Andy C. Pratt
The state of the cultural economy: the rise of the cultural economy and the challenges to cultural policy making

Book section


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The state of the cultural economy: the rise of the cultural economy and the challenges to cultural policy making

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Abstract

This paper will take the opportunity to reflect upon the question of cultural policy in the 21st Century. It highlights the factors to be taken into account. It argues that the old models will no longer work due to the changing nature of culture and the cultural economy. The paper will map out these changes as a prelude to rethinking cultural policy making.

The presentation will note the growth of the cultural economy in the last 50 years and highlight the trends in an international context. It will explore issues associated with the changing definition of culture and the cultural economy; in particular, the re-positioning of the cultural economy in relation to: the formal/informal, not-for-profit/for profit, production/consumption, and the economic/socio-cultural.

The paper discusses the changing nature of cultural production and of cultural work; and, the 'culturalisation' of the economy. Finally, it highlights the 'instrumentalisation' of culture and its utilisation in marketing places and 'creativity' strategies.

Introduction

The aim of this paper is to provide a survey of the cultural economy, that is the relationship between culture and the economy. We often think of culture and economy as separate domains, each not to be polluted by the other. In practice, I will argue, the two are inextricably linked through practice. Moreover, we commonly think of economy and culture as fixed in some way, however, once again our experience is that they are endlessly mutable. My theme is that culture, and particularly cultural production – the making of culture – has been transformed in recent years (it is always being transformed, but I only want to focus on the last 50 years, and it is this period that does seem to have moved cultural production onto a new level). If we accept this point of view, then I think we must accept another consequence, or rather a challenge, that of re-thinking our relationship to culture; in particular what I want to argue is that our collective relationship to culture – that is the domain of public policy – needs to change even if we are to engage with culture in the
same ways as before, let alone exploring new ways. Business as usual is not an option. Of course culture is a broad canvas, I want to focus my attention of that area refereed to as the cultural and creative industries – I’ll clarify what I mean by this in a moment.

So, in brief, culture is changing, and culture’s ‘tentacles’ seemingly penetrate all areas of our lives today. Aside from an expanded and transformed cultural domain, we can point to the economic dimensions of cultural production – here we can point to the power of the film industry and Hollywood (Wasko 2003); but did you know that the ‘new kid on the block’ the computer games industry is bigger in economic terms than the film industry, worth 7 billion dollars a year in sales, and growing at 15% per annum (Crandall and Sidak 2006)? Culture also finds its way into social and community policy: we have all heard about art being used to rehabilitate the excluded, or as a means of social engagement – and, it does work; even businesses recognise the role of culture in team building. Traditionally culture has come onto the state agenda in the guise of censorship, or as it is more politely called these days, regulation. However, with the rise of the economic power of the media for example there are also debates about monopolies and competition policy. The relationship between the regulation and competition policy is a difficult one. Finally, in this brief list, I would like to point to one area that I am particularly concerned with that is the spatiality of culture. In particular, the location of cultural facilities and production has consequences for access and participation, as well as the sometimes-considerable economic benefits of either Hollywood, or Bilbao.

The conceptual lens that I want to use to help us navigate these shifts is threefold: we need to examine the concept of culture, the making of culture, and the governance of culture; individually and in relation to one another. In effect, we need to find a new settlement or balance between them. Alongside this analysis I want you to keep in mind two other tensions. First, the tension of production and consumption – whilst we traditionally see these as a dualism, I want to encourage us to think of them as a co-construction, a duality. Second, as I have already mentioned I want to suggest a similar perspective on culture and economy. In particular I want to flag up the subtle differences between the ‘adjectival’ cultural economy, and the ‘noun’ cultural economy. The former is the ‘culturalisation thesis’ where we argue that everything has become cultural (or the obverse, everything has become economic). The second, which I feel is more useful, is the focus on those activities that constitute cultural production (and this consumption, distribution, etc.). More of this later.

Let me begin by introducing the main concepts in there (old) traditional forms (actually, this would be the form of the last 100 years, this approach can be explored in a previous iteration earlier – but that is another talk). I will then outline the major changes that have occurred in the economy, culture and the state in the last 50 years; this, I take, as a provocation to re-think the relationship. So, in the following part of this chapter I will do this – illustrating it with those debates about the cultural economy that have been currency in the last 10 years. Finally, I want to draw out some challenges for us all in regard to the cultural economy in the future.

Traditional formations
In this section I want to introduce the notion of the Concept-Making-Governing in the cultural sector as applied to the empirical conditions in Europe in the mid-late 20th. My purpose in choosing this schema is to resist the dualisms of public-private, state-market, high-low culture, culture-not culture. Which, whilst they do have empirical validity, are rooted in particular times and places, and hence less helpful for trans-historical and international work. I will try to challenge the usual dualistic conceptions of culture with a 3-way tension (see Figure 1).

<Insert Figure 1 here>

**Concept**

It is important to know what we are debating, and what assumptions we bring with us. We begin with the easy question, what is culture? Whilst there is a small library devoted to this topic and the very word is multiply contested I think that one way of cutting into this Gordian knot is via the idealist, naturalistic and sacred. This is a particularly dominant social formation of culture, one that has been influential in policy debates, it characterises culture as removed from the everyday, mundane and functional and elevates it to its own level – for some almost equivalent to a deity. Culture is ‘over there’ as some critics have put it this is a ‘super-organic’ conception; one that exists, beyond us, and one that if suitably prepared we may access in awe and wonder.

More specifically, there is considerable debate about the last point, our relation to culture (and it is important to this lecture in the sense that we want to think about how culture is produced, or re-produced). Writers from the Frankfurt school, especially Adorno (1991), created a powerful argument about the relation that we might have to art and culture, by mobilising the notion of the ‘aura’ of a piece of art. Adorno is of course the progenitor of the term the ‘culture industry’ that he so distained (because of its mass production and loss of aura).

Here we can see the roots of the rejection of mass production, the opposition of the economic and the aesthetic that have come to codify the European and an international tradition in culture. I just want to raise the question of how aesthetic values are created, or where the hierarchies come from. They may be naturalised, and/or coincide with institutional power and authority (commonly academics/curators). Second, I want to point to the implicit notion of absolute values of art and culture (like the economic, but in a separate realm).

An alternative way to characterise culture draws more upon a materialist frame of reference, that stresses the anthropological making and re-making of culture, as culture as ordinary, and in effect culture as profane rather than sacred. It is this source that I think is more helpful in guiding current discussions. However, the point I want to stress is that (and I have simplified it a lot) when we argue about culture we adopt a number of different points of departure, and as often as not we do not argue over the same things; or, the policy and the concepts are out of sync.

**Making**
Within the idealistic tradition of thinking about culture, one that I would argue has been dominant (although not universal) in the mid/Late C20th., the conception of what an artist, or a ‘maker’ is, is shaped in a particular manner.

The classic mid-C.20th model is of the artist as individual genius often located in isolation from society who produces great art. Whilst artists have natural talents they have to be honed, through training, and then internalised as demonstrated by discipline and a technique. The artist has a sensibility that is trained through a knowledge and familiarity with the artistic canon. Such a conception focuses upon the support of the artist, so that they can lead an ascetic life free from pressures of money; hence the common state grant system. Later, state funded training, and support for exhibition/performance. So, we have the construction of an artist, and in part a governance system. Such a governance system became fully fledged when coupled with the discipline of economics.

**Governing**

It follows from the ‘super-organic’ conception of arts and culture that it is a ‘good thing’; many critics have extended the notion to an essential component of humanity (especially when coupled with notions of civilising restraint), or to various ideas of transcendence. We can note that in the development of the modern state, education takes on a central role; it is no surprise that much of the growth of, for example, museums and galleries owe their existence to an educational agenda. However, there is not space to explore these debates, or those associated with nationalism and colonialism here.

I want to point to one critical technology of government that has shaped these broader concerns, and delivered a mechanism and rationale for cultural funding beyond mere pleading for a protection of ‘the good life’. The rationale provided by welfare economics is that of public goods and market failure. I do not want to go into detail about this here, suffice to say that the result of market forces is an under-provision of certain types of cultural goods; thus, the state has to step in to provide them to maintain the public good. Added to this is a more precise argument specific to the arts referred to as Baumol’s (Baumol and Bowen 1966) cost disease. This states that a performance of a string quartet cannot achieve efficiency gains of time saving, or labour saving, however, labour costs rise; thus live music becomes more and more uneconomic, and thus needs subsidy. If we add the notion of the corruption of culture by the masses, and cultural elitism; as well as the attempt to develop cultural hegemony to reinforce nation building we have a strong combination.

Such an argument underpins what we might recognise as cultural policy in the mid-C20th. However, it also has its own inherent weaknesses in dealing with changes in cultural expression and form. Moreover, being linked to state budgets and therefore in competition with other services like, the military, or health, culture tends to lose out. As we will note state culture budgets are subject to variation and uncertainty, which makes cultural sustainability precarious. Added to this is a politicised and idiosyncratic definition of which cultural forms and practices ‘deserve’ support. We can note that by definition the arts and culture are separate from commercial culture (despite evidence to the contrary). Finally, we can note that such a formation tends to a very staid, or conservative, view of culture that is backward looking, reverential and not dynamic.
The point of the remainder of this paper is that whilst such a formation of concept-making-governing created a consensus. Language and technology of governance (that is the relationship between the three components), it must necessarily be situated within a particular formation of economy, culture and the state. If, as I will argue, these three forces are themselves being transformed then the cultural formation is destabilised. In the next section I want to illustrate some of the forces of destabilisation; then I will follow with a ‘new settlement’ of concept-making-governance that is underpinning current trends in cultural policy. Finally, I will discuss the further challenges that we face in this field.

The forces of change

In this section I want to outline some of the forces of change that have upset the old settlement; my point is that the change is not simply a matter of degree, but that it is transformative. As such ‘business as usual’ in the policy field is not possible (even if we only seek to preserve the status quo). I want to look at three forces (economy, culture, state); of course, these are not autonomous from one another or from society as a whole. However, for the purposes of argument we can focus on these manifestations of forces.

Economy

It is a familiar story to us all that the economic foundations of societies are shifting – they always do. In particular I want to focus on the decline of manufacturing industry in Europe, its migration to the global South; and the concentration of the service sector in the global North, moreover, the development and growing technical division of labour – the expansion of activities as well as the absolute numbers of people involved and goods and services produced.

As manufacturing activities have either grown absolutely smaller due to technological substitution, or migrated to lower cost labour locations, so the development of product differentiation has occurred. Thus, when Ford produced the ‘Model T’ it was one model, in one colour. Now few consumers seem happy unless a product is available in a multitude of colours, materials and designs. One advantage for producers is that they can sell the same product more than once to a consumer, and another is that they can charge a premium for designer/quality goods. Thus, there has been a huge growth in what we might generally call design or customisation of products; moreover, as we can see from products like Apple’s iPod, design may drive production and market share. Thus we can see how one new source of what business strategists and economists call ‘competitive advantage’ is creativity, or what we might more generally call innovation.

Accordingly, there have opened up many new opportunities for creative inputs to products. Thus, a larger proportion of manufacturing related activities are beholden to the creative economy. As we will see in moment consumer spending has also grown in this sphere; a critical aspect of consumer spending is that it is associated with youth, and a range of concerns about identity and culture. The birth/branding of the teenager was the start of a long boom that has continued to this day. The key shift is that cultural products once the realm of ‘one offs’ and ‘live performance’ are now...
readily reproducible millions of times (for the same economic input); this has led to a huge growth of cultural and creative industry producers (as we’ll see later).

Production in the whole economy has become more extensive, production occurs in networks that do not simply link a few buildings and a factory, or a region, but across nations and the globe: globalisation. As I have already mentioned, one driver has been cost reductions. Initially locations in the world would compete for a branch plant, offering subsidies. Now, the global North, or global cities compete for the head offices of corporations. The tool for such competition is the ‘unique selling proposition’; what could be more unique than heritage and culture, that is except when it’s a modern art gallery in an old power station located by a river with a nice bridge across.

So, cultural consumption is the new honey pot to attract investor bees; a variation of this is the notion of the creative class (Florida 2002), that is not creative workers, but those who like to be around artists, whom city boosters think will attract they key labour, and which will be the magnet to attract high tech industry. As I’ll point out later, this is a case of culture being used instrumentally to achieve other ends; moreover, it does not address the question of investment in cultural production.

An illustration of the scope of such changes is difficult, as I’ll discuss more fully in a moment, as by definition most of these activities and goods are new, and thus they are missed by census makers and statisticians; they are quite literally invisible. Despite a number of caveats we can offer some measures of these industries, although more work needs doing to make them more precise. A recent survey carried out for the European Commission (Kea_European_Affairs 2006) for example shows on average 3.1% of the working population in this sector, and 2.6% of European GDP, on a turnover of 654 Billion Euro; some countries such as the UK and Germany are way above these figures (See Figure 2). Whilst, these figures may seem small when compared with those staples of the ‘real economy’ such as motor manufacture, textiles and chemicals looks small (See Figure 3). As I have mentioned, hard data on key indicators is a tricky area, one that we are currently devoting much work to, so, comparisons outside of Europe are still patchy. However, as an indication we can look at the contribution to GDP in a variety of countries; we can see that Europe is not alone in this phenomena; and strangely the UK does very well (See Figure 4). I am not here to explain or explore this phenomena today; what I would point out – and will touch on again later – is the uneven spatial distribution of the gains from the cultural and creative industries, both across nations, and within them, and even between cities and regions.

Culture
Culture has changed in a wide variety of ways. In a most obvious way we can see that cultural forms are constantly developing and changing. Noticeably, this process is accelerated and intensified through feedback and critique. Thus, the development of various markets, or schools of cultural criticism has driven the development of forms, and the expansion of new forms. One of the key elements of culture centred on the developed world is that parts of culture have become traded, or marketised. As noted, already, hand in hand with mass production and mass consumption this has led to
huge demand for cultural goods and services. As I mentioned, new consumers (younger) are constantly drawn in, as is the rate of turnover of fashion/values or taste.

We can find some evidence of this shift in statistics on household spending patterns (see Figure 5). As a whole developed societies are getting richer (although not more equal), and a greater proportion of spending is being directed to cultural goods and services. Whilst there are international contrasts; the growth and scale is significant. I haven’t got time to explore the participation rates and time spent on cultural activities, but this would be another piece of evidence to add to the picture.

As noted above, culture is changing; perhaps an emblematic debate has been that of high versus low culture that resonates through many societies. This debate as become more complex in that it used to map onto state funded and market provided; however, this division has been eroded, as has the certainty of which categories particular art forms fall into: these categories are not ‘eternal’ but historically and culturally specific; for example, Adorno cast photography, jazz and film to ‘low’ culture. Whilst one may have sympathy with the argument that ‘true value’ is not captured by economic prices; it does not follow that if something has a price then it has no cultural value. The negotiation of this ‘grey’ area of cultural and economic values is clearly problematic (and carries with it much baggage of old debates), and as such it provides policy makers with less and less guidance as to which cultural forms to support, or not; let alone how. When classical music is selling CDs and on commercial radio, and commercial concerts is there a need for public support? How should it be justified when market failure appears not to be present? I think that this is dangerous territory; we need to navigate these areas very carefully. Increasingly we can note that cultural activities can be found across a number of boundaries: cultural and creative, commercial and non-commercial, formal and informal economies, and across production and consumption. As noted above this last point is a critical change away from the producer creating a product and placing it on sale then hoping to convince the customer that they need it. Now, we see an intense short-circuit and feedback between production and consumers with so called ‘cool hunters’, urban anthropologists feeding back the street to designers (Quart 2003).

State
The third of our three realms of empirical change is the state itself; as we are all aware the notion and role of the state has changed much in the last 50 years from a high point of social welfare to the current engagement with the minimal state of neo-liberalism. We have seen state spending fall as a whole, and much concern by politicians of all shades to examine a much smaller state, either from ideological terms, or simply as a way of responding to a shortage of money. In these circumstances it is not surprising to see the fact that the arts and culture budget is one that is easily cut, compared, for example to education or health – although in many states they have suffered as well. Figures 7 and 8 shows the range of spending by states.
In such a shift we can see changing modes of resource allocation, and a move to ‘value for money’ evaluation. Again, in standard terms culture is always going to loose. This is perhaps why there has been such an upsurge of interest in finding other rationales for the support for culture, and the expansion of instrumentalism arguments for the existence of culture. I feel that some of these arguments still need development; they certainly need to be based on more robust evidence either statistical or explanatory. The sad fact is that although we have now begun to recognise the role that both the cultural economy, and the contribution of culture to social improvement in direct and indirect ways, we still only have a very partial understanding of what constitutes the cultural economy, and how it works, and what its relationship to the rest of economy and society is. The following section develops this argument showing how a re-appraisal of concepts, making and governance can be developed.

Re-defining ‘concept-making-governing’

Reconceptualising culture

One of the most important steps taken in recent years in this field has been the attempt to ‘measure’ the impact of culture on economy and society. Initially, the focus was on so-called secondary impacts, or economic multipliers. These modelled the ‘knock on’ effects of culture – seemingly admitting that adding a value label to culture was not possible (Throsby 2001). So, things like expenditure for hotels and restaurants were see as a measure of cultural impacts. The key oversight here is that cultural production is not examined, and the only worth is considered to be consumption related (but even then disconnected with cultural production which is rendered invisible).

Thus the significance of the shift to primary measures of cultural activity; measures that included the makers and artists, but, and this is the critical point, they also considered the related activities and jobs needed to facilitate cultural production. Just as one would not evaluate the contribution of the car industry from counting is sales staff; or, one would not evaluate the contribution of the film industry only through the star actors.

However, the argument goes further than this, it is concerned with all of the activities required to produce a cultural product or service. That involves what have been termed the depth of cultural production (that is the behind the scenes work), as well as the breadth – that is how widely one defines culture (Pratt 1997; Dcms 2003; Burns Owens Partnership, Pratt et al. 2006).

Empirically, what these approaches have sought to do is to capture the social and economic, the formal and informal, commercial, non-commercial, as well as the production and consumption activities that constitute cultural production. Moreover, examining these processes, through the interlinked networks of production, has highlighted the international flows of cultural production (not simply the flow of exports), as well as the dramatic clustering, or co-location, of parts of these industries.

We have already seen examples of the output of these models, and the diagram here (Figure 9) gives one a sense of the scope of activities under consideration to create a full picture and understanding of the cultural economy. As noted, much of the work so
far has concentrated on traditional measures such as output, employment and occupation; little attention has been paid to processes. Of course a firm basis for policy making has to be rooted in an understanding of causes and process, so that the best intervention can be developed – to be effective and efficient.

Re-making cultural industries

We have already noted how difficult is has been to gain an understanding of the cultural industries due to their rapid process of change, new and rapid development. At least we have some partial data on them, as noted above. However, we have less information about the crucial areas of process. How is production organised in the cultural industries, is it different to that in the rest of the economy or society? is it the same across all of the cultural industries? These are difficult questions that we are exploring now. I can give you some insight into the types of findings that are emerging.

There are three main characteristics shared by all cultural industries, as well as some non-cultural industries, and the manifestation of each is different by different industries that have different market structures: for example, computer games and the film industry, or the theatre.

The first is the general organisational form. Most of the cultural industries are dominated by a handful of major international corporations, and sitting below them are many thousands of ‘companies’, these companies are very small, indeed micro-enterprises comprising of self employed and 2-3 person business. There is a ‘missing middle’ or small and medium sized enterprises, which leads to some challenges in terms of co-ordination. On the other hand it develops a network, or rather an interdependent ‘ecosystem’ of companies that are constantly growing and evolving into other companies recycling knowledge, expertise and personnel. Like any ecosystem it is delicately balanced.

Second, is the work process. As already suggested the ‘life’ of products and projects to create them, and the firms that produce them, are short: a matter of weeks or months. These ‘firms’ are constantly re-cycling and evolving; they constitute a whole sector of the economy that has a ‘project based’ form. As such, traditional analyses that treat the firm as a basic building block of analysis are not so helpful as those that see the more enduring ‘network’ or ‘institution’ as more salient. Once again, I can only sketch out some outline here, the richness of detail of organisation and practice would take all the time I have here today to relate.

Third, is the rapid turnover of products and sequence of multiple innovations required to sustain activity in the sector; added to which there is incredible uncertainty that when a product reaches a market, or an audience, that they will even like it. The critical element of timeliness is crucial. So, is the act and co-ordination of market building through education or publicity. Hence, consumption feeds back into production and both are attenuated by micro-differences. However, success of failure depends on such differentiation as this is an industry where the winner takes all; coming second is really no good.
These characteristics, separately and in combination, are difficult to comprehend and fully understand, and, as I already mentioned they are subject to rapid change and variance across cultural industries. This really does create a substantial challenge for policy makers.

**Re-making governance**

So, taking into account the changing contexts, cultural economy and concepts what is the future for cultural governance: a free market? To be sure, this is the concern of many; especially, in those states that have a long history of support for culture and have built substantial orchestras and art galleries, etc. My concern is that business as usual in policy terms will lead to the public sector having a dwindling control over spending, and over the operation of the cultural sector. Thus, in order to simply stand still we need to re-calibrate our response, and in some ways entirely change the way that we manage cultural activities. I’ll come back to what are inevitably future challenges in my conclusion; what I want to cover briefly in this section concerns the current state of the art.

The current cultural policy field is rather limited; it has expanded upon its original remit in two areas. Crucially, whilst traditional cultural spending has declined, these two new areas have become the new targets. First, instrumental policy aimed at using the feel good factor, or the actual capacity of the arts and culture, for ‘regeneration’: which might mean using a cultural quarter to regenerate a downtown, or peripheral estate; or, using art projects to improve social inclusion. Second, and perhaps most saliently, the use of arts and cultural facilities to attract inward investment/ foreign direct investment into cities and regions.

The second field where cultural policy has expanded concerns the direct economic impacts of culture. Thus, measures of intellectual property rights, royalties, trade, and employment, as well as the impact of the rest of the economy are seen as key issues. This second field has the most to offer the cultural and creative sector; but as yet policy makers do not seem to have developed means and understandings of the workings of the industries in order to devise policy. On one hand there is generic industrial policy, on the other hand censorship: few examples of dedicated policy exist. This is an area where more research could have a big impact.

One of the problems with this second area is that it is commonly identified solely with the commercial sector, and in opposition or competition for public funding with traditional arts and culture. This, I believe, is a mistake. Empirical observation tells us that one of the characteristics of many artists and cultural workers is a constant migration between the for profit and the not for profit sectors. This, I would argue, needs to be central to our concerns rather than, as it is at present, missed by both.

**Conclusion: future challenges**

In my conclusion I want to briefly raise a few challenges that the rise of the cultural industries, and the problems that those developing policies for them confront. First, I’ll recap the argument: that cultural production has changed, so has the nature of culture and the role of the state. The old means of managing culture are no longer
applicable; we need new ones. Moreover, an incremental shift, or business as usual will not suffice. Radical changes are needed – but what changes? I have argued that we need a fuller understanding of the cultural economy and how it operates in order to effectively govern it. The policy must go beyond instrumentalism, or simple subsidy, it requires an intelligent and nuanced policy approach, and moreover, it needs a new cadre of policy makers to implement it. Elsewhere I have argued that these ‘intelligent agents’ may need, like the industries that they intend to support or encourage, to be from the public and private sector, formal and informal economy: they need a very diverse and flexible approach one that will require the skills of a simultaneous translator skilled in the languages for art, culture and design, as well as politics, administration, economics and state budgets (Jeffcutt and Pratt 2002; Pratt 2004).

I will end this chapter with an oversight of some of the problems that will face this new agenda and policy community. As I have already mentioned, people and organisations who can work at the boundaries of the commercial and non-commercial, and are happy to move in and out of one or another. Second, state agencies will need trained and trusted individuals to broker these relations and policy – most likely some sort of third sector agency might work best. Third, we need to resolve our concern for and objectives of supporting culture. The old formulation, the one that I began the chapter with, plays into market failure; the new one is potentially simply a free market. However, I also see another argument which depends upon a more subtle understanding of cultural production and cultural value making, one that is able to seem collectives and well as individuals, the role of the private individual as well as the society, the role of the instrumental as well as the ‘arts for arts sake’ perspective. Fourth, regardless of policy making it does seem that we already have a huge cohort of workers in the cultural sector that are precarious or freelance labourers; they may, some of them, earn good money (some of the time) but they have no certainty. If we are to sustain livelihoods in this sphere we need to develop a compatible social welfare system that supports it, not one built upon the idea of male workers in a career for their working lives. Fifth, we need to recognise that we cannot all be ‘winners’ in the culture wars – as it is being played out with economic overtones some regions of the world are great gainers from this competition; many others losers. Underpinning this is that fact that the cultural industries are massively dominated by a small number of companies who critically have control over what gets to audiences and markets. This poses a challenge to notions of cultural democracy and representation. Nowhere is this more evident in the developing world where the supposed ‘level playing field’ of Intellectual property rights (IPR) is working as a means to ensure that cultural producers cannot participate in profits; and of course create livelihoods, and economic and cultural wealth. However, this is a topic that must be the subject of another chapter.

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Baumol W J, Bowen W G, 1966 Performing arts - the economic dilemma : a study of problems common to theater, opera, music and dance (Twentieth Century Fund, New York)
Further reading that will provide precise reference to sources and more detail of some of the points discussed in the chapter


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I have tried to limit the use of citations in this chapter to make it more accessible to the general reader. Those interested in exploring in more detail will find a list of recent papers that I have written that include full details of all sources.

Figures

Figure 1: The tension of making-governing-conceptualising culture
Source: KEA_European_Affairs, 2006 *The economy of culture in Europe* (European Commission DG5, Brussels)
<table>
<thead>
<tr>
<th>Sector</th>
<th>Persons employed Nber in 1000</th>
<th>Number of enterprises</th>
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<td>Manufacture of electricity, gas, steam, etc.</td>
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<td>Manufacture of machinery</td>
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</tbody>
</table>

(e) Creative industries classification comprises NACE-Codes: 22.1, 22.2, 72, 72.2, 74.2+3, 74.4, 74.8, with estimates of Software/PC-Games (72.2), architecture/industrial design (74.201-03) without engineering design, advertising (74.4), design activities (74.87) and branches of cultural industries (92.1-5).


Figure 3 Source KEA_European_Affairs, 2006 The economy of culture in Europe (European Commission DG5, Brussels)
Figure 4

**Fig. 1 Contribution of selected cultural industries to GDP in selected OECD countries**

Note: sectors included are advertising, architecture, video & film, music & performing arts, publishing, broadcast, art & antiques, design, crafts (OECD 2007)

**Fig. 2 Contribution of selected cultural industries to GDP MERCOSUR 2002**

Note: sectors included are Publishing and Leisure/cultural activities/sports (Ministry of Culture, Argentina 2006)

Figure 5

Household expenditure on recreation and culture
As a percentage of GDP, 2003 or latest available year

![Graph showing household expenditure on recreation and culture as a percentage of GDP, 2003 or latest available year.](image)


Figure 6

<table>
<thead>
<tr>
<th>Table 4.2</th>
<th>Household expenditure as a percentage of total expenditure, 1984 to 2005-06 based on the FES classification at 2005-06 prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity or service</td>
<td>Percentage of total expenditure</td>
</tr>
<tr>
<td>1 Housing (net)</td>
<td>16 17 19 18 17 16 17 16 16</td>
</tr>
<tr>
<td>2 Fuel and power</td>
<td>6 6 5 4 5 5 4 4 4</td>
</tr>
<tr>
<td>3 Food and non-alcoholic drinks</td>
<td>21 20 19 18 18 18 18 18 18</td>
</tr>
<tr>
<td>4 Alcoholic drink</td>
<td>5 5 4 4 4 4 4 4 4</td>
</tr>
<tr>
<td>5 Tobacco</td>
<td>3 3 2 2 2 2 2 2 2</td>
</tr>
<tr>
<td>6 Clothing and footwear</td>
<td>7 6 7 6 6 6 6 6 6</td>
</tr>
<tr>
<td>7 Household goods</td>
<td>8 8 7 8 8 8 8 8 8</td>
</tr>
<tr>
<td>8 Household services</td>
<td>4 5 5 5 5 5 5 5 5</td>
</tr>
<tr>
<td>9 Personal goods and services</td>
<td>4 4 4 4 4 4 4 4 4</td>
</tr>
<tr>
<td>10 Motoring</td>
<td>12 12 12 12 12 12 12 12 12</td>
</tr>
<tr>
<td>11 Fares and other travel costs</td>
<td>2 2 2 2 2 2 2 2 2</td>
</tr>
<tr>
<td>12 Leisure goods</td>
<td>5 5 5 5 5 5 5 5 5</td>
</tr>
<tr>
<td>13 Leisure services</td>
<td>7 7 9 9 10 11 11 11 11</td>
</tr>
<tr>
<td>14 Miscellaneous</td>
<td>6 6 6 6 6 6 6 6 6</td>
</tr>
<tr>
<td>1-14 All expenditure groups</td>
<td>100 100 100 100 100 100 100 100 100</td>
</tr>
</tbody>
</table>
Figure 7

Government expenditure on recreation and culture

As a percentage of GEP, 2003 or latest available year

StatLink: http://dx.doi.org/10.1787/66712534207
Figure 8: Public expenditure on culture, trends (NEA 2000)

<table>
<thead>
<tr>
<th>Central Government</th>
<th>Regional Government</th>
<th>Local Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Increase in both capital and revenue spending up to 1994/95.</td>
<td>Increase in revenue spending up to 1992/93.</td>
</tr>
<tr>
<td>Canada</td>
<td>Overall reduction in support for the arts.</td>
<td>Recent real terms reductions in support for the arts.</td>
</tr>
<tr>
<td>Finland</td>
<td>Expenditure under pressure due to recession.</td>
<td>Trend data unavailable.</td>
</tr>
<tr>
<td>France</td>
<td>Fall in share of total public spending since 1993.</td>
<td>Substantial increase in real levels of revenue.</td>
</tr>
<tr>
<td>Germany</td>
<td>Temporary expansion in support due to unification.</td>
<td>Pressures on public finance due to high unemployment and financial surgery necessary for EMU.</td>
</tr>
<tr>
<td>Ireland</td>
<td>Marked increase in support due to additional lottery income; public funding of culture recognized.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>Italy</td>
<td>Reduction in percentage of total state expenditure on culture.</td>
<td>Slight increase in percentage of total regional expenditure on culture.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Modest real terms fall in cultural spending.</td>
<td>Detailed trend data unavailable.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Spending on arts and museums up by one fifth in real terms.</td>
<td>Modest decline in county council expenditure since 1989.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Direct expenditures have increased marginally in real terms in the early 1990s but have fallen in real and cash terms thereafter.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>United States</td>
<td>Large cash reductions in main funding agency.</td>
<td>Moderate increases in State Arts Agency spending, following marked cash reductions in the early 1990s.</td>
</tr>
</tbody>
</table>
Figure 9

**Fig 4 The creative chain**

Source: UNESCO/Pratt (2006)