

1 *Introduction*

Beginning is often the hardest part of all. Making those first marks on a blank canvas can be a daunting prospect, even for a professional painter.
(Simon Jennings, *The New Artist's Manual: the Complete Guide to Painting and Drawing*, 2005¹)

1 The changing face of cultural policy

In 1967, UNESCO held a conference in Mexico City to discuss cultural policy. One of the outcomes of this meeting was a series of monographs produced over the course of the 1970s and early 1980s in which member states of UNESCO, one by one, discussed what they understood cultural policy to mean, and described the practice of cultural policy in their own country at that time. The resulting collection of reports provides a fascinating insight into how government policy towards culture was interpreted and implemented around the world three or four decades ago.

Overwhelmingly the concern of cultural policy in those days was with the creative arts – how they contribute to a civilised society, how more people could be introduced to the benefits of artistic consumption, and how the arts content of education systems and the media could be improved. The UK report, for example, discussed the Arts Council of Great Britain, local authorities and the regional arts associations as the vehicles by which cultural policy was delivered; the BBC and the press were mentioned, but only in terms of their contribution to producing and reporting on the arts, not in a broader cultural context.² Policy towards heritage was also a significant component of the cultural policy agenda for many countries, especially those in the developing world. The report for Bolivia was typical; it focussed on the post-colonial assertion of Bolivian nationalism through its culture, especially its intangible heritage of language, music, ritual and tradition.³

The UNESCO series of reports provides a vivid illustration of how greatly the landscape of cultural policy has changed in the intervening years. In particular, the 1970s cultural policy statements contained few if any references to the *economics* of culture, beyond an occasional reference to the administrative means for obtaining and deploying public funds for cultural purposes.⁴ Now, in the opening years of the new millennium, economics is everywhere, and the ways in which cultural policy is interpreted and practised have been transformed. There are many factors that have contributed to this transformation, but they can be gathered together under two broad headings, one cultural, one economic.

Firstly, there has been an expansion in the scope of the term ‘culture’ in its application to cultural policy from a concern solely with the arts and heritage to a broader interpretation of culture as a way of life. Such an anthropological or sociological definition of culture as an expression of shared values and experiences is by no means new, even as a basis in principle for cultural policy, but putting the principle into practice is relatively recent, and indeed a widening of the ambit of cultural policy to encompass broader issues of social policy, for example, is still going on. Parallel with this has been a breaking down of the old equation of ‘the arts’ with ‘high culture’; although pockets of resistance remain here and there, the distinction in pejorative terms between high and popular culture, or between the high and popular arts, has now largely disappeared.⁵ Instead cultural products and consumption practices are more commonly seen to lie along a spectrum, whose dimensions can be described using labels such as commercial/non-commercial, traditional/avant-garde, large-/small-scale, mass/specialised, majority/minority, and so on. So, as the usage of the term ‘culture’ has continued to expand beyond its high-art interpretation, the range of cultural activities of interest to policy has widened, and the coverage of cultural policy has extended from the arts and heritage to include policy towards film; the broadcast and print media; the wider cultural industries such as fashion, design and architecture; tourism; urban and regional development; international trade; diplomacy; and more.

The second major cause of the changes in cultural policy that we are witnessing at the present time is the radical transformation of the economic environment in which cultural goods are produced, distributed and consumed, brought about by what is loosely referred

to as ‘globalisation’. This term is widely used in the contemporary discourse to identify a series of related trends that can be observed in economic, social and geopolitical spheres. Essentially, globalisation can be defined as three phenomena: the breakdown of barriers to the movement of resources, especially capital and labour, between countries and regions; the emergence of a global marketplace for many commodities, with increased commercial opportunities for both national and transnational companies; and the internationalisation of communications, leading to, among other things, the free transmission of cultural symbols and messages around the world. There are both technological and economic causes underlying these phenomena; the digital revolution, the explosion in computational power available across a wide range of applications, the growth of the internet and the invention of new devices for communication and data transmission have together provided the technological impetus for globalisation, while its operations have been enabled by a widespread acceptance of neoliberal economic principles as the basis for national and international policy-making.

The effects of these trends on artists, creative workers, commercial and non-commercial firms producing and distributing cultural products, cultural agencies and institutions, and consumers, have been profound. To begin with, on the production side new communications technologies have fostered new forms of cultural expression and opened up new avenues for cultural exchange. At the cutting edge, artists working in new media are experimenting with innovative methods for making art and communicating it to consumers; these developments can be likened to R&D activities in industry, given that the eventual payoff (in both artistic and commercial terms) is uncertain but could be substantial. Manuel Castells has observed that this new technological environment can be described as cultural insofar as its dynamics are dependent on ‘the culture of innovation, on the culture of risk, on the culture of expectations and, ultimately, on the culture of hope in the future’.⁶

Furthermore, new technologies have led to new ways for cultural producers to carry on their business operations, through improved information and marketing services, more efficient management systems, and so on. For example, museums and galleries are digitising their collections, performing groups are adopting electronic ticketing, newspapers are being made available on-line. At the same time,

threats have emerged to traditional modes of cultural production and distribution, nowhere more evident than in the music industry, where illegal downloads from the internet continue to affect the revenue streams of performers, publishers and record companies.

The cultural impacts of globalisation have been looked upon with growing concern in many quarters. For example, fears have been widely expressed, especially in the developing world, that local forms of cultural expression and the assertion of distinctive national or regional cultural identities will be overwhelmed by the inexorable expansion of the global cultural marketplace. It is true that the adoption of new communications technologies means that cultural messages and symbols are being transmitted in volumes and at speeds that have never been witnessed before. In many cases the messages and symbols are associated with consumer products that, as they penetrate markets more and more widely scattered around the world, carry with them an inevitable sense of standardisation. It is not just the familiar images conveyed by global corporate branding, but also the more complex cultural content conveyed by television programmes or the songs of popular music performers that contribute to this feeling that we are living in an increasingly homogenised environment.

Nevertheless, the evidence on the cultural impact of globalisation is mixed, particularly because these are dynamic processes that are constantly evolving. If impact is measured by the observable spread of universally recognised cultural symbols as described above, certainly some homogenisation has occurred. But, the very threat of external cultural influences may actually sharpen the resolve of particular groups, be they local communities or nation states, to assert their own cultural distinctiveness. Indeed, there is little indication that cultural differentiation within or between countries is dying out. The celebration of specific cultural identities through art, music, literature, ritual, tradition, and in many other ways, is clearly alive and well in all parts of the world.

All of these developments have been reflected in one way or another in the financial environment in which cultural production takes place, particularly in the not-for-profit sector. Enterprises such as performing companies and public art galleries are facing greater competition for earned revenue, and sources of unearned revenue, such as donations and sponsorship, are harder to come by than they have been in the past. In circumstances where the neoliberal economic agenda

of smaller government has taken hold, public budgets for support of culture are shrinking, without there necessarily being an expansion of private funding to compensate. Artists too are feeling the financial pinch, with surveys of their economic circumstances generally indicating that real incomes from creative work are static or declining over time.

A further factor that continues to influence the orientation of cultural policy is the changing nature of cultural consumption. Again it is the spread of new communications technologies that lies behind the transformation. New generations of consumers are using the internet, mobile telephony and digital media in ways that not only expand their range of cultural experience but also transform them from passive recipients of cultural messages into active co-creators of cultural content. The sense of empowerment brought about by these developments and the process of redefining cultural identities that they initiate are likely to continue as significant influences on the content of cultural policy in the future. In regard to more general trends in consumer demand for artistic and cultural goods and services, it is still unclear how factors such as rising real incomes, increases in leisure time and shifts in consumer tastes will affect demand for both traditional and new forms of cultural product in the years ahead.

2 The policy response

The trends discussed above have had a profound influence on the shape and direction of cultural policy at local, national and international levels. Increasingly, they have tended to push cultural policy towards becoming an arm of economic policy. To some extent this is not a new phenomenon – after all it was during the 1980s in countries such as the UK and Australia that advocates for the arts took to arguing the economic importance of the cultural sector as a means of justifying public funding.⁷ But the co-option of an economic agenda for cultural policy in the present day is of a much more substantial kind. It derives from the emerging concept of the ‘creative economy’ – the idea that a creative sector can be identified within the larger macro-economy which is a particular source of economic dynamism in the new information age. The idea has its origins in the proposition that creativity, whether in art, science, technology or commerce, is a key factor in generating economic success both for individual businesses

and for whole economies.⁸ Creativity, it is argued, is a prerequisite for innovation, and innovation is the driver of technological change, which in turn boosts economic growth. At its broadest, the creative economy includes a wide range of industries that extend well beyond the cultural sector, but an essential component – and the object of cultural policy – is the so-called cultural industries. In later chapters we shall be looking more closely at defining the cultural industries and examining their policy implications. For now, we focus simply on the importance of the cultural industries in shifting the orientation of cultural policy more strongly towards the economic aspects of culture.

The rhetoric of the creative economy is persuasive. Creativity is, after all, a far-reaching quality whose mysteries are scarcely understood, even by psychologists:⁹ is it a characteristic of human beings, like intelligence, or is it a process by means of which novel problems are solved in novel ways? Artistic creativity, in particular, exerts a fascination that goes to the heart of human experience, both in the creation of art and in its reception by the viewer, the reader or the listener. To corral such an elusive phenomenon for an economic purpose is an intriguing leap that has the potential to bring the arts out of their self-referential exclusivity and to place them at the service of the economy. Once a logical sequence can be established, beginning with art and proceeding through artistic creativity, creativity in general, innovation, technological progress, competitive advantage, and leading in due course to growth in incomes, exports, employment and other indicators of economic success, government policy-makers tend to sit up and take notice. Since in many developed countries the cultural industries can indeed be shown to have grown faster than other sectors such as manufacturing and agriculture over the past decade or so when measured in terms of value of output or levels of employment, rhetoric is converted into fact, and the economic legitimacy of cultural policy is assured.¹⁰

A characterisation of the evolution of cultural policy over recent years as being its transformation into an arm of economic policy may appear somewhat far-fetched, seeming to subordinate the lofty purposes of culture to the sordid demands of the marketplace, a final realisation of the Adorno/Horkheimer nightmare of the commodification of culture.¹¹ Certainly for some observers the processes of cultural evolution driven by seemingly inexorable economic forces that we are witnessing in the contemporary world are a matter for despair,

and if these trends are taken up by governments in their policy stance on matters to do with the arts and culture, their gloom becomes even deeper. But this book will argue that a concern for the economic aspects of cultural policy does not by any means imply a capitulation to an exclusively economic conceptualisation of art and culture. On the contrary, a fundamental proposition upon which the book's argument is based is that there is an essential distinction between the economic value and the cultural value of the activities and the goods and services with which we are concerned. Governments have multiple objectives, including the creation of cultural value in society alongside the generation of economic value in various forms in the economy. The distinctive characteristic of cultural policy lies in the sometimes overlooked fact that it actually deals with culture, an aspect of society and its functioning that transcends the purely economic.

Furthermore, the promulgation of a cultural-industries basis for cultural policy can be interpreted in another light, one which gains a place for culture on the national policy agenda that it might not otherwise achieve. To put it simply, the cultural industries might help to legitimise culture in the eyes of hard-headed economic policy-makers. Such policy-makers have tended to be uneasy with a cultural policy where the primary focus is on public assistance to the arts; typically they have believed that there is no special case for governments to support activities that should be commercially viable, and have probably been inclined to the view that existing arts funding is the outcome of regulatory capture by an articulate and self-serving arts lobby. These sceptics have remained unconvinced as to the existence of public-good benefits from the arts, and are doubtful that the community would be willing to pay for them, even if they did exist; hence a market failure justification for public intervention does not impress them. But the cultural industries are a different matter. Now the arts can be seen as part of a wider and more dynamic sphere of economic activity, with links through to the information and knowledge economies, fostering creativity, embracing new technologies and feeding innovation. Cultural policy in these circumstances is rescued from its primordial past and catapulted to the forefront of the modern forward-looking policy agenda, an essential component in any respectable economic policy-maker's development strategy. In this way the cultural industries agenda can be used as the Trojan Horse whereby culture is smuggled into the policy chamber where its voice can at least be heard.

3 Outline of the book

This volume deals with the application of theoretical and applied economics to the analysis of cultural policy. A definition of the latter term is provided by the premier journal in the field in the following terms:

Cultural policy is understood as the promotion or prohibition of cultural practices and values by governments, corporations, other institutions and individuals. Such policies may be explicit in that their objectives are openly described as cultural, or implicit, in that their cultural objectives are concealed or described in other terms.¹²

This definition includes a range of non-government actors in the exercise of cultural policy; however, although our discussion frequently touches on the interests and actions of firms, organisations and individuals outside of government, our primary concern throughout is with the exercise of *public* policy, whether at a local, regional, national or international level.

The first task of the book is essentially definitional. Chapters 2 and 3 outline respectively the scope of cultural policy and the elements of the policy process. In Chapter 2 we define cultural goods and services, and economic and cultural value, as fundamental concepts upon which our subsequent discussions will be based. The composition of the cultural sector is described, and the interpretation of production, distribution and consumption of the arts and culture as an economic process is explained. Finally in this chapter, we outline the range of public-sector ministries, departments and agencies with a potential interest in cultural policy; the extent of the list reflects clearly the broadening of cultural policy concern that we noted above.

Chapter 3 looks at the public-policy-making process as it is understood from an economic point of view. The first stage in policy development in any area is to establish the objectives that government action seeks to pursue. The standard set of *economic* objectives that governments typically regard as important can be stated clearly. However, defining the *artistic* and *cultural* objectives of cultural policy is more problematical, since they relate to concepts such as artistic excellence, diversity, cultural sustainability, and so on, which are difficult to identify and to measure. Nevertheless specifying them is

essential, as on them depends the rest of the policy process. Once objectives are properly accounted for, attention turns to the means by which they are to be achieved; again we approach this question from an economic viewpoint, identifying the various areas such as fiscal policy, regulatory intervention and so on that governments use to put their policy programmes into effect. Finally in this chapter, the issue of monitoring and evaluation is raised, requiring the tracking of both economic and cultural outcomes in order to judge the success or otherwise of policy programmes or strategies.

The remainder of the volume is devoted to a consideration, chapter by chapter, of the specific areas of concern to public cultural policy, beginning in Chapter 4 with the creative arts. As noted above, this area has been the primary focus for cultural policy in the past and, notwithstanding the significant shifts in the orientation of cultural policy in more recent times that we have been discussing, it still remains a central component of the overall cultural policies of governments everywhere. But even though arts policy has stayed on the agenda, it has itself undergone change over time, affected by the drive for improved economic performance and greater accountability in public-sector policy delivery that has been seen in many countries in recent years. The critical policy issues have to do with justifying public funding, determining optimum levels of support, and deciding on the appropriate means and avenues for financial allocations. We discuss the two major economic approaches to providing assistance to individuals and organisations in the arts – direct funding provided by a Ministry of Culture or an Arts Council, and indirect support provided via the tax system.

The creative arts can be seen as an essential element of the cultural industries, the area to which we turn in Chapter 5. Matters of definition must be disposed of first (are they ‘cultural’ or ‘creative’ industries, and does it matter?). We then suggest various ways in which the economic contribution of the cultural industries can be identified, measured and analysed. Next, policy directions for the cultural industries are discussed, first in terms of the industries’ economic contribution and then in regard to the cultural value they produce. Here, as throughout this book, we stress the importance of accounting for both economic value and cultural value when considering policy strategies.

As we noted earlier, policy towards cultural heritage has traditionally been a key feature of cultural policy statements and it remains

today just as important as ever. Chapter 6 begins by identifying the three types of cultural heritage with which we are familiar: built, moveable and intangible. All are united in theoretical terms as items of cultural capital, a term used differently in economics from its accepted usage in sociology. A primary policy concern with heritage of whatever sort is to identify its value. We discuss in detail how the economic value of heritage is identified and assessed, and then do the same for cultural value. Policy issues applicable to heritage in general are considered next, including the appropriateness of sustainability as a paradigm for long-term heritage management, and the applicability of cost-benefit analysis for the appraisal of conservation investment projects. Then follows an account of policy matters specific to the three types of heritage in turn, and the chapter concludes with reference to the international conventions affecting heritage management, relating to heritage in both tangible and intangible forms.

Chapter 7 is devoted to the arts and culture in urban development. Although national governments take an interest in this field, it is primarily one of concern to regional and local administrations. Basic concepts relevant to the economic analysis of art and culture in the growth of cities include social, cultural and natural capital, sustainability and livability. After defining these concepts, we go on to consider three specific approaches to interpreting the role of the arts and culture in an urban context: the creative class, creative clusters, and the idea of a creative city. Of special interest is the importance of architecture in contributing to the cultural life of cities.

Given the extent to which urban economies in many parts of the world depend on the influx of tourists, a discussion of the arts in the economy of cities leads naturally to a discussion of cultural tourism, the topic taken up in Chapter 8. The economics of tourism as an area of applied economics deals with aspects such as: the contribution that tourism makes to the national, regional or local economy; impact studies of particular projects; and efforts to define sustainable tourism. Two interpretations of the term 'cultural tourism' are possible: one relates to the consumption of cultural experiences such as theatre or gallery visits by mass tourists, the other refers to the niche market occupied by the discriminating and specialised cultural tourist. The chapter discusses both types, and concludes with some policy observations.

Turning to the international arena, we consider culture in the world economy in Chapter 9. The major area of concern here is trade. The