brought together for production and marketing purposes. The third tier can involve complex industries and products at a very large scale.

While the three tiers differ in scale, they are all connected. They rely on each other for the inputs required to carry out their line of work and are cyclical in that the success of the second and third tiers generates the demand and revenue that allows the first tier to pursue its work.

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<sup>1</sup> National Governors Association (2008). *Using Arts and Culture to Stimulate State Economic Development*. Washington, D.C. <http://www.nga.org/files/live/sites/NGA/files/pdf/0901ARTSANDECONOMY.PDF>

<sup>2</sup> Rosenfeld, Stuart (2003). *Clusters of Creativity: Innovation and Growth in Montana*. Carrboro, NC: Regional Technology Strategies, Inc.

<sup>3</sup> The term 'artist' is used in a broad sense, encompassing an array of pursuits including painters, potters, crafters, writers, actors, poets, and designers.

Rosenfeld further identifies seven components that support the creative economy. These seven supports are:

1. Skills and labor: This includes the formal K-20 education system as well as informal learning opportunities in the arts.
2. Relationships and social capital: Creative enterprises often work together for the common good. This includes cooperative marketing, display, and shared space.
3. Suppliers and services: While supplies and services are a necessary part of any creative enterprise, human capital is the most important input.
4. Marketing and delivering products and services: It is challenging to reach potential customers over a wide geographic area and many artists lack marketing skills.
5. Technology and innovation: Innovation is critical to creative enterprises.
6. Entrepreneurship and capital: Creative enterprises often rely more on individual initiative than financial resources.
7. Infrastructure: This comes into play as production is scaled up and often can be shared among enterprises.

In looking at the seven supports, it becomes clear that arts and culture differ from many other economic clusters. Training may be formal or informal. Cooperation between enterprises often supersedes competition. Capital requirements, in the traditional sense, are relatively low, with human capital being the key component. Marketing can be a greater challenge than production. Innovation rather than efficiencies of production is often the determinant of success. Infrastructure requirements come into play at later stages of production rather than as a prerequisite.

The creative economy often operates on a regional level. Creative enterprises develop relationships with others within the region. Likewise, customers are often found within the region. Indeed, a region may even develop an identity around its own unique creative economy, be it wine making, art galleries, theater, or distinguished architecture.

The creative economy has both direct and indirect impacts on the welfare of Illinois. Directly, creative enterprises generate jobs and revenue. They purchase materials, lease space, and attract customers. Indirectly, the arts and the areas in which they are produced, displayed, and sold enhance community development by attracting visitors, residents, and employers. The arts are a sector of the economy that cuts across income, race, age, gender, and national origin in a way that many other sectors do not.

The characteristics of the creative economy that distinguish it from other sectors should be kept in mind as ideas for promoting the arts and culture in Illinois are developed. Policies and programs that nurture the creative economy may be relatively inexpensive and rely on strategy as much as financial resources. Linkages within and between the three tiers are critical.

The creative economy offers Illinois an opportunity to make an investment in the future of the state that can generate growth in income for residents and tax revenue for government, attract new residents and industry, and enrich the quality of life for all Illinoisans.