The Case for Cultural Economic Clusters

Commissioned by WESTAF

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HALO Partners, LLC
January, 2003

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Executive Summary

Economic clusters – companies and institutions located in close proximity and linked by specific economic activities – have existed throughout history. However, the focus of economic clusters has changed from the natural advantages of a specific location to the skills responsible for productivity and innovation. Economists increasingly believe that economic clusters are the primary engines of growth, and clusters are thus frequently informing economic policy decisions at the state and local level.

While cultural activities and institutions have traditionally been outside this economic policy debate due both to a lack of data and different values, there is piecemeal and anecdotal evidence that supports the inclusion of cultural organizations within an economic cluster approach. Examining cultural activity through the lens of economic clusters provides an opportunity for many institutions to rethink the links between seemingly disparate activities and organizations. Organizing a cultural economic cluster begins with identifying your economic community and collecting data: this paper posits three frameworks for cultural economic clusters and summarizes case studies of five current clusters that include cultural activity.

Summary and Definition of Economic Clusters

Clusters of similar economic activity have existed since the origin of commerce: farmlands were concentrated in fertile valleys; trading posts sprung up at the intersection of commercial routes; boat-builders located near busy ports. These economic clusters were initially characterized by inexpensive costs due to location – access to natural resources like coal or water, a favorable climate, or cheap labor. Often these clusters were accelerated as a set of skills or crafts were developed and passed down from generation to generation. Many of our modern economic clusters owe their heritage to geographic advantages: the wine clusters in California’s valleys; lobster harvesting in Maine; filmed entertainment in Los Angeles. However many other clusters have risen without emphasis on geographic resources: the automobile industry in Detroit; aircraft equipment and design in Seattle; insurance products in Hartford, Connecticut; and carpet manufacturing in Dalton, Georgia.

What then defines a modern economic cluster? Much of the current thinking around economic clusters is largely due to the work of Michael Porter at the Harvard Business School. Porter stresses that -- particularly in developed economies -- the advent of a global marketplace where resources and workers move freely and a continued shift from manual labor to knowledge-based service industries has changed the focus of economic clusters from location-based cost advantages to superior productivity and innovation. In the view of Porter and other economists, economic clusters are a dominant feature of virtually every national, regional, state and even metropolitan economy.

The Institute for Strategy and Competitiveness at the Harvard Business School, headed by Porter, has engaged upon a Cluster Mapping Project (CMP) to assemble a detailed picture of the location and performance of economic clusters in the United States. Increasingly, their definition of an economic cluster is taken as the standard: “a geographically proximate group of interconnected companies and institutions in a particular field.” Within this definition
there is a tradeoff between geography and connection: as the geographic area increases, the connections need to be tighter and more direct. Connections between both companies and institutions can include a similarity of products, services, customers, suppliers and materials, learning institutions, or worker skills. The individual institutions in a cluster often have a set of both common opportunities and threats. In addition, the members of a cluster will have usually share network externalities: products or services that increase in value as more people use them (such as a telephone). For example, an organization within an economic cluster may invent a technology or process that in turn benefits the entire cluster.

Economic clusters, like families, are unique. A key insight posited by economic cluster theory is that the classic definition of an industry – a group of similar companies engaged in the same business -- fails to capture the important and often delicate influence of peripheral companies or institutions. Defining regional or local economic activities by simply looking at similar companies is not enough. To accurately gauge economic contribution, one must look beyond a fixed set of companies or a single industry to a cluster of related and supporting activities.

For example, the California Wine industry is generally considered to consist solely of companies that make and sell wine. In contrast, Porter maps the California Wine Cluster to include suppliers essential to the harvesting and bottling of wine, government agencies and other organizations that support the wine business, and other influential clusters, including Agricultural, Tourism, and Food and Restaurants:

As can be seen by this graph of activity, an economic cluster involves companies and establishments that are not often considered similar businesses, such as irrigation technology,
bottle manufacturers, research organizations, and wine publications. Economic clusters generally also:

- contain organizations that compete fiercely in some areas and collaborate in others;
- include not-for-profit entities, including universities, research institutions, and associations;
- are primarily demand-driven in that they strive to meet the needs of customers or clients;
- arise organically without third-party assistance (this separates clusters from “incubators” which are set up to house similar organizations);
- have life cycles, where they can exist in embryonic, growth, mature, or declining stages; and
- may consist of more than one industry, just as an industry may belong to more than one cluster.

The benefits of economic clusters are varied. For individual companies and institutions, these benefits include access to suppliers, resources, and a pool of skilled labor. In addition, the competition essential to economic clusters boosts efficiency and effectiveness, and increases specific and detailed knowledge. Economic clusters increase productivity, stimulate both the direction and pace of innovation, and increase the formation of new enterprises. Economic clusters tend to create a virtuous circle: as individual establishments become more innovative and productive, they in turn attract more workers and inspire new businesses. The impact on a community can be significant: higher wages and employment, an increase in career opportunities, better skill development through training programs, and increased entrepreneurial activity.

Porter further draws a distinction between “local” and “traded” clusters: local clusters have goods and services which are both produced and consumed in roughly the same geographic area; traded clusters sell their products and services both locally and to other regions and countries. In Porter’s view, “while local industries account for the majority of employment, traded industries are the dynamic core of a regional economy” (Porter, 2001).

It is useful to examine some of the criteria that are used to both establish and measure an economic cluster. In its analysis, the Cluster Mapping Project looks at a number of quantitative criteria, including both discrete and temporal data for average wages, employment, the number of patents issued and cited, venture capital investments, initial public offerings, and other signs of a burst of economic activity. Critical to the measurement of a cluster is “Location Quotient” (LQ) which measures how concentrated a variable is in an economic cluster compared to the rest of the United States. For example, if the wine cluster accounts for 2% of all employment in the U.S., but accounts for 6% of employment within California’s central coast, it would be evidence of an economic cluster. Location Quotients are usually measured as a ratio with local figure above the national. In our hypothetical example of the wine cluster, this ratio is 3; a ratio above 1 is generally considered support for the existence of an economic cluster.
Economic Clusters and Public Policy

As economic cluster theory has gained momentum in the academic and business community, it has also become an established part of local and regional economic policy. In April of 2002, state economic development teams from ten central and western states\(^1\) gathered together at a meeting sponsored by the National Governors Association and the Council on Competitiveness to discuss how to develop and nurture economic clusters. Numerous other states and municipalities have economic cluster programs in place, including Connecticut, Florida, Massachusetts, Chattanooga, Pittsburgh, Tucson, and Rochester. Across the country, state and local development agencies have begun programs to better understand and promote economic cluster activity. Many local companies and institutions have recognized this policy development, and have begun to organize their clusters, develop infrastructure, and reach out to state and local agencies for recognition and support.

The economic cluster approach to local economic development is a significant shift from traditional policy approaches, which often consisted of substantial tax incentives to attract large corporations or manufacturing plants that would provide numerous jobs. The type of economic development is analogous to hunting: identify attractive companies, capture them and bring them to a local region. Economic cluster development is more like gardening: see what has already sprouted in the local business environment, provide specialized resources and nurture it to fruition. Policymakers can use economic cluster theory to help garden economic development in three ways: to better understand a regional or local economy and the sources of its competitiveness; to promote greater collaboration among cluster members; and to maximize the impact of government services.\(^2\) As state and local policymakers increasingly turn to cluster-based frameworks to guide their decisions, establishments that recognize and organize their existing economic clusters will naturally accrue advantages.

The National Governor’s Association (NGA) argues that an economic cluster approach “suggests new policies for strengthening and sustaining economies that enable governments to be more strategic, systematic and efficient in their use of public monies.” These policies address public roles in “service delivery, investments, accelerated learning, and workforce preparation” (NGA, 2000). Clearly state and local governments have tremendous influence on economic development, and the impact of this sustained public attention should not be underestimated. States and municipalities have numerous and varied programs in place that support university-based research and development, small business services, workforce training, and regional marketing, in addition to more direct investments in specific industries.

The NGA notes that for a group of institutions, “gaining recognition as a cluster has political significance … because it draws attention from funding agencies, aides in establishing an international reputation or accepted trademark in the marketplace, and attracts specialized resources” (NGA, 2002). In addition, designated economic clusters benefit from a feedback loop, as they are able to pass on information and requests to policymakers and local authorities to better enable them to serve their customers and meet their goals. This, in turn,

\(^1\) Participating states were Colorado, Idaho, Missouri, Montana, Nevada, Texas, Utah, Washington, Wisconsin and Wyoming.
better connects businesses and organizations with their policymakers, as both parties can more clearly see the benefits of their actions.

State and local policy has a number of levers to affect economic cluster development. The NGA posits some of these economic policy options in four broad areas of activity:

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<thead>
<tr>
<th>Organize service delivery around clusters:</th>
<th>Develop human resources for clusters:</th>
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<tr>
<td>• Aggregate, collect and sort information by cluster</td>
<td>• Develop a skilled and specialized labor force</td>
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<td>• Form cross-agency quick response teams</td>
<td>• Engage community-based employment intermediaries</td>
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<td>• Encourage and support multiform activity</td>
<td>• Qualify people for cluster employment</td>
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<td>• Build incentives for multiform applications to funding programs</td>
<td>• Establish cluster skill centers</td>
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<td>• Support regional skill alliances</td>
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<th>Strengthen networking and build bridges:</th>
<th>Target investments to clusters:</th>
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<tr>
<td>• Establish or recognize cluster organizations and alliances</td>
<td>• Invest in cluster R&amp;D and innovation</td>
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<tr>
<td>• Facilitate external linkages</td>
<td>• Invest in cluster technology centers or parks</td>
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<tr>
<td>• Encourage cluster communications channels</td>
<td>• Support cluster entrepreneurial activity</td>
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<td></td>
<td>• Market clusters and build cluster markets</td>
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Source: National Governor’s Association, 2002

As policymakers continue the progression toward economic cluster-based initiatives, one of their most challenging roles is to produce favorable conditions and incentives for economic clusters without themselves becoming too invested in the success of any particular cluster. Particularly important is the idea that economic clusters should first exist outside any policy initiatives. Porter argues “to justify cluster development efforts, some seeds of a cluster should have already passed a market test” (Porter, 1998). On the necessity for policymakers to remain neutral between clusters most sources agree. “Governments should not choose among clusters” Porter maintains, and should “reinforce and build on existing and emerging clusters rather than attempt to create entirely new ones” (Porter, 1998). The NGA concurs: “Policymakers should remember that clusters are bred, not constructed ... Public policies may have been a catalyst for growth, but usually inadvertently and rarely with the intent of starting a cluster” (NGA, 2002). Clearly the primary responsibility for the recognition and development of any economic cluster starts with the cluster members themselves.

The Case for Cultural Economic Clusters

Do cultural activities and organizations merit the status of an economic cluster? Historically, this question has been difficult to answer, due in part to the lack of data. This paucity of information has a number of causes. Among these is the dominance of the Standard Industrial Code (SIC), a format begun in the 1930s that lists 88 major industries and which has been used to collect and sort most economic data. On the rare occasion where these codes reflect cultural activity, the benefits are split into a variety of categories that merge cultural and noncultural accomplishment together (for example lumping all video production or publishing
into a single subcategory). The SIC codes do not collect, either piecemeal or holistically, the impact of cultural activities and organizations. Once this trend is begun, it dies hard: while 41 types of clusters were identified as part of Porter’s Cluster Mapping Project, many of them draw on the SIC data and none suffice as a gauge for cultural activity. A second reason for a lack of data is the arts’ long history as an unrecognized, and largely unreciprocated, research and development arm for numerous private sector businesses, including filmed entertainment, publishing, design, advertising, recording, multimedia, and architecture. While these industries have been happy to reap the benefits of artistic skill and innovation, they rarely quantify, or even acknowledge, the contribution of cultural institutions.

The recognition of an economic cluster still heavily depends on terms and conditions found in private industry. An example of this is the measurement of patents to gauge innovation. An accurate measure with wide acceptance in the commercial world, where even the most simple business processes have been granted protective patents (e.g. Amazon’s “One-Click” internet shopping feature), patents are not found in even the most innovative cultural accomplishments -- although one wonders what would have happened if patents were granted for cubism, Bauhaus design, or the view of the Grand Canyon at sunset. Moreover, many of the characteristics of an economic cluster are relatively new to the arena of cultural institutions. Chief among these values is competitiveness. “Without vigorous competition,” Porter argues, “a cluster will fail” (Porter, 1998). Only recently have cultural institutions -- most of them nonprofits -- begun to understand their role in competition for audiences, a skilled workforce, funding, and other resources.

The challenge, under these circumstances, is to find a framework that accurately captures the diverse economic contributions of cultural organizations and activity. It is neither within the scope nor talent of this paper to define culture. Culture is vibrant and evolving; it means different things in different places. However, in the same way that economic cluster theory forces a new examination of traditional industries, the attempt to define a cultural economic cluster means rethinking the linkages between cultural institutions, enterprises and businesses previously thought separate. There is a particular need to both connect discrete notions of cultural activities, and to partner nonprofit organizations with private industry.

When examining culture through the lens of economic activity, it is useful to start with a wide angle. One begins with the arts, humanities, and historical preservation. This should include not only the performing arts, but also archives -- including historical museums and buildings, national landmarks, and libraries. Educational institutions also form a building block of culture, both in their programming, in specific courses of study in subjects such as music and art, and also in design, architecture, and creative writing. For example, the cultural activities at Harvard University make it the largest nonprofit arts employer in all of New England. A number of other organizations may offer a wide variety of cultural programming, such as a choir or book group at a church or local recreation center. Central to our nation’s cultural heritage are our national and state forests, bodies of water, and other designated open spaces.

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3 Although the SIC codes are being converted to North American Industry Classification System (NAICS) codes in an attempt to update them, a search for “culture” yields no appropriate code while a search for “arts” yields the traditional lumping of discrete elements: NAICS Code 71: Arts, Entertainment and Recreation.
4 The CMP clusters include a number that encompass cultural activity, such as Education and Knowledge Creation; Entertainment; Hospitality and Tourism; Publishing and Printing; and Textiles.
5 New England Council, 2000
and any broad cultural matrix should include the environmental organizations that sustain, nurture and protect them. These cultural activities and organizations -- often in geographic proximity but usually thought of as distinct -- share customers, market their activities through the same channels, draw funding from similar sources, and require specific administrative skills. They are often in competition for audiences while sometimes collaborating on programming. It is important to draw limits: not every book is a cultural experience, and not every community park is national treasure. But the idea of what constitutes similar cultural activity needs to be rethought. Ultimately each community will need to examine their institutions and values to see if they merit recognition and organization as a cultural economic cluster.

Despite the circumstances that divide and marginalize cultural activity and institutions, piecemeal data suggests that their economic impact is substantial. A recent study found that the nonprofit arts industry alone consists of $36.8 billion in annual revenue with organizations supporting 1.3 million full-time jobs. The benefits are widespread: $3.4 billion in revenue at the federal level, $1.2 billion at the state level, and $790 million at the local level. In 1998, consumers spent $9.4 billion on admissions to performing arts events, compared to $6.8 billion on motion picture admissions. In 1996, sixty-six million Americans and eight million visitors from other countries were cultural heritage tourists, contributing an estimated $164 billion. Copyright industries -- including film, video, music, publishing, and software and which often have cultural creation at their genesis – currently generate roughly $450 billion in annual revenues, with an estimated 7.9 million workers. This data and anecdotal evidence suggests not only that cultural economic clusters exist, but also that they are vibrant contributors to local and regional economic development.

Organizing a Cultural Economic Cluster

Economic cluster theory can be vast, academic, and intimidating, particularly to cultural organizations that find the predominance of business and commercial language and practice overwhelming. However, at its core the theory is fairly simple: to which economic community do you belong?

To begin to answer this question, try first to imagine your enterprise as part of an economic cluster. What products and services do you offer, and are there other organizations in your area that are similar? Who uses these services or attends your programs, and what other activities do they engage in? What services and resources does your organization regularly use, and who provides them? Where do you market or advertise these services or products? With which organizations do you collaborate? With which do you compete? Where do the funds for your organization originate, and what other local institutions receive funds from the same source? Who are your board members, and what other organizations are they involved

6 National Governor’s Association, 2001
7 National Endowment for the Arts, 2000
8 Donohue, 2001
9 Center for Arts and Culture, March 2001.
10 A helpful resource with links to numerous data sources is “Understanding Your Industries” from the Hubert H. Humphrey Institute of Public Affairs: www.hhh.umn.edu/centers/slp/projects/edweb/uyihom.htm
in? What are the skills of your employees, and which other organizations also depend on these skills? What educational institutions provide areas of study or research in your organization’s activities? Do members of your organization belong to any formal or informal groups or associations or regularly attend meetings? Answering these questions will give you some idea of the members of your economic cluster.

The next step in evaluating a hypothetical economic cluster is to gather data. While this is not always easy, it will be essential in quantifying your approach. You will need to try to gather both overall data for the local or regional community in which your establishment is based; much of this can be found at a local chamber of commerce or state organization. Your will also, as much as possible, need to try to find data on the group of establishments that constitute your economic cluster. For both your region and cluster you should try to determine overall employment, earnings, wages, and number of organizations. If you can compare cluster, overall geographic area, and national data, you will be well on your way to determining the status of your cluster.

Research your local economic development and policy initiatives, as it is possible that there is economic cluster activity in your area. If so, use the data to benchmark your hypothetical cluster against existing clusters. You may also want to include some qualitative data in your analysis, as policymakers may balance economic activity with other factors. Does your hypothetical cluster make a positive contribution to the environment? Does it provide skill training or any infrastructure? Does it target an underserved community? And does it contribute positively to quality of life or quality of place?

Do not be surprised if your cluster is not yet a churning economic engine. Many economic clusters are underutilized or in an early stage of development. However, the recognition and formation of cultural economic clusters will help assure that cultural activities are recognized and supported by the public and private sectors, that their economic contributions are fully realized, and that they receive support and resources to thrive. There are numerous ways a community might recognize and define its institutions as a cultural economic cluster; this paper offers three frameworks:

1) **Formalize the connection between nonprofit and commercial activities.** In many instances, the line between nonprofit arts and commercial businesses continues to blur. Books published by nonprofit presses are sold in commercial bookstores besides for-profit publishers; actors trained in university drama departments move seamlessly between multimillion-dollar films and nonprofit theatre. Another example is tourism, America’s third-largest retail sales industry. The industry has long focused on “cultural tourists” who will often combine or arrange their trip to visit a museum, hike in a natural park, tour a historic district, and stopover at a national monument, all while contributing to commercial businesses such as hotels and restaurants. Some cultural programming is being designed to leverage the connections between both private and nonprofit organizations -- such as the public television series on Jazz with CDs available from Sony Music -- or to connect disparate cultural activities, like outdoor concerts in natural amphitheatres. Other industries with strong connections between the cultural and the commercial include design, architecture, and regional crafts. A cultural economic cluster could explore and combine these strengths.
2) Establish cultural activities as central to innovation. While innovation has become the primary driver of economic growth, the economist Paul Romer maintains that ideas are the engine of innovation: “We used to use iron oxide to make cave paintings, and now we put it on floppy disks. The point is that the raw material we have to work with has been the same for all human history. So when you think about economic growth, the only place it can come from is finding better ‘recipes’ for rearranging the fixed amount of stuff we have around us.”

Ideas are often the product of education, and Porter maintains that “universities and specialized research centers are the driving force behind innovation in nearly every region.” (Porter, 2001).

Arts and cultural activities have long been at the core of education, and have a major role in student learning and preparing a workforce for the knowledge economy. Research consistently shows that consistent participation in arts programs lead to increased academic and creative achievement. Moreover, the link between the arts and technology is well documented. For example, a recent book by the artist David Hockney suggests that the dramatic increase in painting realism around 1420 was due to the sudden appearance and use of optical lenses; a theory that Charles Falco, a professor of Optics at the University of Arizona, examined contends that “a jury of scientists would convict.” Artists have consistently pushed the technical creative envelope, and were among the initial users and promoters of new technology in a variety of media. Increasingly, the development, production and marketing of commercial products involve people with creative skills: advertising, graphic design, creative writing, drafting, and new media. Recognition of the importance of innovation as a result of creative activity could help center a cultural economic cluster.

3) Confirm cultural institutions as central to “quality of place.” A growing body of work maintains that central to economic development is the ability to attract what Richard Florida has termed the “Creative Class” – the 38.3 million Americans, roughly 30 percent of the U.S. workforce, who engage in creative problem-solving, often drawing on complex bodies of knowledge. Florida points out that the New Economy – the same knowledge-based and technology-infused industries that form the basis of many economic clusters – depends on these creative workers, and that talent has become the critical factor of production. Florida’s points out the difference in average salary for a member of the creative class ($48,750) and the working class ($28,000), and that in high-growth areas such as Austin, Boston and Raleigh-Durham, 35 percent of the workforce is the creative class, compared with small metropolitan areas such as Victoria, Texas, and Jackson, Tennessee with less than 15 percent.

Florida maintains that primary among the factors determining quality of place are environmental quality, a vibrant music and performance scene, and natural and outdoor recreational opportunities, and that these factors are often more important to the creative class than salary, career advancement or job security. This idea of quality of place suggests a cultural economic cluster: a nexus that combines nonprofit culture, private entertainment and

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11 Collaborative Economics, 2001
12 Collaborative Economics, 2001
13 “Was It Done With Mirrors,” 60 Minutes, December 1, 2002
14 Florida, 2002
hospitality, recreational preservation, and urban revitalization. It is important to note that the attractiveness of a location is due to this combination of cultural and recreational factors, and not any single amenity. The Creative Class is less interested in “high” arts and culture, and Florida has performed through quantitative analysis which confirms that “there is not a clear relationship between arts and culture and either high technology industries or the ability to attract knowledge workers” which suggests that “while arts and cultural amenities are helpful in attracting high technology industries and knowledge workers, they alone are not enough, as other amenities come into play”\(^{15}\) Again, the advantage of economic clusters is to move beyond traditional industry to recognize and unlock the synergies between different cultural contributors.

### Cultural Economic Clusters: Case Studies

Despite the growing volume of literature on economic clusters, there is a paucity of examples of documented cultural economic clusters. This vacuum has at its root many of the same difficulties with rigid definitions and a lack of quantitative information. However, there are some communities – regional, state and local -- that are beginning to challenge conventional thinking and suggest viable cultural economic clusters.

**New England:** In an ambitious undertaking, a consortium of regional, state and local organizations headed by the New England Council spent three years on the “Creative Economy Initiative,” cataloging the impact of cultural arts on the regional economy. The report posits a “creative economy” consisting of three categories: a creative cluster of “enterprises and individuals that directly and indirectly product cultural products;” a creative workforce of “thinkers and doers trained in specific cultural and artistic skills;” and a creative community geographically located with a “concentration of creative workers, creative businesses and cultural organizations.” These definitions include both nonprofit and commercial organizations, creative workers in non-creative industries, and the report notes that the components are not exclusive. The report found that the “creative economy” employs 245,000 New Englanders\(^{16}\) and is growing at a rate of 14% compared to 8% in the region overall, and brings in nearly $6.6 billion in revenues from cultural tourism alone. The report explains the creative economy as consisting of the following:

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\(^{15}\) Florida, 2000

\(^{16}\) Preliminary research found that nonprofit cultural organizations provide 111,270 jobs, of which 25,000 are full-time, suggesting that the vast majority of these 245,000 jobs were in private industry.
NEW ENGLAND’S “CREATIVE CLUSTER”

Nonprofit Institutions:
- Historic Sites
- Film and Video
- Museums
- Festivals
- Media
- Libraries
- Performing Arts

Commercial Activities:
- Publishing
- Graphic Design
- Architecture Firms
- Advertising
- Interior Design
- Industrial Design
- Media

Activities:
- Recording Studios
- Commercial Theater
- Film and Video Production
- Photographic Studios
- Galleries and Auctions

Individual Artists:
- Musicians
- Photographers
- Craftspeople/Artisans
- Writers
- Actors
- Artists
- Dancers


Key Economic Infrastructure Providers: Colleges and Universities, Arts and Cultural Agencies, Philanthropy, Unions, Business Associations.

While the report is a useful and instructive exercise and goes to great length to throw light on the economic impact of cultural and related activities, it does not sufficiently encapsulate an economic cluster that would pass muster using objective criteria. Primary among its difficulties is the lack of any tradeoff between scale and scope: New England’s creative cluster is both geographically large and features a wide disparity of institutions. Ultimately, most of the institutions across so wide a region simply do not have meaningful economic linkages. The report can be viewed at: www.nefa.org/connect/nec/nec.html

Louisiana: The Louisiana Economic Development Council has centered its economic development plan in a document entitled “Louisiana: Vision 2020.” The plan focuses on three goals: the recreation of the state as a learning enterprise; shifting emphasis from business recruitment to retention, creation and growth; and the preservation, development, and promotion of Louisiana’s natural and cultural assets. In pursuit of these goals, the state has restructured its economic development process around nine industry clusters, including entertainment.

There are active entertainment clusters in New Orleans, Baton Rouge, Shreveport and Lafayette and four other cities with entertainment clusters under development. The entertainment cluster consists of five major areas: Live Entertainment, Film, Music Videos, Music Talent, and Tourism. In addition to commercial companies, these categories include nonprofit performance venues, public broadcasting, eco- and cultural tourism, as well as a variety of teaching, training and preservation organizations. In addition to providing resources, the state legislature has passed a tax incentive package (for example, eliminating the live performance tax) to spur economic development.

www.lded.state.la.us/secretary/vision2020.asp
**Toronto, Ontario:** Toronto, in partnership with the Ontario Ministry of Economic Development and Trade, commissioned an independent study of its competitive position. The study assessed 10 major industry clusters, including fashion and apparel; media; and design.

The fashion and apparel cluster includes more than 550 manufacturers and 3,000 fashion retailers. Five local educational institutions with programs that focus on design, technical skills, merchandising, production and management support the cluster. In addition, other policy initiatives include the Fashion Industry Liaison Committee, the Apparel Human Resource Sector Council and the Toronto Fashion Incubator, which offers shared production facilities, studio rentals, office assistance, seminars, and promotional opportunities. The media cluster includes film, radio, television and new media, and feature a number of companies involved in creative work in post-production, special effects, animation, as well as the Toronto Film Festival. Performers hone their skills in the nonprofit and commercial theatre industry, and seven local colleges and universities provide talented graduates and research opportunities in related fields. There are also numerous federal and provincial tax credits and subsidies for foreign film producers. Toronto has also supported a nascent design cluster, including sponsorship of the Interior Design Show and the Canadian Interiors Magazine Awards. As it formulates an action plan for the design cluster, Toronto continues to explore a design industry tax credit initiative.

[www.city.toronto.on.ca/economic_profile/clusteroverview.htm](http://www.city.toronto.on.ca/economic_profile/clusteroverview.htm)

**New Haven, Connecticut:** In late 1999, a group of leaders from New Haven worked with Michael Porter’s Initiative for a Competitive Inner City to assess New Haven’s business environment in order to highlight areas in which the city performs well and emphasize private business development. The group completed detailed strategies and action plans for six target clusters, including one for arts, entertainment and tourism. With a focus on community, business and government leaders, the report concentrated on three areas. First, the report recommended an emphasis on building competitive urban businesses through cluster leadership, increasing site availability and lab spaces, and increasing business support services and access to capital. Secondly, develop competitive residents by improving workforce skills in each of the identified clusters through placement initiatives, customized training, and reforming K-12 education. Third, create a competitive city by increasing availability of development sites and enhancing perceived and actual security in urban areas.

[www.state.ct.us/ecd/Clusters/images/newhaven.pdf](http://www.state.ct.us/ecd/Clusters/images/newhaven.pdf)

**Humboldt County, Oregon.** Humboldt County has identified nine base industry clusters, including arts and culture, as key to their economic development. Supporting the belief that clusters are market-driven, the County constructs programs and services to match the clusters identified needs. Job creation remains the responsibility of the private sector, and public-private partnerships are formed to direct resources to specific cluster needs, including network development, specialized infrastructure, and job training programs.

The arts and culture cluster is composed of eleven companies in five sectors: Jewelry, Glass and Pottery, Museums and art galleries, Theatrical production, and Dance studios. The

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17 Similar to Porter’s “traded” and “local” clusters, Humboldt County divides its activity into “base” clusters that that sell goods and services to nonresidents of the region, and “support” clusters, which provide goods and services within the community. In addition to the nine base clusters, Humboldt also names ten support clusters.
country identified five specific goals and worked to delineate key issues, future opportunities, industry needs, and specific projects to spur the economic activity of the arts and culture cluster. Among the goals of the initiative is a $10 million endowment for support of arts and culture. [www.northcoastprosperity.com/new_economy/newecon.html](http://www.northcoastprosperity.com/new_economy/newecon.html)

**Conclusion:**

Economic cluster theory is quickly becoming a staple of economic policy at a state and local level. Although economic clusters are flexible in both definition and approach, they depend heavily on rigorous quantitative methods and statistics -- terms that have not always been friendly to cultural organizations. Still, as a number of case studies show, there are a variety of ways for cultural institutions to organize themselves as part of an economic cluster. To do so, cultural groups will need to rethink how they view themselves and their contemporary organizations, and are likely to require partnerships with institutions with which they have had little shared knowledge or experience. It will be particularly important for cultural institutions to expand beyond any current industry definition or group of organizations with similar activities. Any cultural economic cluster, if it is going to have a chance to compete alongside current economic policy structures, must reach out beyond the traditional nonprofit arts and cultural field. However, for the cultural organizations that can manage this transformation, there is the potential to harness, quantify, and unleash broad economic potential, allowing cultural establishments to securely place themselves within the economic frameworks of their communities.
Sources

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