Culture in local and regional development: A Mediterranean perspective on the culture/economy nexus

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Culture in local and regional development: A Mediterranean perspective on the culture/economy nexus

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This policy paper discusses the direct and indirect role of culture as a driver of local and regional development. It identifies the interactions between local framework conditions, culture, creative industries, culturally relevant products and local development, and discusses the systemic role of culture in translating local framework conditions such as diversity, creativity and experimentation into local or regional development impacts such as economic growth and employment. Case studies from two Mediterranean countries, Cyprus and Israel, illustrate the link between culture and local development. In the final part of the paper, conclusions for local and regional policy are drawn and key recommendations are presented with a particular focus on Mediterranean countries.

Culture and creativity have become a major theme in local and regional development, driven by ideas such as the “creative city” (Markusen 2006; Markusen and Gadwa 2009) or the “creative class” (Florida 2004). Just how to develop local or regional economies around the vague notion of “culture” is far from clear. To enable evidence-based policymaking on the local or regional level, it is necessary to come up with a clearer idea on the ways in which culture and creativity affect economic indicators such as value-added and employment, and to define policy interventions capable of promoting these interactions.

Mediterranean countries offer an interesting context to study the role of culture as a driver of local and regional development. This is because of the popularity of Mediterranean culture(s),¹ the global success of Mediterranean cuisine(s), and the opportunities to link cultural assets in Mediterranean countries with (cultural) tourism. This is why the present paper puts a focus on Mediterranean countries.

The present paper proposes a framework for understanding the direct and indirect relationships between culture and local economic development, presents two short case studies from

¹ Nordic or Scandinavian countries such as Iceland, Sweden, or Denmark provide a further but different case of an internationally popular cultural context leveraged economically, for instance, through design (including the distinctively “Swedish” reputation built by Ikea) or tourism.
two Mediterranean countries, Cyprus and Israel, to illustrate some of these relationships, and concludes with a set of observations and key policy recommendations.

I. Culture and local development: A theoretical framework

Culture and creative industries have direct and indirect effects on local development, and are in turn shaped by local framework conditions. Fig. 1 illustrates these relationships. **Local framework conditions** such as social capital (Putnam 1995), diversity (Jacobs 1969; 1984), creativity (Florida 2004; Markusen 2006; Markusen and Gadwa 2009), experimentation and entrepreneurialism (Benner 2014; 2017a) shape culture. **Culture** can be defined as activities in society “producing and distributing goods or services which (…) are considered to have a specific attribute, use or purpose which embodies or conveys cultural expressions, irrespective of the commercial value they may have” (European Commission 2010: 5).² In a similar vein, framework conditions and notably creativity and entrepreneurialism foster the emergence and growth of **creative industries**, defined as “those industries which use culture as an input and have a cultural dimension, although their outputs are mainly functional” (European Commission 2010: 6). In parallel with these creative industries, a third segment can be identified which is indirectly driven by culture: **Culturally relevant products** are understood here as products emanating from agricultural or industrial value chains but at the same time exhibiting a strong cultural significance because of their place within local culture or their compatibility with local cultural expressions. Examples in the Mediterranean region include notably locally distinctive food items such as halloumi cheese in Cyprus (Benner, Hirth et al. 2017), olive oil, dates, beer or wine (Beckert, Rössel and Schenk 2014). The function of these culturally relevant products is particularly evident in the fact that they often feature as the theme of cultural festivals (e.g. wine festivals).

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² In local and regional development discourses both in academia and among practitioners, the notion of local or regional “culture” is often used as an implicit synonym for social capital (Putnam 1995), embeddedness (Granovetter 1985), untraded interdependencies (Storper 1995) or, more specifically, institutions (Glückler and Lenz 2016). When used in such a way, “culture” becomes what Markusen (1999) called a “fuzzy concept”, lacking a clear definition and analytical rigor. In this paper, culture is used in a more narrow sense according to the definition of proposed by the European Commission (2010: 5), although even in this definition a certain degree of fuzziness remains due to it referring to “cultural expressions” without specifying the meaning of “cultural”. Yet, it is clear that culture used in the present context relates to artistic or intellectual expressions of the human spirit, while broader socio-cultural notions such as social capital or institutions enter into the category defined here as framework conditions for local and regional development.
Culture and creative industries affect and stimulate each other through interactions between non-commercial forms of cultural expression and commercial uses of culturally-founded expressions in creative industries (e.g. in the music or film industry). Similarly, bidirectional interactions unfold between culture and culturally relevant products as well as between creative industries and culturally relevant products.

Fig. 1: Effects of culture, creative industries and culturally relevant products on local development

As well as directly, culture acts indirectly (through its interactions with creative industries and culturally relevant products) as a driver of local and regional development. While not directly aimed towards commercial purposes, culture can provide intellectual input to design-oriented industries such as fashion or furniture and be a driver of cultural tourism, calling for public or non-profit investment in cultural assets and amenities which can enhance the attractiveness of a locality or region among tourists. Such assets and amenities include museums, exhibition centers, galleries, and art festivals. Creative industries and the production of culturally rele-
vant products are commercially oriented and thus unfold direct effects on local or regional development through the creation of value added and employment. Cultural activities may provide an impetus and stimulus to both, or *vice versa*.

Importantly, the relationship between framework conditions and culture is bidirectional: A vibrant cultural scene shapes framework conditions, suggesting a feedback loop in culturally vibrant localities (Jacobs 1969; 1984; Florida 2004), and culture may facilitate the formation of local social capital (Putnam 1995). Intangible localized assets such as a climate of diversity, tolerance or interethnic coexistence can stimulate culture and be in turn reinforced by a vibrant cultural scene.

These interrelationships between local framework conditions, culture, creative industries, culturally relevant products, and local or regional development suggest a number of policy levers to facilitate the function of culture as a driver of local and regional development. Some of these policy levers are explored in more detail in section III. Before turning to such a policy menu, the next section exemplifies some ways to use the interrelationships between local framework conditions, culture, creative industries, culturally relevant products, and local or regional development in two short case studies in Mediterranean countries.

II. Culture in local development: Case studies from the Mediterranean

This chapter presents two short case studies on different ways to develop local or regional economies along direct or indirect effects of culture. The first case study tells the story of how to seize the opportunity of a culturally relevant product, wine, to promote the cultural scene and cultural tourism in Limassol, Cyprus. The second case refers to Haifa, Israel and its cultural climate of coexistence between various ethnic and religious groups, and ways to turn this climate into culturally-driven local development assets.

2.1 Wine as a culturally relevant product: The case of Limassol

The city of Limassol (Lemesos), one of the major economic hubs of Cyprus, is located close to the island’s primary wine-growing region on the southern slopes of the Troódos mountains. Three of the country's four leading wine producing companies are located in Limassol (Ben-
The region around the city is known as **krasochoria** or “wine villages” with a strong concentration of wineries. The **krasochoria** wine route includes twenty villages with sixteen wineries clustered in the region, combined with well-known tavernas. A total of 23 grape varieties are grown in the region (Cyprus Tourism Organisation 2017b).

Another wine route around Limassol is all about the distinctive **commandaria** dessert wine associated with the Knights of Saint John. **Commandaria** is said to have “won in the first recorded wine tasting competition – the ‘Battle of the Wines’ – which took place in the 13th century, and was held by the French king Philip Augustus” (Cyprus Tourism Organisation 2017a). Fourteen winemaking villages in the region relate to **commandaria**, as does built heritage from the Knights’ era such as Kolossi castle. The relationship between **commandaria** wine and the medieval history of Cyprus, particularly evident in the Limassol region, is a striking reminder of the cultural relevance of wine in a number of Mediterranean countries (Cyprus Tourism Organisation 2017a).

The city of Limassol has integrated the cultural product of wine into its local development efforts by linking its established assets in the agricultural wine-growing value chain and industrial wine production with the cultural significance of wine as a symbol for Mediterranean lifestyle. The Limassol wine festival is held annually since 1961 and supported by the major wine producers located in Limassol such as KEO and LOEL. The festival attracts roughly 15,000 visitors over ten days. In addition, the Cyprus Wine Museum close to Limassol displays the history of wine production on the island and hosts wine-themed musical events (Benner, Hirth et al. 2017; Cyprus Wine Museum n.d.).

Consequently, in marketing the city as a tourist destination, the Limassol Tourism Development and Promotion Company puts a clear focus on wine and gastronomy, highlighting Cypriot cuisine as a cultural blend of Greek and Middle Eastern influences (symbolized by the culturally relevant Cypriot signature product of **halloumi** cheese) and listing no less than 42 wineries in Cyprus, the vast majority of them located in the Limassol region (Limassol Tourism Development and Promotion Company Ltd. 2016).

Summing up, Limassol provides an illustrative case for how to link the culturally relevant product of wine with other culturally relevant food products and with cultural assets such as history and arts, and how to promote cultural tourism based on such a culturally relevant product.
2.2 Coexistence as a cultural asset: The case of Haifa

Haifa is Israel’s third-largest city and the economic hub of the northern region of the country and a cultural and economic center for the country’s Arabic-speaking minorities\(^3\) (Benner, Bieringer et al. 2016; Hadid 2016). Arabic-speaking minorities account for 30,000 or more than 10 percent of the city’s roughly 280,000 inhabitants, including “equal numbers of Muslims and Christians” (Hadid 2016). The significance of Haifa as a socio-economic center for Israel’s Arab-speaking minorities is illustrated by the fact that among students enrolled in the University of Haifa, members of Arabic-speaking minorities account for a considerable share of over 30 percent of students, significantly more than in the other major universities of the country such as the Hebrew University of Jerusalem with under 12 percent and Tel Aviv University with under 9 percent (Nesher 2012). Haifa offers a liberal and open cultural climate for Arabic-speaking minorities in which a creative Arabic-language music and literature scene flourishes (Hadid 2016).

Haifa has managed to cultivate a reputation as a city of coexistence between the Jewish majority and Arabic-speaking minorities (Hadid 2016). The University of Haifa offers (apart from its Hebrew programs) elaborated programs for Arabic language and culture (University of Haifa International School 2015), and the city hosts the annual “Holiday of Holiday” festival which celebrates diversity and marks Jewish, Christian and Muslim religious holidays. The old Arab neighborhood of Wadi Nisnas in the city center has in recent years seen a cultural and urban revival and hosts the Beit HaGefen Arab Jewish Cultural Center which includes an art gallery and a theater and offers walking tours or food tours through the neighborhood, drawing attention to the quarter’s creative public art such as sculptures and mural paintings. A popular street market, the Haifa Art Museum and several popular hummus restaurants add to the multiethnic cultural character of the neighborhood which has become attractive as a cultural space for tourists and inhabitants alike (Beit HaGefen 2016; Benner, Bieringer et al. 2016; Tour Haifa 2016).

Next to Wadi Nisnas, the historical German Colony quarter dates from the 19th century and was the subject of a major urban renewal project by the city's Haifa Economic Corporation.

\(^3\) Instead of the somewhat fuzzy notion of “Arab” minority, the term “Arabic-speaking minorities” is employed here to take into account the diversity within this group. Despite ethnic and/or religious differences, the unifying element for diverse subgroups such as Muslims (including religious subgroups such as Ahmadi Muslims), Christians (of different denominations), or Druze in Israel is their native language of Arabic. However, for the analytical purposes pursued here, Arabic speakers within the Jewish majority (e.g. Morocco-born Jews) are not included in the working definition of Arabic-speaking minorities used in this paper.
The neighborhood now hosts boutique hotels and a number of Arab-style restaurants which are popular with tourists and inhabitants from different ethnic backgrounds (Benner, Bieringer et al. 2016; Hadid 2016; Tour Haifa 2016).

Haifa provides an interesting example on how to turn local framework conditions such as a climate of ethnic and religious diversity and coexistence into cultural assets and on how to seize resulting opportunities to increase a location’s attractiveness for cultural tourism.

The two case studies have illustrated some ways for localities to seize opportunities related to culture as a driver of local and regional development. Next, the concluding section offers a more generalized view on possible policy interventions related to the direct and indirect effects of culture on local and regional development.

III. Conclusions and policy implications

Summing up, this chapter presents some concluding observations on how to seize the potential of culture and creativity to function as drivers of local and regional development, both directly and indirectly. While further research will be needed to come up with a comprehensive theory on the role of culture in local and regional development, these conclusions may guide the debate and lead to a number of preliminary policy implications. Some ideas for policy recommendations are presented at the end of the chapter.

Seizing the potential of culture as a direct or indirect driver of local and regional development requires a policy mix resting on networking between policymakers, administration, academia, artists, creative entrepreneurs, private-sector businesses, and civil society, as well as encouragement of diversity, experimentation and creativity, and targeted support to cultural and creative entrepreneurialism.

When it comes to culture itself, the following conclusions can guide policymaking and implementation:

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4 The economic effects of culture in the two case studies primarily relate to cultural tourism (and, in the case of Limassol, the wine and food value chains spanning agriculture and the manufacturing sector). While undoubtedly an important mechanism for translating culture into economic growth, cultural tourism is not the only way to do so. Other industries based on to culture, apart from creative industries such as literature, music, or filmmaking, include design-related industries such as fashion or furniture.
• Local policy has to overcome traditional thinking which separates between “non-economic” culture and “economic” local development: Culture certainly has a high societal value in and by itself, but is at the same time an economically valuable resource for local development. For instance, civil-society initiatives such as student culture initiatives, young music bands, or amateur theater groups can shape the cultural scene of a locality and be specifically promoted to develop into distinctive local cultural assets with direct or indirect impacts on local or regional development.

• For local culture policy it is important to be open to a diverse set of cultural expressions and not to limit its focus on mainstream or traditional types of cultural expressions only, as Pierantoni (2015) in her review of cultural policy in the Veneto region in Italy. For example, events such as poetry slams or idea contests can generate new forms of cultural expression, stimulate creativity and encourage experimentation and be used as tools by local culture policy.

• A municipality’s culture manager will often be the key facilitator in promoting local culture. Similar to a cluster manager, he/she will have to create and maintain networks between artists, creative entrepreneurs, administration, policymakers, the private sector, and civil society. His/her outlook is likely to determine the openness of local culture policy towards diverse forms of culture and creativity.

• Public investment in cultural infrastructure (e.g. museums, art galleries, exhibition centers) can provide an important stimulus for the cultural scene and for cultural tourism (e.g. Uysal and Özden 2011). Yet, in times of austerity policy will have to seek new ways of public-private funding to maintain cultural infrastructure. Business improvement districts (Pütz 2008) can be a model to fund cultural infrastructure in the framework of urban renewal and the preservation of built heritage. When it comes more specifically to (cultural) tourism, tourism improvement districts (Assli 2009) can provide a means to fund museums, galleries, exhibition centers, or festivals. Such a scheme helps in preventing free-riding behavior by private-sector businesses benefiting from public investments in culture without contributing to the cost.
• Instruments of cluster policy (Benner 2012) can promote culture and culturally-driven industries within cultural and creative districts (OECD 2015: 103-125). However, an alternative strategy worth considering is promoting “decentralized mosaics” of cultural vitality (Markusen 2006; Markusen and Gadwa 2009).

• As the example of Istanbul (Uysal and Özden 2011) demonstrates, one-time events such as the designation of European Capital of Culture can be a stimulant for cultural vibrancy, contribute to cultural image-building, and have positive effects on urban regeneration. The experience of Paphos as the 2017 European Capital of Culture shows that such an event can be realized on a comparatively small budget (Kasiske 2017). Yet, efforts to maintain sustainable effects are likely to incur significant costs.

• Regular festivals can be a driver of culture and local development. Mediterranean examples include the Limassol wine festival (Benner, Hirth et al. 2017), the Haifa “Holiday of Holidays” cultural festival (Benner, Bieringer et al. 2016), the Essaouira gnaoua music festival in Morocco (Lafitte 2013), or the Tabarka jazz festival in Tunisia (Benner 2017b: 57). However, the economic impact of festivals should not be overestimated. Efforts to embed festivals into permanent cultural offers with similar or related themes will be needed (OECD 2005: 74-81).

• Large-scale investments in culture such as the Guggenheim Museum in Bilbao (Plaza, Tironi and Haarich 2009) can significantly improve the international visibility of local cultural vibrancy (OECD 2005: 67-72), but require major investment which will not be justified in every case. Costs and benefits need to be carefully weighed. In some cases, investing in a set of diversified small-scale cultural projects will prove more promising.

• Cultural heritage from past eras can be a source of a cultural revival and stimulate heritage tourism. For example, the former multiethnic and multireligious mosaic of the town of Essaouira (OECD 2005: 131-133) has, together with urban renewal, supported the city’s cultural revival, underpinned by the internationally popular gnaoua music festival (Lafitte 2013). Another example for how to promote multiethnic and multireligious cultural heritage is Sevilla’s Three Cultures Foundation, an Andalusian-
Moroccan initiative which organizes activities such as festivals, concerts, exhibitions, movie screenings, or scientific conferences (Three Cultures Foundation 2014).

Policies to promote creative industries may be guided by the following conclusions:

- Local policymakers should not ignore potential of universities with a profile in social sciences and liberal arts: Universities can become hubs of networks between artists, scientists and creative entrepreneurs, combine (digital) technology and creative content, and inject new creative impulses into these networks and thus into their local and regional economy (e.g. OECD 2015). In addition, universities act as laboratories for new forms of cultural and creative expression. Yet, support to incubation and entrepreneurship still for the most part focuses on technical (e.g. engineering) universities or faculties (e.g. OECD 2012), thereby ignoring the economic potential or artistically or culturally-oriented disciplines.

- As in other industries, entrepreneurship education is important for promoting the local-development impact of creative industries. Teaching should include business skills for artists and creative entrepreneurs, but also focus on bringing students of business and arts or even technology together to create synergies and combine complementary forms of knowledge. The “app@night” event hosts by Munich’s Ludwig Maximilians University is an example for an inter-disciplinary format designed to make student with an artistic, business, or technology background meet, network, and collaborate in developing new smartphone applications (LMU Entrepreneurship Center n.d.).

- Access to finance is a particularly relevant concern to creative entrepreneurs since their capital is mostly intangible is thus not accepted as collateral by banks (Working Group of EU Member States Experts on Cultural and Creative Industries 2012: 29-31). Specifically targeted funding programs for creative industries can alleviate the particular difficulties of creative entrepreneurs, but alternative funding sources too can be tested. For example, local or regional crowdfunding schemes for cultural products or projects (e.g. books, films) may be considered.
• Co-working spaces or specific incubators for creative industries (Working Group of EU Member States Experts on Cultural and Creative Industries 2012: 27-28) can facilitate new business formation and growth of creative enterprises.

• Coaching and mentoring schemes can help creative entrepreneurs develop their skills and benefit from experience and knowledge available locally.

• Specific creative industries can be promoted with specifically dedicated support units, for example by promoting the music industry through contests, projects to link different styles music, consulting for music entrepreneurs, seminars and workshops, or international networking. Film commissions which exist in many cities or regions such as the Barcelona or Catalonia film commissions (Generalitat de Catalunya Departament de Cultura and Ajuntament de Barcelona n.d.) are another kind of specific support units.

• Products of creative industries such as films, books or television series can be used for cultural branding, reinforcing culture and tourism at the same time. In particular, film or television locations offer chances for branding and marketing locations or regions, opening up opportunities in film tourism. Examples in the Mediterranean region include sets of “Star Wars” movies in the Tozeur governorate in Tunisia (Benner 2017b: 57) or Istanbul featuring in “James Bond” movies (Knapton 2012).

Lastly, **culturally relevant products** can be promoted along the following principles:

• Culturally relevant products offer opportunities for linking local and regional development along value chains spanning agriculture and the industrial sector with service industries such as cultural tourism. Mediterranean countries offer a wide range of culturally relevant products such as wine, beer, olive oil, dates, *hummus*, *harissa*, or argan oil (Benner 2017b: 57-59). Geographical indications of origin can be used to underpin and strengthen the role of culturally relevant products in cultural branding and marketing.
Festivals can provide a possibility to link culturally relevant products such as food or beverages with culture, facilitating public-private forms of organization and funding, as the Limassol wine festival (Benner, Hirth et al. 2017) demonstrates.

Cross-sectoral development strategies such as smart specialization strategies can facilitate the mainstreaming of culture in local development by linking culturally relevant sectors to creative industries, cultural tourism and other culturally-driven industries, thereby seizing complementarities and synergies in the localized knowledge base (e.g. Benner, Bieringer et al. 2016).

Key recommendations

- Capacity-building for municipal culture managers is an important field of action. Areas for capacity-building involve understanding the role of a diverse cultural landscape in local development and the links between culture, creative industries and culturally relevant products, as well as networking skills and business skills relevant for managing, overseeing and marketing cultural amenities. Joint capacity-building programs for policymakers/practitioners both in culture and local development may facilitate cooperation and joint strategy design between both fields.

- Establishing a forum for peer review and mutual learning among policymakers and practitioners on how to use culture as a driver of local and regional development can contribute to the dissemination of good practices and facilitate policy experimentation.

- In appropriate cases, models such as business/tourism improvement districts may be considered to combine public and private funding of cultural infrastructure to ensure its maintenance and upgrading. Here, too, peer review and mutual learning from experiences made can be helpful.

- Specific incubation and entrepreneurship programs for creative industries in universities and other higher education institutions, together with targeted funding or support schemes including co-working spaces or incubators can facilitate new business formation in creative industries and thus contribute to translating cultural vibrancy into economic growth and employment. In particular, incubation and entrepreneurship teaching and support should be extended to social-science and liberal-arts schools or faculties and exhibit an inter-disciplinary orientation which stimulates networking and cooperation between students with cultural/artistic, business, and technical backgrounds.
• Depending on the profile of the cultural scene and creative industries locally or regionally, municipalities or regional governments can establish specific support units dedicated to fields such as music, film, musical theater, or fashion which offer targeted business development services to artists and creative entrepreneurs including coaching or mentoring schemes.

• Links between culturally relevant agricultural, industrial, or craft products on the one hand and creative industries or tourism on the other hand should be taken into account when elaborating cross-cutting development strategies such as smart specialization strategies. When leveraging the economic impact of culturally relevant food products in agricultural value chains in rural regions, approaches such as the European Union’s community-led local development (CLLD) can provide tools to stimulate the indirect role of culture in driving local and regional development (European Commission 2014). Geographical indications of origin can be used for cultural and tourism-related marketing of a locality or region.

IV. Perspectives for culture-driven local and regional development

The present paper has proposed a framework for the interrelationships between local framework conditions, culture, creative industries, culturally relevant products and local development, and illustrated some of these interrelationships in two case studies in Mediterranean countries. The paper has provided some insights and recommendations for how to seize the potential of culture to directly or indirectly drive local and regional development with a particular focus on Mediterranean countries.

To achieve the much-needed analytical clarity on the relationships between culture, economy and policy, more research will be needed. Notably, a comprehensive theoretical foundation for developing sound evidence-based policies to promote culture as a driver of local and economic development could enable policymakers and practitioners to better weigh costs of benefits of cultural investments when intended for economic ends.5

What is clear, however, is that culture can indeed serve as a driver of local and economic development. This paper has limited itself to analysis in a Mediterranean context, but research in other countries might eventually confirm the direct and indirect role of culture for economic

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5 It is clear that cultural investments play a larger societal role and should thus not be limited to their function as an economic asset. For the sake of analytical clarity and political accountability, however, it is important to distinguish between these two functions of cultural investments and to weigh both societal and economic benefits against costs.
development, at least to some degree. The interrelationships between culture and economy should lead policymakers and practitioners with a cultural and an economic background to understand and appreciate the economic (as well as the general societal) value of cultural expressions, and to promote cultural diversity for economic as well as for social reasons.
References


