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## *The Economics of Cultural Policy*

Cultural policy is changing. Traditionally, cultural policies have been concerned with providing financial support for the arts, for cultural heritage and for institutions such as museums and galleries. In recent years, around the world, interest has grown in the creative industries as a source of innovation and economic dynamism. This book argues that an understanding of the nature of both the economic value and the cultural value created by the cultural sector is essential to good policy-making. The book is the first comprehensive account of the application of economic theory and analysis to the broad field of cultural policy. It deals with general principles of policy-making in the cultural arena as seen from an economic point of view, and goes on to examine a range of specific cultural policy areas, including the arts, heritage, the cultural industries, urban development, tourism, education, trade, cultural diversity, economic development, intellectual property and cultural statistics.

DAVID THROSBY is internationally known for his research and writing in the economics of art and culture. He is Professor of Economics at Macquarie University, Sydney, and has been a consultant to many government departments and private corporations, and to international agencies, including FAO, OECD, UNESCO, the World Bank, UNDP and UNCTAD. He is a member of the editorial boards of the *Journal of Cultural Economics*, the *International Journal of Cultural Policy*, *Poetics*, and the *Pacific Economic Bulletin*. He is a co-editor (with Victor Ginsburgh) of the *Handbook of the Economics of Art and Culture*.

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Contents

<i>Preface</i>	<i>page</i> ix
<i>Acknowledgments</i>	xiii
<i>Abbreviations</i>	xv
1 Introduction	1
1 The changing face of cultural policy	1
2 The policy response	5
3 Outline of the book	8
2 The scope of cultural policy	14
1 Introduction	14
2 Cultural goods and services	15
3 Value and valuation	17
4 Composition of the cultural sector	22
5 Production, distribution, consumption	24
6 Cultural policy in government administration	28
7 Conclusions	30
3 The policy process	32
1 Introduction	32
2 Economic objectives of cultural policy	34
3 Artistic and cultural objectives of cultural policy	41
4 Instruments	45
5 Monitoring and evaluation	53
6 Conclusions	55
4 Arts policy	58
1 Introduction	58
2 What is arts policy today?	59
3 Direct support	63

vi		<i>Contents</i>
	4 Indirect support	73
	5 The role of the individual artist	80
	6 Conclusions	83
	Appendix to Chapter 4	84
5	Cultural industries	88
	1 Introduction	88
	2 Conceptualising the cultural industries' role in the economy	90
	3 Assessing the economic contribution of the cultural industries	93
	4 Industry dynamics: economic and cultural growth	98
	5 Policy strategies for the cultural industries	100
	6 Conclusions	103
6	Cultural heritage	106
	1 Introduction	106
	2 Heritage as asset	107
	3 Value	108
	4 Policy issues in heritage management	113
	5 Public policy and built heritage	117
	6 Public policy and moveable heritage	121
	7 Public policy and intangible heritage	125
	8 International dimensions to heritage policy	126
	9 Conclusions	127
7	Culture in urban and regional development	131
	1 Introduction	131
	2 Concepts	132
	3 Creativity in an urban context	136
	4 The role of architecture	140
	5 Policy conclusions	142
8	Tourism	146
	1 Introduction	146
	2 Economic aspects of tourism	147
	3 Cultural issues in mass tourism	151
	4 Cultural tourism as a niche market	152
	5 Policy conclusions	154

<i>Contents</i>	vii
9 Culture in the international economy	157
1 Introduction	157
2 Cultural trade	158
3 Non-trade issues in international cultural relations	166
4 Conclusions	169
10 Cultural diversity	171
1 Introduction	171
2 The value of cultural diversity	171
3 The origins of diversity as an issue in cultural policy	173
4 The UNESCO Convention process	175
5 Policy implications	177
6 Conclusions	179
11 Arts education	181
1 Introduction	181
2 Economic analysis of education	181
3 Arts education in schools	184
4 Education and training of artists	186
5 Education as a determinant of arts consumption	188
6 Conclusions	189
12 Culture in economic development	191
1 Introduction	191
2 Culture in development	192
3 Culture and sustainability	194
4 Policy implications	196
5 Conclusions	197
13 Intellectual property	199
1 Introduction	199
2 The economic basis for copyright	200
3 Administration of artists' rights: the economic rationale for collecting societies	203
4 The effect of new technologies	208
5 International regulation of copyright	209
6 Copyright in development	210
7 Conclusions	211

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[More information](#)

viii	<i>Contents</i>
14	Cultural statistics 214
1	Introduction 214
2	Types of cultural statistics 215
3	Some special-purpose statistics 224
4	Towards a new framework for cultural statistics 227
5	Conclusions 229
15	Conclusions 231
	<i>References</i> 237
	<i>Name index</i> 260
	<i>Subject index</i> 265



## *Preface*

Cultural policy is emerging as an increasingly significant component of government policy formation at both national and international levels. Aspects of cultural policy that currently figure in government policy agendas include: the prospects for the creative industries as dynamic sources of innovation, growth and structural change in the so-called new economy; the role of the arts and culture in employment creation and income generation in towns and cities, especially those affected by industrial decline; the appropriate means by which governments can support the creative and performing arts; legal and economic questions concerning the regulation of intellectual property in cultural goods and services; and the possibilities for public/private partnerships in the preservation of cultural heritage. At an international level, the problems of dealing with cultural goods and services in trade are becoming every day more prominent in various multilateral and bilateral trade negotiations, while at the same time the newly ratified United Nations (UN) convention on cultural diversity is having important implications for cultural policy in both the developed and developing world.

There is a growing scholarly interest in the field of cultural policy in several countries. As I point out in the concluding chapter to this book, much of this interest derives from the critical cultural studies tradition that is now strongly established in Europe, especially in the United Kingdom (UK). In addition there are several other streams in cultural policy studies that contribute at both a theoretical and an empirical level to the development of the field, including a significant amount of work dealing with issues in real-world policy administration. But in proportionate terms, relatively few of these studies derive from mainstream economic theory and analysis. Yet it can be argued that economics – standard macro- and micro-economics, public choice theory, institutional economics and other traditions within the discipline – has much to offer in an understanding of how the

arts and culture are implicated in government policy formulation and implementation. Given that much public policy in the contemporary world – whether in education, health, social services, the environment or wherever – is being increasingly interpreted in economic terms, policy towards the arts and culture risks being marginalised and made irrelevant to the main game unless its relationships to economic policy-making can be understood and asserted.

Moreover there has been a distinct reorientation of cultural policy in its practical interpretation over the last few years. In the past, the cultural policies of governments at all levels and in many countries were focussed on the creative arts. In more recent times, the rise of the so-called creative economy and the growth of the cultural industries has shifted the policy emphasis towards the economic potential of the arts and culture sector. Rapid developments in information and communications technology have contributed significantly to this shift, as new means for the production, distribution and consumption of cultural goods and services come onstream. In these circumstances it is essential that policy analysis comprehends the economics of these trends – their causes, their consequences, and their transformative effect on traditional modes of cultural policy delivery.

The objective of this book is to fill a gap in the cultural policy literature by analysing the process of cultural policy-making from a broad economic perspective. There are both theoretical and practical aspects to this task. In the first place it is necessary to lay out the theoretical foundations on which an economic approach to the analysis of cultural policy is built. Thus throughout the book the relevant economic theory and analytical methods are described and discussed as a basis for consideration of particular policy applications. But in addition, at a practical level, it has to be shown how cultural policy takes shape in the many specific areas where it is applied – the arts, heritage, the cultural industries, regional development, copyright, international trade, etc. Thus the book has a dual readership in mind: firstly, policy analysts and researchers interested in an economic model of the cultural policy process that is theoretically sound and analytically workable, and, secondly, policy-makers themselves who are dealing with the everyday problems of managing the state's role in regard to the arts and culture in the contemporary market economy.

The book is not divided into sections, although the first three chapters as well as the concluding chapter stand somewhat apart from the rest in that they provide an overall overview of the state of contemporary cultural policy, and an account of how cultural policy can be interpreted as part of the broader processes of policy delivery by governments in the modern world. The bulk of the book (Chapters 4 to 14 inclusive) deals with the specific domains of policy concern one by one – the arts, the cultural industries, heritage, urban issues, tourism, international aspects, cultural diversity, education, development, intellectual property and cultural statistics.

In some respects this book is a sequel to my earlier work for Cambridge University Press, *Economics and Culture* (2001). The present volume carries forward some of the central ideas developed in that book. In particular, one of the main themes of *Economics and Culture* was to draw a distinction between economic and cultural value, and to argue that, although economics has much of importance to say about production, consumption and distribution in the arts and culture, a full understanding of the relationships between cultural and economic phenomena requires us to take a wider view. Hence the concept of cultural value was introduced as a necessary aspect of the value yielded in the production and consumption of cultural goods and services, alongside the sorts of value measurable with the tools of economic analysis. The same distinction is maintained in the present volume in the treatment of cultural policy. That is, I argue that an economic approach to cultural policy will necessarily account for both the economic and the cultural value involved in the policy processes being studied.

A number of people have contributed in various ways during the writing of this book. Like many researchers and writers, I owe a significant intellectual debt to my many colleagues and friends whose writings and whose discussions at seminars, conferences and workshops all around the world have helped to shape my ideas. As always I acknowledge the libraries in which I habitually work, which are both an indispensable source of materials and a haven for scholarly reflection; in particular, I am grateful for the facilities provided by the Macquarie University Library, the Fisher Library at the University of Sydney and the State Library of New South Wales. To the REACH gang in the Department of Economics at Macquarie University (Research in the Economics of Art, Culture and Heritage) I owe a great debt of

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David Throsby  
Sydney, June 2009

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in *Contemporary Sydney* (2006); the Academy of the Social Sciences in Australia, for extracts from 'Creative Australia: the Arts and Culture in Australian Work and Leisure', Occasional Paper: Census Series Number 1 (2008); Ashgate Publishing Ltd, for extracts from 'Tourism, heritage and cultural sustainability: three golden rules', in Luigi Fusco Girard and Peter Nijkamp (eds.), *Cultural Tourism and Sustainable Local Development* (2009); the British Council, for extracts from 'Sweetness and light? Cultural diversity in the contemporary global economy', in Rosemary Bechler (ed.), *Counterpoint* (2004); Currency House, for extracts from 'Does Australia need a cultural policy?', *Platform Papers* No. 7 (2006); and UNESCO, for extracts from the following documents: 'Vulnerability and Threat: Guidelines for the Implementation of Art. 8', and 'Culture in Sustainable Development: Guidelines for the Implementation of Art. 13' (comments on the Convention on the Protection and Promotion of the Diversity of Cultural Expressions) (2008); and 'The Evolution of Cultural Policy: Towards a New Cultural Policy Profile' (2009).

*Abbreviations*

ANZSIC	Australian and New Zealand Standard Industrial Classification
BBC	British Broadcasting Corporation
CBA	cost-benefit analysis
CPC	Central Product Classification
CVM	contingent valuation methodology
DCMS	Department for Culture, Media and Sport (UK)
FAO	Food and Agriculture Organisation of the United Nations
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GNP	gross national product
IFPI	International Federation of Phonographic Industries
ISCO	International Standard Classification of Occupations
ISIC	International Standard Industrial Classification
MFN	Most Favoured Nation
NAICS	North American Industrial Classification System
NEA	National Endowment for the Arts (US)
NGO	non-governmental organisation
OHS	occupational health and safety
SNA	System of National Accounts
TRIPs	Trade Related Intellectual Property agreement
UIS	UNESCO Institute for Statistics
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organisation
WCCD	World Commission on Culture and Development
WCED	World Commission on Environment and Development
WIPO	World Intellectual Property Organisation