DEVELOPMENT OF CREATIVE ECONOMY IN LITHUANIA

Vytautas Snieska, Akvile Normantiene

1Kaunas University of Technology, Lithuania, vytautas.snieska@ktu.lt
2Kaunas University of Technology, Lithuania, akviliux28@yahoo.com

Abstract

This paper investigates the development of creative economy in Lithuania under the existing conditions. The paper analyses the development of the concept of creative economy; as well as the importance of creative economy in the development of Lithuanian economy. In order to explore the development of creative economy in Lithuania two approaches are applied. First, the authors analyze the position of creative economy in the global economy. Further, the changes in the development of Lithuanian creative economy under existing conditions are examined. The evolution of the creative economy concept is reviewed on the basis of analysis of the scientific literature. Statistical data shows that creative economy is a significant and constantly increasing sector in the Lithuanian economy. Research shows that the number of companies and employees operating in the field of creative economy has changed in recent years. It is also determined that the share of creative economy in Lithuanian GDP and the total income of this sector have changed. Thus, the analysis in this article reveals that Lithuanian integration into the EU had influence on the development of Lithuanian creative economy under existing conditions.

Keywords: creative economy, development, global economy, gross domestic product, employees.

JEL Classification: O1.

Introduction

The creative economy is an important and growing part of the global economy. In many advanced economies the creative economy is now recognized as a leading sector in generating economic growth, employment and trade. The creative economy is deeply rooted in national economies. By producing economic and employment benefits in related services and manufacturing sectors, it promotes economic diversification, revenues, trade and innovation. It also helps to revive declining urban areas, to develop remote rural areas, and to promote the conservation of countries environmental endowments and cultural heritages. Research shows that from the economic perspective, creative economy has been growing at a faster pace than the rest of the economy in a number of countries. Analysis shows that Lithuanian creative economy accounted for 5.2 per cent of the total gross domestic product (GDP) (Creative industries in Estonia, Latvia and Lithuania, 2011).

World economy is an era full of changes, where creativity and innovation are the driving force behind the creative economy. Organizations and economic regions use creativity for the creation of significantly higher revenue, which increases the competitiveness in the future (Kloudova, 2008).

The concept of the “creative economy” started appearing after 2000, particularly in the works of Richard Florida and John Howkins (Florida, 2002; Howkins, 2007). One of the assumptions of the development of the creative economy is sufficient workforce when a large number of educated people are able to work as scientists, engineers, designers, architects, and managers in the fields of education, arts and entertainment. The main economic function of these professions is the creation of new ideas and technologies.

The concept of “creative economy” has rapidly grown in the last ten years as a focus of potential economic development in some parts of the world. Although the creative economy is regarded as one of the fastest growing sectors of the economy, the scientific literature presents the general perception that in order to define the creative economy, it is necessary to determine the terms and economic categories, which can be used to analyze the concept of creative economy.

Globalization and economic integration in the EU highlighted problems of Lithuanian industry and the competitiveness of the whole economy (Snieska, 2008). Recent integration processes (accession of Lithuania, Latvia, Estonia and other states into the EU) had influence on the tendencies of the development of creative economy in Lithuania. Regional integration oriented transformations in the Baltic region could be comprehended as a successful case of the regional integration oriented transformations in the European Union (Melnikas, 2008). Baltic States are considered to be attractive recent entrants of the EU, demonstrating high growth and representing new unsaturated market (Tvaronaviciene, Grybaite et al., 2008). However, there is little research investigating such changes. For this reason the relevant research problem of
this article is estimating the significance of the development of the Lithuanian creative economy under existing conditions.

**The object of this research:** Lithuanian creative economy.

**The aim of the research:** to analyze development of creative economy in Lithuania under existing conditions. Seeking to fulfil this aim, the following research tasks are to be accomplished:

- to present the development of the concept of creative economy;
- to perform the comparative analysis of the development of the Lithuanian creative economy;
- to estimate the significance of the creative economy in the development of Lithuanian economy.

**Methodology of the research:** in order to examine development of the creative economy in Lithuania two approaches are adopted. Firstly, we are analyzing the position of creative economy in the global economy. Secondly, we are examining changes in the development of Lithuanian creative economy under existing conditions.

**The methods of research are:** analysis and synthesis of the scientific literature discussing the problems of creative economy; the systemic statistical data analysis of the EU and Lithuanian creative economy.

**Theoretical review of the concept of creative economy**

Creative economy is based on the capital of ideas rather than the physical capital; it is developed on the basis of information and communication technologies. The new content of information and technologies opens up new spaces and is flexible in lowering the costs. One of the most important qualities of the creative economy is the use of information while creating its content. Another feature is growing demand for interaction when the author of the creative product and its consumer are in constant interaction with each other. The influence of creative economy is the greatest when skills and business models are used in creating the value of institutions and managing intellectual capital. As separate processes, creativity and economy were developing for many centuries. However, in the XXI century they got a new common denominator – they became creative economy exalting intellectual property as the main feature of this new economy (Levickaite, 2011).

Every effort to examine the economic importance of creative economy begins with the definitional issue. While the concept of the creative economy received considerable attention by scientists, economists and policymakers, its use and meaning varies widely.

The notion of creative economy, pioneered in different ways by Charles Landry, John Howkins and Richards Florida, has increasingly become associated with policymaker notions of open source public space, democratized creativity, and intellectual property law that has been relativized to the cultural context emphasizing the socio-cultural conditions of creative work (Peters&Araya, 2011).

The creative economy concept was developed by John Howkins in his study on the relations between creativity and economy in 2001. John Howkins indicated that creativity is not necessarily an economic activity but may become such when it produces an idea with economic implications or a trade able product. He noted that the result of creative process is a creative product, which the author defined as economic good or service that results from creativity and has economic value. In view of John Howkins, creativity is not new and neither is economics, but what is new is the nature and extent of the relationship between them, and how they combine to create extraordinary value and wealth (Howkins, 2007). He defines the creative economy as “an economy where a person’s ideas, not land or capital, are the most important input and output (not intellectual property)” (Howkins, 2007). John Howkins’s account of the creative economy follows a long line of development that emerges from different literatures: the creative destruction of Schumpeter and his account of entrepreneurialism; subjective theory of value evidence in Hayek’s economics of knowledge and Fritz Machlup’s study of knowledge distribution in the US economy; Peter Drucker’s focus on the knowledge management strategies; Gary Becker’s human capital theory; Paul Romer’s endogenous growth theory and others (Peters&Besley,2008). Examining creative economy Richard Florida focused on its institutions: new systems for technological creativity and entrepreneurship. He noted that the distinguishing characteristics of the members of this class mean that its members engage in work whose function is to create meaningful new forms. In his view, this class is a driver of wealth and prosperity because it accelerates economic growth in a region (Florida, 2002).

Based on the analysis of the pioneer bibliographic sources on creative economy, one can observe that they focused on creative industries and on their economic dynamics (Richard Caves, 2000, John Howkins, 2007) or on the characteristics and training of the workers of these industries (Kimberly Seltzer&Tom Bentley, 1999, Richard Florida, 2002). The myriad of conceptual interpretations does not suggest common
ground. In the view of Richard Caves, creative industries are related to arts, culture and entertainment in general. However, for John Howkins, the watershed for the creative economy would be the potential to generate intellectual property rights, expanding its scope from copyrights to industrial designs, registered trademarks, and patents.

Although creative economy is wide-spread, there are numerous discussions in scientific literature regarding the approach to the creative economy concept. David Throsby brought culture back into debates on creative industries, by referring to cultural products and services that involve creativity in their production as encompassing a certain level of intellectual property (Throsby, 2001). However, John Hartley integrates the sectoral vision into a broader approach of the economy, creating a definition that brings together culture and technologies (Hartley, 2005). Edna Duiseenberg noted that the concept of creative economy evolved into a holistic and multidisciplinary approach, dealing with the interface between economy, culture and technology, concentrated on the predominance of products and services bearing creative content, cultural value, and market objectives (Duiseenberg, 2011).

The scientific literature presents a general perception that the creative economy seems to borrow merging traits from other concepts, giving them a unique touch. According to John Knell and Kate Oakley, the creative economy uses the emphasis from the knowledge economy on the trinomial technology, skilled work force, and the generation of intellectual property rights (Knell&Oakley, 2007). In the view of Edna Duiseenberg, the creative economy proposes the estimation of authentic value from the economics of culture (Duiseenberg, 2011). This approach is based on the fact that creative economy encompasses sectors and processes that have creativity, especially culture, as an input to create goods and services that carry symbolic and economic value locally, and distribute them globally. Ana Carla Fonseca Reis noted that technology sectors, such as software, can be included in the creative economy, because they are essential in sustaining the dynamics of business processes. In addition to supporting cultural contents, the creative economy enables the creation of new models of production and distribution of these contents (Fonseca Reis, 2008).

As application of the creative economy concept has become more widespread, it has become more and more crucial to exactly define what is meant by the term “creative economy”. Therefore, it is important to define what to measure, and not how to do it: to find adequate characteristics of the creative economy for each country or region, to identify their competitive advantages, their uniqueness, their cultural processes and dynamics, the value-networks created, and the potential added value of the intangibility of their products and services (Fonseca Reis, 2008). The term creative economy now refers to the growing role of creative industries and creative people in our economy and society. In analysts opinion, it is becoming a crucial emerging concept for every country because the creative economy will secure their competitiveness in the global future (Cunningham, 2008).

UNCTAD presents four key objectives in its work on creative industries and creative economy:

- to reconcile national cultural objectives with technological and international trade policies;
- to analyse and deal with the asymmetries inhibiting the growth of creative industries in developing countries;
- to reinforce the so-called “creative nexus” between investment, technology, entrepreneurship and trade;
- to identify innovative policy responses for enhancing the creative economy for development gains (Creative economy report, 2010).

In the UNCTAD Creative Economy Report 2010 the definition of creative economy is presented. The document indicates that the creative economy:

- is an evolving concept based on creative assets potentially generating economic growth and development;
- can foster income generation, job creation and export earnings while promoting social inclusion, cultural diversity and human development;
- embraces economic, cultural and social aspects interacting with technology, intellectual property and tourism objectives;
- is a set of knowledge-based economic activities with development dimension and cross-cutting linkages at macro and micro levels to overall economy;
- is a feasible development option calling for innovative, multidisciplinary policy responses and interministerial action;
- at the heart of the creative economy are the creative industries (Creative economy report, 2010).
Douglas DeNatale and Gregory H. Wassall have presented the new definition of creative economy. They noted that research of creative economy are based on two models, when one emphasizes the production of cultural goods and services – however defined – as a valuable contributor to society; and the other notes the role of intellectual innovation as an economic driver of particular value during periods of societal transition (DeNatale & Wassall, 2007).

The analysis of scientific literature makes it possible to highlight four approaches to the creative economy:

1) creative industries, seen as a set of specific economic sectors, whose selection varies depending on the region or country, according to their potential economic impact on the generation of wealth, jobs, on the collection of taxes, and earnings from exports. Whereas the comparative advantage of each country differs, the list of creative industries is differentiated. Scientists of individual countries determine the different lists of creative industries considering to the situation in the country (Howkins, 2007; Caves, 2000; Kovacs, 2010; UNCTAD Creative Economy Report, 2010, etc.);

2) creative economy, which encompasses, in addition to creative industries, the impact of their goods and services on other economic sectors and processes, and the connections that are established among them, thus incorporating itself into profound social, organizational, political, educational, and economic changes (Hartley, 2005; etc.). Therefore, the creative industries are not only economically valuable per se, but they also catalyze and add intangible values to other types of process organization, economic relations and dynamics of different sectors. Within the creative economy, industry and services increasingly blend. Cultural and information industries are increasingly claiming new areas of production and distribution;

3) cities and creative spaces, in turn seen from the distinct perspectives of involve these aspects:
   • fighting to that of inequalities and violence, and of attracting talents and investments to revitalize degraded areas (Florida, 2002; Landry, 2006);
   • promoting creative clusters;
   • transforming cities into world creative hubs, often times articulated with the tourism policy and the attraction of creative workers (Kovacs, 2010);
   • restructuring the urban social and economic set, based on local specifics (Fonseca Reis, 2008).

4) creative economy as a development strategy which is divided into two complementary approaches. The first is based on the recognition of creativity, therefore, the recognition of human capital, to foster the integration of social, cultural, and economic objectives. Cultural diversity and cultures in general were seen as obstacles to development rather than be seen as nourishment to creativity and a source of solutions to social and economic obstacles (Kovacs, 2010, Duisenberg, 2011). The second approach focuses on how economic changes and especially new technologies alter the links between culture and the economy, opening range of opportunities based on creative undertakings. It relies on individual creativity; therefore it allows the establishment of small business, and offers low entry barriers. Subsequently, creative economy would promote the generation of revenue and employment. In the view of Ana Carla Fonseca Reis, the main problem of development of creative economy strategy is to find a model of creative economy that combines the country’s growth with the reward of creative producers that is commensurate with the use of their talents (Fonseca Reis, 2008).

Based on scientific literature we can see that the concept of the creative economy has evolved in several directions in the last decade. Firstly, the term originated as a way to draw attention to the role of creativity in the current economic life, indicating that the economic and cultural development are interconnected effects of sustainable development process. On the order hand, scientists' attention is drawn to the rich cultural resources that exist in all countries and the importance of creative capital, as it allows individual countries to create jobs and ensure economic growth and participation in the global economy. Thirdly, the creative economy promotes social integration, cultural diversity and social human development.

In order to understand the significance of the creative economy in the development of Lithuanian economy it is necessary to perform comparative analysis of the main economic and statistical indicators of the creative industries development.

**Comparative analysis of the development of Lithuanian creative economy**

In many advanced economies, the creative economy is now recognized as a leading sector in generating economic growth, employment and trade. Analysis shows that the creative industries in the EU accounted for 3.0 per cent of total employment and 3.3 per cent of gross domestic product (GDP) in 2008 (European Competitiveness Report, 2010).
In order to fulfil comparative analysis of the development of Lithuanian creative industries we examined some EU countries with the biggest share of creative industries in total employment and GDP (Table 1).

**Table 1. Contribution of creative sector to the national economies of some EU member states**

<table>
<thead>
<tr>
<th>Country</th>
<th>The share of creative industries in national GDP, %</th>
<th>The share of employees of creative industries in total employment, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
<td>2009</td>
</tr>
<tr>
<td>Germany</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Spain</td>
<td>2.3</td>
<td>6.7</td>
</tr>
<tr>
<td>Italy</td>
<td>2.3</td>
<td>9.0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>5.8</td>
<td>6.2</td>
</tr>
<tr>
<td>France</td>
<td>2.8</td>
<td>4.2</td>
</tr>
<tr>
<td>Denmark</td>
<td>3.1</td>
<td>5.3</td>
</tr>
<tr>
<td>Finland</td>
<td>2.6</td>
<td>3.1</td>
</tr>
<tr>
<td>The EU average</td>
<td>2.3</td>
<td>2.6</td>
</tr>
</tbody>
</table>


As we can see from the Table 1, the share of creative industries in GDP in the period 2003-2009 increased. Between 2003 and 2009, employment in the creative economy grew too. The reason of the difference in the size of the employment share of creative industries between analyzed countries lies in their disparate structure: United Kingdom and Denmark have larger share of audiovisual and computer software sector activities. Analysis shows that advertising is most sensitive to variations in the business cycle and the biggest share of employees is concentrated in this sector of creative industries (European Competitiveness Report, 2010). Researches show that various factors have contributed to the rise of the creative economy sector in analyzed countries. Key drivers of the development of the creative economy in the EU include innovation, information and communication technologies, talent, and skills. Other factors include wealth, leisure time and disposable household income, macroeconomic performance, and the initial level of the creative industry in the economy. Macroeconomic growth also explains the rapid increase in the overall share of the creative industries. Therefore, the EU countries with growth rates experienced higher than average increase in their employment share of creative industries (Table 1).

The creative economy sector is significant for Lithuanian economy. Data of Table 2 show creative economy sector’s contribution to employment, and its economic role in producing value added and revenues.

**Table 2. Contribution of creative sector to Lithuanian economy in 2005-2009**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of enterprises in creative industries (CI)</td>
<td>5412</td>
<td>5693</td>
<td>6149</td>
<td>6655</td>
<td>6456</td>
</tr>
<tr>
<td>The annual growth rate of enterprises in CI, %</td>
<td>–</td>
<td>5.2</td>
<td>8.0</td>
<td>8.2</td>
<td>-3.0</td>
</tr>
<tr>
<td>The share of CI in the total number of enterprises</td>
<td>7.5</td>
<td>7.8</td>
<td>8.0</td>
<td>8.4</td>
<td>7.1</td>
</tr>
<tr>
<td>Number of employees in CI</td>
<td>58149</td>
<td>59605</td>
<td>61297</td>
<td>63241</td>
<td>62293</td>
</tr>
<tr>
<td>The annual growth rate of employees in CI, %</td>
<td>–</td>
<td>2.5</td>
<td>2.8</td>
<td>3.2</td>
<td>-1.5</td>
</tr>
<tr>
<td>Total income of CI, million LTL</td>
<td>3492.2</td>
<td>4337.3</td>
<td>5420.8</td>
<td>6787.3</td>
<td>6504.7</td>
</tr>
<tr>
<td>The annual growth rate of total income in CI, %</td>
<td>–</td>
<td>24.2</td>
<td>24.9</td>
<td>25.2</td>
<td>-4.2</td>
</tr>
<tr>
<td>The share of CI in national GDP, %</td>
<td>4.8</td>
<td>5.2</td>
<td>5.2</td>
<td>5.5</td>
<td>5.0</td>
</tr>
</tbody>
</table>

*Source: Author’s calculation, Lithuanian creative and cultural industries, 2008; Main Indicators of Small, medium and Large Enterprises 2009, 2011; Structural Business Statistics Survey Indicators 2009, 2011.*

The data presented in Table 2 show that the contribution of creative industries enterprises in Lithuanian GDP grew from 4.8 per cent in 2005 to 5.0 per cent in 2009. The growth of enterprises in the creative economy sector was 19.2 per cent in 2005-2009 and the number of employees in the sector grew 7.1 per cent, which shows that this sector plays a significant role in Lithuanian economy.

The global economic crisis has had serious implications for the creative economy sector. As we can see from the Table 2 the growth of enterprises, employees and total income in 2009 decreased compared with 2008. There were various reasons why creative industries have been affected more severely than other sectors of Lithuanian economy. Firstly, falling consumer spending is expected to have a large impact on those industries that sell a large portion of their output to final demand (arts and entertainment; audiovisual
sector). Secondly, creative industries were affected indirectly as a result of intensive supply-chain linkages to other sectors. This concerned creative industries that have a large number of business-to-business transactions with industries that are badly affected by recession.

Analysis shows that one of the main ways of development of the Lithuanian creative economy is to apply the Lithuanian National Programme for Cultural and Creative industries. There is a plan to use the EU structural funds to implement this programme and its aims to specifically support synergy via system of arts, education, cultural infrastructure and creative business. The second way of the development of Lithuanian creative economy is establishment of arts incubator network using the EU structural funds (Creative industries policy in Lithuania, 2011). These support measures will help to develop creative economy sector.

Conclusions

1. The globalization and integration processes are having a major impact on the development of the creative economy. Today in many advanced economies the creative economy is recognized as a leading sector in generating economic growth, employment and trade. The researches show that from the economic perspective, the creative economy has been growing in many countries at a faster pace than the rest of the economy.

2. In order to understand the role of the creative economy, the development of the concept of creative economy was analysed. Researches show that the concept of creative economy has rapidly grown in the last ten years and it has developed globally in different ways in Europe, Asia, Australia, New Zealand and North America.

3. Researches have employed a number of definitions of the creative economy. The most usable definition of the creative economy was presented in the work of UNCTAD. UNCTAD indicated that the creative economy is an evolving concept based on creative assets potentially generating economic growth and development; it can foster income generation, job creation and export earnings while promoting social inclusion, cultural diversity and human development; it embraces economic, cultural and social aspects interacting with technology, intellectual property and tourism objectives; it is a set of knowledge-based economic activities with development dimension and cross-cutting linkages at macro and micro levels to overall economy; it is a feasible development option calling for innovative, multidisciplinary policy responses and interministerial action; at the heart of the creative economy are the creative industries.

4. Researches show that it is possible to highlight four approaches to the creative economy: creative industries, seen as a set of specific economic sectors; creative economy, which encompasses, in addition to creative industries, the impact of their goods and services on other economic sectors and processes; cities and creative spaces, in turn seen from the distinct perspectives; creative economy as development strategy.

5. Analysis of scientific literature shows that the concept of creative economy in the last decade has evolved in several directions. First, the term originated as a way to draw attention to the role of creativity in the current economic life, indicating that the economic and cultural development have interconnected effects of sustainable development process. Secondly, scientist’s attention is drawn to the rich cultural resources that exist in all countries and the importance of creative capital, as it allows individual countries to create jobs and ensure economic growth and participation in the global economy. Thirdly, the creative economy promotes social integration, cultural diversity and social human development.

6. For comparative analysis of development of Lithuanian creative economy we examined some EU countries with the biggest share of creative industries in total employment and GDP. Analysis shows that growth tendency of the share of creative industries in total employment and GDP for the period 2003-2009 is common to the United Kingdom, Denmark, Italy and other countries. At the same time, the share of creative industries in GDP is biggest in Italy, Spain, United Kingdom and Denmark. However, the share of employees of creative industries is biggest in Denmark, the United Kingdom and Germany. Researches show that the reason for the difference in the size of the employment share of creative industries between analyzed countries lies in their disparate structure.

7. It was revealed that the creative economy sector is significant for Lithuanian economy. Analysis shows that the growth tendencies of employment, enterprises, total income was typical for creative industries in 2005-2009.

8. It was determined that the global economic crisis had serious implications for the creative economy sector. The growth of enterprises, employees and total income in 2009 decreased compared to 2008. There were various reasons why creative industries have been affected more severely than other sectors of Lithuanian economy. Firstly, falling consumer spending is expected to have an important impact on
those industries that sell a large portion of their output to final demand (arts and entertainment; audiovisual sector). Secondly, creative industries were affected indirectly as a result of intensive supply-chain linkages to other sectors. This concerned creative industries that have a large number of business-to-business transactions with industries that are badly affected by recession.

9. Analysis shows that one of the main ways of the development of the Lithuanian creative economy is to apply the plan of Lithuanian National Programme for Cultural and Creative industries which gives opportunities to use the EU structural funds and aims to specifically support synergy via system of arts, education, cultural infrastructure and creative business. The second possible way of the development of the Lithuanian creative economy is the establishment of arts incubator network using the EU structural funds. These support measures would help to develop the creative economy sector.

References