Relationships between Heritage, intangible capital and cultural and creative industries in Italy: a framework analysis for urban regeneration and territorial development

Maria I. Simeon,^{1,a} and Assunta Martone^{1,b}

¹IRAT CNR Via G. Sanfelice, 8 Naples 80134 Italy

^am.simeon@irat.cnr.it, ^ba.martone@irat.cnr.it

Keywords: Heritage, intangible capital, cultural and creative industries, urban regeneration, territorial development.

Abstract. Culture is a powerful and unique driver for economic and socio-cultural development. But in Italy nowadays the absence of systemic and integrated vision of cultural sector brings economical and social benefits which are non adequate to the fields potentiality.

Starting from this premise, the paper focuses on the cultural sector in Italy and identifies a *interpretative model of local development activated by culture*, based on the relationships between heritage, intangible capital and cultural and creative industries. The model contributes to highlight from one hand the relationship between cultural sub-sectors, to the other hand the economic and cultural market spillovers that are determined within the cultural borders and in related sectors.

In this perspective, the paper provides also guidelines and policy implications to operators and policy makers to support - through tangible and intangible cultural capital - the urban regeneration and development of the territories.

Introduction

Culture is a strategical development factor both for economic spillovers and for benefits which produces in terms of social capital – quality of life and inclusion.

However in Italy nowadays the lack of a systemic vision in public policies, the reduction of cultural funding, a certain elitism in the conception of cultural production, the protection policies which not always have been associated to enhancement policies of cultural heritage, have determined a modest expansion both for economical and social benefits. Moreover, the market globalization and the increased competition of the cultural offer worldwide, have led to a weakening of the Italian competition model, with consequences also in the touristic sector. Indeed, the importance of heritage has brought Italy to benefit of advantageous position nourishing a vision of cultural heritage as a *gold mine*, an endowment which has led to neglect the needed cultural policies for development. The regain of Italian competitiveness could be triggered starting from local level of urban and territorial regeneration and must be based on major integration between heritage, tangible and intangible capital and cultural and creative industries. To analyze the relationship among cultural sub-sectors and between these and the activities linked upstream and downstream of the production chain in related sectors - tourism, trade, transport, but also building and agriculture - an *interpretative model of local development activated by culture* has been developed. The model, as a graphic way of example, on one side underlines fields and opportunity of local development based on creativity and culture, on the other one provides guidelines to support cultural policies.

The paper is organized as follows: in §1 is examined, at a theoretical level, the relationships among heritage, intangible capital and cultural and creative industry, in §3 is developed an *interpretative model of local development activated by culture*. Though culture determines economic and social effects, here it is explained only its economic consequences, both inside of cultural productive system and as *multiplier effect* in related sectors. The last section contains conclusions and implications.

1. Relations between heritage, intangible capital and cultural and creative industries

The Heritage represents a distinctive character of Italy. The country has 24 Protected Parks, over 3.400 museums and about 2.000 archaeological areas and parks, and it currently holds the largest number (47) of natural and cultural sites included in the UNESCO World Heritage List.

While in many activities of the cultural heritage production chain, Italy has long acquired significant competitive advantages – e.g., in theoretical and applied research, restoration, preservation, etc. - only from the mid-90s it has also placed an increasing attention to issues of management and enhancement and enjoyment of cultural heritage. In this regard, heritage is by now generally considered as a productive resource, and a strategic concept, for the development of local economies, using categories of studying and assessing, typical of economic analysis.

At the same time, it is well established the shift from the *punctual cultural heritage paradigm* such as monuments, museums, etc. – to widely recognized *paradigm of the widespread heritage*: development policies do not focus anymore on individual cultural resources, but on the integration of tangible and intangible cultural resources that see territory as a privileged framework and as an active player in the competitive dynamics. The strategic value of the territories (local heritage) is central in European policies, in guidelines of UNESCO and of other organizations (ICOMOS, ICCROM) engaged in different ways in the programs of protection, conservation and enhancement of cultural heritage.

Moreover, in the field of Cultural Heritage, programmatic guidance (and therefore the funded initiatives) puts by now at the core of the analysis the recognition of cultural identity and positive diversity of sites and communities; and focuses jointly on Heritage and intangible capital. Such guidelines underline a wider view of the cultural heritage *diffused* throughout the territory, focused on the relationships that connect resources to territories and communities which have produced them and identified as symbols. The concept of cultural capital currently includes both tangible capital - museums, archaeological sites, historic buildings, monuments, etc. - both intangible capital, ranging from artistic production, music, entertainment, high craftsmanship, the food and wine traditions and industry, traditional cultures to encompass *the whole of the lives and lifestyles of human communities*. The full recognition, even by UNESCO, of intangible cultural capital has been formalized through the establishment of "Intangible Heritage List" [1].

The relationships between tangible and intangible cultural capital produce significant economic and socio-cultural impacts. Territories endowed with tangible and intangible cultural capital are areas of great social and economic fertility, as they are rich in incentives and relational opportunities that foster the launch of new business initiatives and nourish a widespread planning.

The *tangible and intangible cultural capital* of a territory is also a strategic element of differentiation and competitive advantage in the tourism market [2, 3]. Its recovery is regarded as an essential process for the growth of the most fragile areas [4] and its touristic exploitation is a strategy increasingly used by territories to preserve their cultural identity and launch the socio-economic development. The intangible capital is able to both generate benefits to the local community and satisfy the needs and requirements of the tourists. On the one hand, the tourism based on intangible capital allows drawing a development strategy that generates potential growth also in related fields, enhancing the elements in which local communities identify themselves [5, 6] and strengthens the local identity of the community [7]. On the other hand, the tourism demand is more and more in search not for mass destinations, and pay more attention to cultural values, social, landscape and *food and wine* closely related to local identity [8, 9], wishes to learn new cultures, develop authentic experiences with residents [10, 11], discover the identity of places [12, 13].

It is generally considered that the connections between tangible and intangible cultural capital generate value also in terms of social development, both for the effects of cohesion and inclusion generated by culture, and of endogenous cultural development and production specialization [14,15]. In this latter sense, it is not just a matter to let grow the economies of culture, but to produce new economies having as a starting point the cultural capital, and putting them in a system with the other capitals e.g. for urban regeneration [16, 17, 18]. The same viewpoint underlies the creation of the

Cultural Districts [19, 20, 21, 22, 23] that allows to multiply the social capital and the creative potential of a territory [24, 25, 26, 27].

In the cultural sector one has to consider not only the connections between heritage and intangible capital, but also the relationships between them and the cultural (music, publishing, cinema, etc.) and creative industries. The emerging interest for the latter dates back to the publication, in 1998, by the UK Department for Culture Media and Sport, of the report on the state of health of a group of activities that were called "creative industries" [28]. Since then, this sector has been integrated into the cultural sector, orienting studies and research conducted in various countries. In Italy in 2007 MIBAC (the Italian Ministry of Arts and Culture) introduced this type of analysis as an integral part of the cultural system, from the drafting of the White Paper on Creativity, coordinated by W. Santagata [29]. Unlike that portion of the cultural industry related to the activities of mass communication, the creative industry produces goods or services of particular symbolic value. At the top of these activities we find the artistic creations and intellectual properties in general; but we also include all activities aimed at the development of innovative processes, to fashion, to design, embracing, by extension, the main "Made in Italy" products. The close interconnection between culture and creativity [30] is demonstrated by the fact that, if on the one hand, the former is one of the inputs of the latter, culture feeds the development of creativity. This is especially true for those urban areas where the ability to attract and retain talent is such as to promote them as a place of choice of cultural processes and execution of creative activities [31]. The intangible capital plays a strategic role also in the creative industry both in terms of social and human capital (knowledge, skills) but also for the contribution it makes to talent and innovation in production processes.

2. An analysis model of the cultural sector to local development

The value of culture as a major productive sector is currently the subject of increasing analysis: studies and research on the economics of culture are multiplying both nationally [29, 32, 33, 34, 35] and internationally. Emphasis is given, as outlined previously, to the contribution that industries and tangible and intangible cultural capital can bring to local development, also referring to the symbolic capital and to the image of a territory [36, 14]. Most of the studies owe their primary approach to the model developed by David Throsby [37]. To define the economic border of cultural and creative sector, we will assume the concentric model developed by Kea [38], in which the central core, called Core Art Fields, includes Heritage, Visual Art and Performing Arts; the next circle, called the Cultural Industries, includes the traditional cultural industries (film and video, tv and radio, videogames, music, book and press), while in the outer circle are located industries and creative activities (design, architecture, advertising, etc.), in which culture is a creative input for producing (not only cultural) goods.

However, the economic value generated by the culture in activities upstream and downstream along the production chain or in related activities: first of tourism, trade, transport, as well as construction and agriculture, is not limited at the border of cultural production system.

In order to analyze the relationships among sub-cultural sectors, and those between and the related sectors in terms of local development, an *interpretative model of local development triggered by the Culture* (Fig. 1) has been developed. The model, as a graphic simplification, indicates areas and opportunities for local development based on creativity and culture and can be a rational guide for policy development. The most important element in the model, that takes on the role of catalyst in the processes of cultural production and creativity, is given by the tangible and intangible cultural capital, which is the context within which they are mobilized in the economic and social resources of the territory. The three sub-sectors included in the cultural sector are those derived from the cited Kea model and include both the heritage and the assets where the culture and creativity are displayed in the production of goods and services of high cultural and symbolic value. The characteristics and the nature of the products and services offered promote models of business or "experiential" activities, which generate opportunities for local development. In addition positive externalities and a multiplier

effect in the production chain and in the related industries are determined, which in turn contribute to determine new cultural production and creativity in a virtuous circle of growth of the cultural market and endogenous development, already described in the model "From Art to Art" [39].

Obviously urban regeneration and territorial development could be led by valorization of tangible and intangible heritage and by cultural and creative industries only if these elements are structurally and regularly connected to the formative and research systems.

Though culture determines economic and social effects, here it is explained only its economic consequences, both inside of cultural productive system and as *multiplier effect* in related sectors, using data from the Symbola - Unioncamere report [35]. The report examines the firms operating in the cultural sector divided into four categories: Cultural Industries (e.g., music, films, videos, books and printing), Creative Industries (Made in Italy activities: design, architecture, Arts and Crafts, food and wine branding), Services for Heritage (museums, libraries, archives), Performing Arts and Visual Arts (performing arts, conferences and fairs, events). In 2012 the firms registered in Italy were 458.243, corresponding to 7,5 % of the total economic activity. They produced an added value of 75.519 billion euro which corresponds to approximately 5,4 % of the national economy. The sector employs 1,371 million workers or 5,7 % of total employment in the country; the trend of the employed in the sector is in contrast with national data. The contribution to the employment is due especially to creative industries (47% of added value, 53.3% of employment) and cultural ones (respectively 46,4 % and 39%), while the share is very low for the performing arts and visual arts (5.1% and 6%) for the peculiarity of their production (e.g., events of a single day). This value is even lower for private activities related to the historical artistic heritage, traditionally tied to public funding (1,4 % and 1,6%). The sectors that show the highest levels of mortality (film, video, radio and TV, books and printing) correspond to areas characterized by endemic fragility as not connected to a well structured productive and industrial system. By analyzing the contribution of cultural entrepreneurship for macro-allocations and by region, the more active role of the North-West and Central Italy (respectively 8,4% and 8,3% of the total companies, compared with an average of 7,5% Italy) emerges.

Fig.1 – Model of local development activated by Culture
Source: our elaboration

Within the cultural border, in addition to companies other institutions operating in the sector should be considered: Public Administration (PA) and the nonprofit. PA is aimed at the protection and enhancement of the heritage and support of the show business (music, dance, theater, film and publishing as well). Heritage and show business are at the *core* of our cultural and creative system and thus PA is strategic for the system development. The varied field of nonprofit tied to the cultural and creative activities include public or semi-public foundations that manage major cultural institutions (lyrical symphony foundations, Maxxi Museum, Egyptian Museum of Turin, etc.), private foundations (e.g., the Sandretto Re Rebaudengo Foundation, the Sturzo Foundation or the Basso Foundation), cultural associations, bank-foundations. If we include the PA and the nonprofit sector, the added value produced by the cultural sector rises to 80.8 billion euro (76 billion triggered by the enterprise system plus approximately 5 billion produced by PA and non-profit), while employment rises from 1.39 million to 1.48 million people. Such inclusion changes the impact of the cultural sector in the total economy, rising from 5.4% to 5.8% of added value, and from 5.7% to 6.1% of employment.

Finally, by examining the *multiplier effect* in the production chain and related industries, Unioncamere [34] indicates that in 2012 the cultural production system has given a multiplier in the economy of 1.7 (For every euro of value added –nominal- produced by activities / cultural firms, it trigger on average an additional 1.7 on the rest of the economy) [35]. In monetary terms, the 80.8 billion euro produced from the entire cultural production system generate in related areas nearly 133.4 billion euro, and so the cultural sector activates as a whole 214.2 billion euro. Consequently, the economic weight of the cultural system within the economy increases from 5.8% to 15.3%.

In detail, the creative industries produce a *multiplier effect* of more than 2.1 euro per invested euro. The activities related to the historical and artistic heritage generate a significant *multiplier effect* (2.0), which prove their *core* role for the economic spillovers, especially in tourism. It comes down to euro 1.2 for the performing arts and visual arts because, as said before, such activities do not have a structural form. The same happens for the cultural industries, equal to 1.2, since they include very *niche* activities (e.g. music or video games and software) and are characterized by the presence of many small businesses. From the geographical point of view, a slightly higher activation capacity of the North of the country (1.8) appears, the Centre is aligned on the Italian national average (1.7), while in the South every euro invested generates only 1.2 euro. Among the regions the first place is taken by Friuli Venezia Giulia, where the multiplier reaches 2.1, followed by Veneto (2.0), Tuscany, Lombardy and the Marche (1.9). The regions in which instead the multiplier takes on a value less than or equal to 1, are Molise (1.0), Sardinia and Calabria (0.9).

The sector in which the economic spillovers are most relevant is tourism. Italy remains one of the world's major destinations for cultural tourism, due to the significant historical - artistic heritage and local identity, due to its international reputation and the attractiveness linked to the values of *Italian Style*. Italy attracts every year more than 40 million tourists worldwide [40] and it ranked first in the 2011 Country Brand Index for attractiveness linked to the culture. The cultural industries, that are strongly linked to the history, knowledge and products of the territories, give a great contribution to tourist spending. The processing carried out by Unioncamere-ISONART for the National Tourism Observatory to 2012 show a tourism expenditure amounting to approximately 72.2 billion euro; the component activated by cultural industries is estimated at 26.4 billion euro, more than one third of the total domestic tourism expenditure [41].

Although, the important economic value produced by culture, a weakening of the competitiveness of Italian model has occurred, with repercussions on the tourist market which indicates a lower ability to attract and a consequent reduction of flows so that the country has been overcome by countries such as Spain and China.

The relevance of Italy's heritage has in fact led country to enjoy advantageous positions fueling a perspective according to which our cultural heritage is like a *gold mine*, a budget that has led to neglect the necessary cultural policies for development. If we examine the public intervention for the Italian cultural sector, we can see in fact that it has declined over the 2000s, in real terms, lining up

the levels of the late '90s, as evidenced by the publication (April 2013) of the Territorial Public Accounts 1996 - 2011. The situation has worsened in 2012-13: although the resources for the Ministry of Culture have increased, there have been reductions in financing of regions and local authorities. The latest Eurostat figures show the scarcity of expenditure in the Italian cultural sector as a share of GDP. Comparing the levels between 2005 and 2011, we note that Italy (already not a top spender in culture in the mid-decade) cut cultural spending during the financial crisis to a pathologically low level, currently the lowest in the EU [42].

Even the export of cultural goods and services, according to the latest (2010) UNCTAD Creative Economy report [43], suffers the loss of competitiveness of the country. Italy, in the top 20 exporters of creative goods is ranked fifth, after China, USA, Germany and Hong Kong, and fell from first to third place among the developed countries. Not only exports decreased in absolute values (less than \$200 million between 2005 and 2008), but also the domestic market share on world exports, which decreased from 8.35 % to 6.8% in the period 2005 – 2008. These data indicate of Italy's inability to adapt to the extreme dynamism of the sector and to the levels of growth of the competitor countries.

3. Conclusion and implications

The developed analysis underlines the strategic value of culture as economic and social productive factor. However, currently the absence of a systemic vision in public policy, the reduction of funding for culture, a certain elitism in the conception of cultural production, protection policies that have not always been accompanied by policies of promotion of cultural heritage, led to a modest expansion of the cultural market and of endogenous development. This happens also for the increased competition in the supply in the international area. In contrast, the culture needs to be transmitted to new generations, communicated to the target, and must produce another culture and creativity; otherwise it crystallizes and deteriorates, it becomes an economic burden and not a resource.

The recovery of competitiveness can be triggered by the urban and territorial regeneration in accordance with the local development model presented, which is based on the integration of heritage, intangible capital, and cultural and creative industries. In the differentiation strategies on global markets, the integration between these areas triggers a virtuous cycle as it strengthens local identity, avoids the risks and damage relating to the commodification of culture and produces benefits in terms of expansion of the cultural market and related sectors.

The positive externalities in turn contribute to feed both further specialization and productive expertise, and the *experiential* consumption of goods and services (performing arts, cultural tourism) that can be enjoyed only by visiting the places.

As an example we mention the model of local development of Trentino [44], where the stakeholders of the territory worked in a synergistic way to build a cultural offer which was integrated and communicated with a renewed image of a regional brand. The local resources- nature and culture- are the two main assets. On the one hand, the mountain and its values, such as environmental sustainability, biodiversity and the authenticity of the relationship between man and nature. On the other hand, the development of a culture capable of enhancing the beauty of art history and to consolidate the cultural initiatives. The implemented dynamics have resulted in the increase of tourist flows, as well as in a significant spillover on transports, hotel and food industries. In turn, the synergies activated in territories have determined competitive advantages also in terms of innovation and dynamism in cultural production chains.

References

- [1] UNESCO, *Convention for the Safeguarding of Intangible Cultural Heritage*, (2003)
www.patrimoniounesco.it/beniimmateriali/patrimonio_immateriale.htm
- [2] Urry J., *The tourist gaze* (2nd ed.), Sage, London (2001)
- [3] Richards G., Wilson J., *Developing creativity in tourist experiences: A solution to the serial reproduction of culture?*, *Tourism Management*, n. 27, pp. 1009-1223, (2006).
- [4] Nicolosi A., Racinaro L., Troby F., Sarullo V., *La valorizzazione delle aree marginali della Calabria: il caso del suino apulo-calabrese* in Atti della XXX Conferenza italiana di scienze regionali AISRE, Firenze (2009).
- [5] Palmer C., *Tourism and the symbols of identity*, *Tourism Management*, n. 20, pp. 313-321, (1999).
- [6] Pritchard A., Morgan N., *Culture, identity and tourism representation: Marketing Cymru or Wales?*, *Tourism Management*, n. 22, pp.167-179, (2001).
- [7] Ashworth G., Larkham P., *Building a New Europe: Tourism, culture and identity in the New Europe*, Routledge, London (1994).
- [8] Richards G., *Cultural tourism, global and local perspective*, Haworth Press, New York (2007).
- [9] Staniscia B., *Sviluppo locale e turismo. Un percorso di ricerca*, in Buzzetti L. e Montanari A. (a cura di), *Nuovi scenari turistici per le aree montane*, Valentina Trentini Editore, pp.51-80, Trento (2006).
- [10] Fusco Girard L., *Cultural tourism: from culture fruition to culture communication and production*, *International Journal of Services Technology and Management*, vol. 10(1), pp. 15-28, (2008)
- [11] Simeon M.I., Buonincontri P., *Local identity and creative capital in tourism: some examples in Italy*, in D. Vrontis, Y. Weber, R. Kaufmann, and S. Tarba (eds.), *Book Proceedings of the 2nd EuroMed Annual Conference*, EuroMed Press, pp. 394-407, ISBN: 978-9963-634-76-7 (2009)
- [12] Timothy D.J., Boyd S.W., *Heritage Tourism in the 21st century; valued traditiond and new perspectives*, *Journal of Heritage Tourism*, n. 1(1), pp. 1-16, (2006)
- [13] Sistu G., *Immaginario collettivo e identità locale. La valorizzazione turistica del patrimonio locale tra Tunisia e Sardegna*, Franco Angeli, Milano (2007)
- [14] Bertacchini E., Santagata W, *Atmosfera creativa. Sviluppo, creatività cultura*, in *Atmosfera creativa Un modello di sviluppo sostenibile per il piemonte fondato su cultura e creativita*, Bertacchini E., Santagata W, (eds), Il Mulino, Milano, (2012)
- [15] Trimarchi M., *The value of culture. Neverending debates need views and tools*, *Tafter Journal* n.69 (2014)
- [16] Landry C., *The Creative City: A Toolkit for Urban Innovators*, Earthscan, London (2000)
- [17] Florida R., *Cities and the Creative Class*, Routledge, London, New York (2005)
- [18] Carta M., *Creative city*, List, Barcelona (2007)
- [19] Sacco, P.L., Pedrini, S., *Il distretto culturale: mito o opportunità?*, *Il Risparmio*, vol. 51(3), pp. 101-155, (2003).
- [20] Santagata W., *I Distretti culturali nei Paesi Avanzati e nelle Economie Emergenti*, *Economia della Cultura*, XV, n. 2, pp 141-152, (2005)

-
- [21] Valentino, P.A., *Strategie innovative per uno sviluppo economico locale fondato sui beni culturali*, in Valentino P. A., Musacchio A., Perego F., (a cura di), *La Storia al Futuro. Beni Culturali, specializzazione del territorio e nuova occupazione*, Giunti, Firenze (1999).
- [22] Valentino P.A., *I distretti culturali: nuove opportunità di sviluppo del territorio*, Associazione, Civita, Roma (2001).
- [23] Lazzeretti L., *Note sul modello di distrettualizzazione culturale dei luoghi ad alta densità culturale*, Sviluppo Locale, XI, n. 26(2), pp. 73-89, (2005).
- [24] Coleman J., *Social Capital in the Creation of Human Capital*, *The American Journal of Sociology*, Supplement: Organizations and Institutions: Sociological and Economic Approaches to the Analysis of Social Structure”, vol. 94, pp. S95-S120, (1988).
- [25] Field J., *Social Capital*, Routledge, London (2003).
- [26] Putnam R., *Bowling Alone: The Collapse and Revival of American Community*, New York: Simon and Schuster, (2000).
- [27] Trigilia C., *Capitale sociale e sviluppo locale*, in Bagnasco Piselli, Pizzorno, Trigilia (a cura di), *Capitale sociale: istruzioni per l'uso*, Il Mulino, Bologna (2002).
- [28] UK Department for Culture Media and Sport (DCMS), *Creative Industries, Mapping Document* London, 2001
- [29] Santagata W. (eds.) *White paper on creativity in Italy, towards an italian model of development*, EBLA-CSS, Torino, (2009) downloadable from www.css-ebila.it
- [30] Trimarchi M. *The Economics and Policy of Creativity: The Italian Perspective*, *Creative Industries Journal*, vol. 2, n. 3, (2009)
- [31] Tinagli I., Florida R., (eds.), *L'Italia nell'era creativa*, Creativity Group Europe Milano, (2005)
- [32] Unioncamere-MiBAC Report, *Il sistema economico integrato dei Beni Culturali*, Study carried out by Unioncamere through the Institute Tagliacarne, (2010)
- [33] Siemens – The European House – Ambrosetti, *Gli indicatori e le politiche per migliorare il sistema Italia e la sua attrattività positiva*, (2003 - updated every year)
- [34] Fondazione Symbola, Unioncamere, *L'Italia che verrà - Industria culturale, made in Italy e territori*, (2012)
- [35] Fondazione Symbola, Unioncamere, Regione Marche, *Io sono cultura. L'Italia della qualità e della bellezza che sfida la crisi*, (2013)
- [36] Lash S., Urry J., *Economies of Signs and Space*. London: Sage. (1994)
- [37] Throsby, D. *Economics and Culture*, Cambridge University. Press, Cambridge (2001)
- [38] Kea, European Affairs, *The Economy of Culture in Europe*, Brussels (2006)
- [39] Mossetto G., *L'economia delle città d'arte*, Etas Libri, Milano, (1992), pag.71
- [40] TCI, TurisMonitor, Centre for Studies Italian Touring Club, Milan (2011)
- [41] ONIT Centre for Studies Italian Touring Club, Milan (2011)
- [42] Intesa Sanpaolo, servizio studi e ricerche, *La gestione del patrimonio artistico e culturale in Italia: la relazione fra tutela e valorizzazione*, Finanza Locale Monitor, (2011)
- [43] United Nations Conference on Trade and Development UNCTAD, *Creative economy Report*, (2010)
- [44] Linee Guida per la politica turistica provinciale, Provincia Autonoma di Trento (2011)