

The effect of convergence on the Korean creative economy in the governmental support of the arts.

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I. Introduction

It is widely accepted that creativity has the potential to encourage innovation in the industries and leads to economic revival. Policy makers seek to pave a path to nourish the society in the view of multiple angles, and show the roadmap and visible results. For this purpose, the government considers multiple fields of industries, and supports the selected fields. Cultural field is considered in the same context, so that the Korean government has developed cultural policies and widened support for cultural field. Specifically, the Korean government has encouraged convergence between industries to create added value, and recently announced the creative economy as the keynote of policy.

This paper attempts to study the effect of convergence on the Korean creative economy in the governmental support of the arts with the points of view in cultural economics, especially conversation metaphor, and valorization of Arjo Klammer, and insights of the creative economy of John Howkins.

This article investigates the effect of convergence in related to a case study, a project The Enjoy Encounter(TEE) with following three reasons. At first, the project is well designed to the related policy direction – Four strategies for Cultural Prosperity². Second, a convergence business model

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² Four Strategies for Cultural Prosperity: Expanding cultural experiences of citizens, Rediscovery of Humanities and Tradition, Promotion of the Culture-based Service Industry, and Spreading the Value of Culture. The final aim is to achieve Happy Korea with Vibrant Cultural Life. The official site of Ministry of Culture, Sports and Tourism

between culture and IT industries was created by the governmental support of the arts. Third, the administrative support system were set up effectively and showed how the governmental roles coexist with artists or artistic communities in the creative economy.

For expository convenience, the analysis will be focused on the qualitative factors, and examine appropriateness of cultural policy with the focus of the convergence project, and the characters of the Korean creative economy. However, it is clear that this can be applied to other convergence project planning.

The remainder of this article is composed as follows. Section II reviews the theoretical background for an answer to a question, "Why does this paper select the convergence between businesses and the case study?" And the brief history of Korean cultural policy is discussed and extracts several characters. Section III explains methodology for making a frame work based on the conversation metaphor. Section IV analyzes the effect of convergence in the view of governmental support for the arts in Korea with a case study. Section V concludes and suggests the meaningful issues for further study.

II. Research background

2.1 Convergence and market

Convergence is defined the act that creates synergy of new value and market with the recombination of existing industry, product, and service. It means that one plus one is not two, but more than three, and can be classified with three status such as Package, Hybrid, and Fusion³.

Convergence between culture and IT is one of the main convergence forms in Korea. This is expected to create added value, effective communication way, and enjoyment. This concept is much related to the change of recent cultural policy in Korea.

According to the increasing global trend on convergence between industries, the Korean

<http://www.mcst.go.kr/english/ministry/vision/vision.jsp>

³ The government report of industrial convergence roadmap, The Korea Institute for the Advancement of Technology, 2012

government has developed related policies since 2007⁴. The global convergence market based on IT increased 8,400 billion US dollars in 2008 to 125,000 billion US dollars in 2011, and is expected to reach at 610,000 billion US dollars in 2018⁵. In the beginning, the Korean convergence market was focused in the IT industry. In 2012, the government established blueprint for improvement convergence between industries, to be sure, including cultural sector. The government has considered the importance of cultural and humanistic factors, and the size of the Korean convergence market has expanded from 980,000 billion won in 2008 to 1,470,000 billion won in 2011. It shows the average rate of development per year 7.1 percent. The results led to expand industries for convergence and have been tried to converge between IT and cultural businesses. For example, Samsung launched Bordeaux TV, which made profits 270 percent. Sales have been up to 196 percent. The expansion has been applied to multiple ways not only product development but also space development. For example, steel plants at Mullae-dong in Seoul have been transformed to fifty ateliers, and one theater. One hundred thirty artists have created arts products there as of 2011. Not only the government has promoted the convergence between IT and cultural businesses by the direct support but has established related legislation, however this is the starting status, so it is needed innovative insight to keep up with the governmental support for the arts. In this sense, Cultural Economics will propose innovative insight to improve relevant policies, and go forward with the creative economy.

2.2 Pragmatism and Creative Economy

John Dewey's Pragmatism and creative economy theory of John Howkins provide backgrounds to examine the possibility of Korean Creative Economy. According to John Dewey, knowledge should improve our lives, and have cash value. We need to consider his Warranted Assertibility. Because in general, people including artists tend to understand arts works only in the metaphysical status. They exclude market value or instrumentalism, and so some artists sometimes live and work in isolation. Arts works in the high level must not be accommodated to public favor, and market value. But after the rise of bourgeoisie in the nineteenth century, this kind of bias in the artistic field should be reconsidered in the concept of Warranted Assertibility. Because it is not too much

⁴ The government report of industrial convergence development for the 1st status(2013~2017), The committee of industrial convergence development, 2012. 8

⁵ The government report of the committee of industrial convergence development, Deloitte, 2013

to say that the sustainable value of all products is decided in the market.

John Howkins developed the creative economy from creative ideas, and said that the ideas stem from three groups: imitation, collaboration and competition. It is related to the term 'we-think' by Charles Leadbeater: Basic argument is very simple. Most creativity is collaborative. It combines different view, disciplines and insights in new ways(Charles Leadbeater, 2008). Basically, convergence is conducted by collaboration with different insights. Therefore the two theoretical backgrounds would be premise to approach to discuss the effect of convergence.

2.3 Political background of Korea.

This study introduces the history of Korean cultural policy according to the flow of budget after the establishment of Ministry of Culture and Tourism in 1998 briefly. Because the department had several merger of the Ministry to set up relevant work effectively before 1998, the working area related to allocate the budget was set up in 1998⁶.

In 1998, cultural budget ratio to total budget of the (central) government was 0.60 percent, the ratio was increased continuously and finally it reached an important point, which was the innovative achievement, 'one percent cultural budget ratio to total budget' in 2000. This shows that the will of the Korean government to improve cultural environment for the people. The President Park announced four main national policies⁷ including Cultural Prosperity, and explained that the cultural budget will be increased to 3 percent ratio to total budget.

III. Methodology

For the purposes of the study it is necessary to stress several characters of cultural economics. In this section, the subject is focused on two aspects: conversation metaphor, and valorization. The concept of conversation or communication has been referred mostly in the Humanities. In evaluating projects, plans or establishing policies, people tend to trust reports or theories based

⁶ Even though Ministry of Culture, Sports, and Tourism was established in 2008, when the working area is considered, it is proper to compare the budget from 1998.

⁷ Four main national policy: Economic Revival, Happy Korea, Cultural Prosperity, Unification Basis

on just numbers. It is true that economics gives very useful knowledge to set a budget plan or evaluation of products however it seems to overlook characters of product, specifically arts products or cultural meaning. Arjo Klamer pointed out the point and suggested the conversation metaphor.

3.1 Conversation.

Arjo Klamer introduced the term conversation in his book, *Speaking of economics*(2007). Klamer's metaphor of the conversation is more encompassing and places emphasis on the social and cultural as well as the rhetorical aspects of the practice of economics⁸. For Klamer the two main concepts of the social structure of the economic conversation are attention, and the thing that a conversation has its own history and language. It derives insights how to understand ways, and meanings of convergence, and find values from the two main notions. Both cultural field and IT field have quite different basis and frame. They have different history and unique languages. But they converge to accomplish one common aim with keeping their own characters. In terms of that, convergence can be explained and accepted with the logic of cultural economics. Since Korea's economy system was built on the Fast Follower Strategy, to expand convergence industries, it is required to examine the effect of convergence in the creative economic insight. Specifically culture and arts businesses are hard to show monetary contribution in a short period, but they can draw attention, which may lead to some visible results.

According to him, the product of scientific activity is a joint product, which is the conversation itself with its theories, models, and stories(Klamer 2007, 61). It is not the ideas or best ideas that matter the most, but the amount of attention that these ideas receive within the conversation. The other thing is the idea that economics has its own culture, which is embedded within the general culture. The art also has its own culture. Technology development for innovative materials has its own culture, history, and language. Through convergence, the two fields can create a joint product.

In addition, the other important point of Klamer's perspective is that he tried to open the conversation outsiders, and the economic conversation should be evaluated within a broader conversation. His style is needed to appeal the importance of economic analysis on cultural policy,

⁸ Erasmus Journal for Philosophy and Economics, Volume 1, Issue 1, Autumn 2008, pp.175-180

because every government officer does not understand the economic analysis. For these reasons, Klamer's insights can be highly considered to make a basic matrix for Korean Cultural policy, specifically in the agenda of this paper.

3.2 Three Values

The Korean government needed to develop a model for the new knowledge-based economy, which means that the new paradigm will not only just produce knowledge and information but also create knowledge based on creativity and innovative values. Hence, President Park Geun-hye announced that the creative economy would be the new paradigm for economic development. The government defined the Korea's creative economy would have center in creative knowledge such as insight, concept and technology, and innovative values. These would be connected to create new businesses and industries(John Howkins, 2013)⁹. This study examines classification of values and the role of values prior to the discussion on the convergence effect in the governmental support of the arts.

According to Klamer, values can be differentiated between three types of values: economic, social and cultural. While Throsby includes social values in the cultural values(Throsby, 2000, p.28), Klamer separated social values from the cultural values. Klamer approached "cultural" to express a value that transcends social, relational or, economic values. In other words, he placed cultural values beyond the economic and the social values. Kant also the quintessential cultural value of a good is its ability to evoke an experience of the sublime. It has a quality that causes awe and "stirs the soul."(Klamer, 2011) In this paper, values are categorized according by Klamer's idea, because one of four main national policy is cultural prosperity that the government also set up superordinate concept above the social values. The Korea government defined that creative development power could be derived cultural field.

Economic value mainly focuses on the prices and the moment of exchange, and economic capital is a stock that will generate a flow of economic values¹⁰. The economic value of a cultural good is related to pay for it. In Korea, it is also considered that economic value of cultural goods should be explained by net profits and size of the arts market. Other values that could be used in the

⁹ The Creative Economy, Penguin Books, John Howkins, 2013

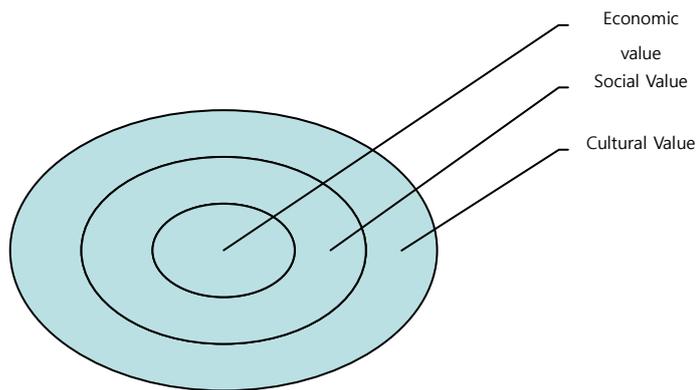
¹⁰ Arjo Klamer, Cultural goods are good for more than their economic value, 2011

market such as commercial, entrepreneurial, results-oriented used to be accounted for as spillovers of the engagement in exchange relations or externalities. In making policy, the government has not differentiated them from economic values. They are discussed just in the conventional economic frame however Throsby and Klamer expanded its frame which can be explained more effectively. They categorized the values in the social values.

Social values can be understood in the context of interpersonal relationships, communities, and societies. Social values have a broad range and comprise the values of belonging, being member of a group¹¹, identity, social distinction, trust, being member of a group and so on. In everyday conversations these values preoccupy people far more than economic values(Klamer, 2011). It is no exaggeration to say that Korean society has been built on the social norms historically in the local communities and family levels. The government recognizes the importance of social values as well, so that it has tried to restore the unified social values since the economic recession in the economic and cultural fields. Therefore, this cultural economic insight with three values would provide a new matrix to promote the Korean government policy.

Cultural values are considered more superordinate values. This is not to be estimated only with graphs and price. Of the three values, cultural values can be realized – four logics, which give a logical frame in the practical area such as cultural foundations, arts centers and museums. It has symbolic, spiritual and aesthetic value in a community. Following this characterization, the Korean cultural policy is related to cultural capital, which is the power to inspire of to be inspired absent social and economic influence(Klamer, 2012). The Korean government, in the end, seeks to the creative economy through valorization of the values.

¹¹ Ibid, Walter Michael, 1983



3.3 Four logics

Then, how can the government take a measure to realize the cultural values in the practical level, that is, process and finance? For the purpose to apply perspectives of cultural economics to a convergence case study it is required to focus on the diagram organizations and artists can work in four different logics, market, governance, social space, and oikos¹². In Korea, most of major cultural organizations are governmental foundations, so that they are interested in cultural policy. They try to get people involved somehow and help the citizen find cultural values. In this sense, the metaphor “art is a conversation” can be figured out more properly rather than the metaphor “art is a product”(Klamer, Speaking of Economics, 2007). Also, their work can be considered as a contribution to conversation.

The logic of Market is related to exchange and price. In this process, ownership has also changed hands. Concepts of private goods, price and exchange are included. The logic of Governance is the logic by which the governmental supports are provided. The government supports the cultural organizations by planning budget and allocating a specific amount of money. In the social space, people make relationships, socialize, participate in activities, and create collective intelligence. The logic of Oikos stands for home. This is a significant source of talent and finance as well(Klamer, 2012).

¹² Arjo Klamer, The mode of financing matters. What is the right thing to do?, 2012

IV. Analysis of the effect of convergence in the view of governmental support in ROK

4.1 Definition of convergence for this research

This paper focuses to examine the effect of convergence, specifically between cultural and IT fields. Hence the case study will be analyzed in the Fusion process among the three convergence definitions¹³.

4.2 Case study of the convergence project to develop the creative economy between cultural field and IT field.

A project that shows a convergence between cultural and IT industries was promoted by Seongnam City Government. Seongnam Cultural Foundation and Seongnam Industry Promotion Agency, which are governmentfunded organizations, signed MOU and collaborated in the project. The title of the project is The Enjoy Encounter(TEE)¹⁴.

The aim of this project is to make convergence between the two businesses in collaborations with artists. Through this case, we could find out several points in the creative administrative process as well as results of creative workings with the purpose of the project. In this project, Seongnam Industry Promotion Agency and Seongnam Cultural Foundation signed the MOU to make progress TEE. Seongnam Industry Promotion Agency selected participant companies, and supported the budget of TEE and administrative workings related to IT companies. The selected companies which wanted to broaden markets with their products or idea and improve accessibility to public. Seongnam Cultural Foundation was responsible for matching artist whose working areas fit for each company, and supported an administrative part related to cultural sector including an exhibition of the working result. At first, seven matched artists created new product designs or concepts of application fields with the matched companies' materials or ideas. The aim of this is to promote the convergence effect between the two fields and improve practicality of the new

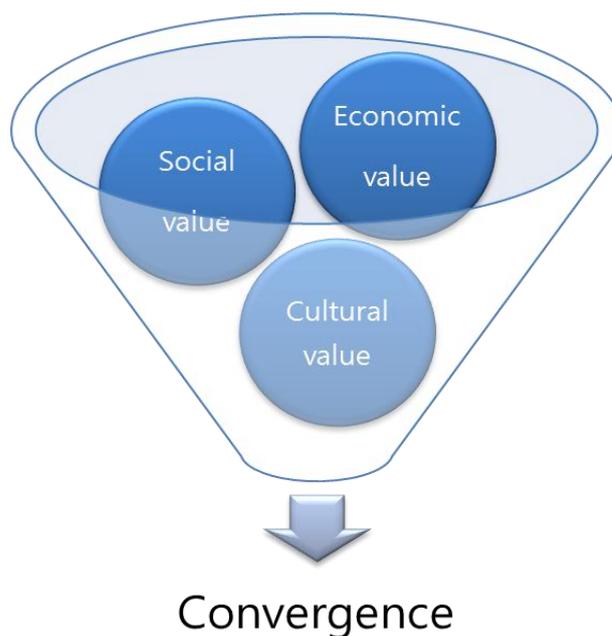
¹³ The government report of industrial convergence roadmap, The Korea Institute for the Advancement of Technology, 2012

¹⁴ Report of The Enjoyment Encounter, Seongnam Industry Promotion Agency, Seongnam Cultural Foundation, 2013

materials in daily life. Then through several meeting with each company, the artists developed creative product design and they exhibited the collaboration results professionally in the public place where it has a symbolic meaning under the support of Seongnam Cultural Foundation.

4.3 Effects of convergence the case

With the insight of cultural economics, the case TEE can be analyzed as below



TEE created economic values in two stances: Small and Medium Businesses and the citizen. At first, The TEE provided an opportunity to create new product design, and to promote their innovative businesses to public. In fact, several conglomerates dominate most of Korean markets, and so small and medium companies are under their leverage. Furthermore because their financial structures are weak, it is hard to promote their new products or ideas strongly. To improve these structural problems, TEE matched them a professional designer for new product design and supported promotion ways.

Second, the citizen got information about innovative items through the exhibition. These products are not only for the exhibition but also for selling them immediately. According to the survey of TEE, people expressed that this project was a great chance for the citizen to be advanced culturally. They also gave opinions to buy the products redesigned.

Social values of TEE project operated in process of creating products, marketing, making the

exhibition and so on among administrators, artists, businessmen, and visitors. Before the convergence project, the materials from the small and medium companies could not have the very special meanings or be a part of cultural life. For example, a character in online game became aesthetic pieces, and gave new character image of refreshment for daily life. In case of an LED company, the matched artist created Light drawing pieces. The pieces can be analyzed an artistic piece or the lights for living room.

Cultural values can be analyzed in the four logics: Market, Governance, Social space, and Oikos. Initially these four logics was introduced in the mode of financing matters by Klamer(Klamer, 2012). This paper would like to introduce this frame into cultural values to explain cultural values in the practical levels.

Four logics provide an effective frame to figure out cultural values in the practical level for the creative economy. Market is defined to be a relevant concept with exchange, product, price, and private goods. In TEE, the exhibition place, Pangyo station is an invisible market where people exchange cultural values in the diverse way among artists, businessmen, and visitors as well as a visible market where products were exhibited and set price of goods. Physically, the station has a symbolic value, because Pangyo Techno Valley is located in the station, and the area is formed with a concept of convergence between technology and the art. Intangibly, this market provided creative ideas embedded in the product design and opened the possibility of convergence. In general, arts market in Korea has been a place where artistic goods including performing arts genre exchange, so managers of arts center, production companies, and artists participated in the market. But this has distinct cultural values.

Governance is presented by notions such as rules, laws, and public goods. The two governmental agencies planned TEE to promote cultural values, Cultural Prosperity with four strategies. It is performed by direct and indirect support. It should be noted that the Korean government is not the small government¹⁵. Hence, arts organizations also have more ways or measures to promote arts projects than private organizations except for foundations run by several conglomerates. Therefore TEE project is a good model to promote the cultural values in the beginning stage, since participants just filled contents and other things such as administrative workings and financial support were supported by the governmental agencies.

¹⁵ This is closely connected with the history of Korea. In this paper, the detailed political history is not discussed.

The logic of oikos is where personal values are realized. Products were redesigned as artistic goods in the daily life by separate artists in TEE project, which means that their personal values created the new products as a result. Social logic is to extend to the social space. In the process of putting their values into new products, artists took chances to communicate with businessmen and administrators. The artists merged ideas to conduct the workings. Furthermore, visitors suggested their opinions to improve the project in the future. In this sense, TEE showed that how to valorize cultural values in the level of oikos, and social logic.

4.4 The governmental support

According to the report of TEE, this project was progressed by both indirect and direct governmental supports. For the indirect support, the two governmental agencies made full use of their own infrastructure such as administrative process, marketing information system for public, arts-industry matching system and copyright. The agencies divided roles efficiently by making a MOU contract, as a result, the participants were generally satisfied with the process of TEE and 93 percent of respondents in the survey related to this project said that they need the governmental support continuously. For the direct support, Seongnam Industry Promotion Agency supported the budget. From this convergence project, participants could get their gains. Artists had opportunities to put their artistic insights into practical field, and to promote their skills. Small and Medium companies save costs to redesign their materials and promote their businesses to public. Finally the governmental agencies stepped forward to enforce the cultural policy through the convergence project.

Therefore, convergence between culture and other industries has a possibility to expand the governmental supports whether it is direct or not. Furthermore, the Korean government strongly enforces the cultural policy to achieve the creative economy.

V. Concluding remark

The focus of this paper is to understand how the convergence on the Korea's recent political transition from general economy to creative economy will affect the governmental support of arts. Contrary to the economic argument that convergence model has been discussed with cost-benefit or the mounting cost of converging between industries and of planning new business modeling, according to the recent government policy, theoretically, Klammer's viewpoint based on

conversation metaphor, and characterization of values can be applied to examine the policy direction of the Korean government and provide creative insights for next steps. The Korean government has supported new business models continuously, and this study would like to show that convergence can draw creative knowledge as well as expand the governmental support in multiple ways. In this sense, it is meaningful that this study reviewed and built on that insight of Cultural Economics. Building on insight from cultural economics, this paper would like to show that the convergence effects on the governmental support for the arts, which makes it more diversified and widen.

This study, however, did not fully incorporate empirical formula and data to back the argument up. The study also could not budgetary analysis in convergence businesses. To make the cultural policy more practical, the budget planning can be considered a kind of investment for the national future, in terms of that, the analysis seems to be important especially to widen and make diverse the governmental support in the arts. These will make interesting future research topics.