The Economics of Cultural Policy

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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*, 2005[1])

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 and 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 macroeconomy 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

so-called cultural exception, whereby cultural goods and services seek to be considered differently from other commodities in trade negotiations, has been a prominent feature of trade discussions in recent years. We consider arguments both for and against the granting of special treatment towards cultural goods in trade. We also discuss other important cultural trade issues including the export of 'national treasures' and the repatriation of cultural property. Finally, this chapter examines non-trade issues in international cultural relations, including cultural exchanges, cultural diplomacy, and intercultural dialogue.

Chapter 10 deals with an issue that has grown in prominence in recent years, namely cultural diversity. In looking at the value attributable to cultural diversity, we draw a parallel with biodiversity, the importance of which is increasingly being recognised. A primary impetus towards recognition of cultural diversity has been, firstly, the *Universal Declaration on Cultural Diversity*, adopted by UNESCO in 2001, and the *Convention on the Protection and Promotion of the Diversity of Cultural Expressions*, which entered into force in 2007. The policy implications of this Convention are potentially far-reaching, and are becoming more widely appreciated as the process of implementing the Convention proceeds.

At the beginning of Chapter 11, the point is made that in some respects cultural policy and educational policy could be seen as almost synonymous, so pervasive are the interconnections between education and culture in society. The chapter discusses the economic interpretation of education as a contributor to human capital formation, and goes on to consider the two arenas in which arts education occurs: in schools where children learn about music, visual art, drama, literature, and so on; and in conservatoria, universities, art schools, colleges, etc., which are concerned with the education and training of artists. The chapter discusses educational policy in both of these contexts, and concludes with an examination of the determinants of arts consumption in the population at large as it is affected by consumers' educational backgrounds.

Developing countries have a particular interest in cultural policy. Chapter 12 outlines the role of culture in economic development, and discusses policy measures that seek to enhance both the economic and the cultural contribution that the arts and culture can make to the development process. A key concept here once again is sustainability;

we introduce the relatively new idea of culturally sustainable development and put forward some guidelines for its implementation.

One of the characteristics that can be used to define cultural goods and services is their actual or potential intellectual property content. The major area of intellectual property law and practice of relevance to creative products is copyright. Chapter 13 begins by explaining the basic economics of copyright, and shows how the assertion of artists' rights is most effectively handled by cooperative action through organisations such as copyright collecting societies. One of the most significant concerns in contemporary copyright administration is the effect of digital technologies; the transformation of the ways in which some cultural goods and services such as audio-visual products are distributed and consumed has made it possible for users to bypass copyright regulations, with adverse effects on the capacity of rightsholders to be properly rewarded for their creative effort. We discuss these issues and the policy measures that can be used to counter these problems.

An important stage during or after the implementation of any policy programme is the monitoring and evaluation function. In the cultural policy arena, this function requires cultural statistics of various sorts. Chapter 14 discusses the types of statistics that cultural policy analysts require, including data on the performance of the cultural industries, employment, prices, and so on. These data may be collected by government statistical agencies or gathered from independent surveys; in the latter respect we pay particular attention to the methodology for surveying professional artists. One difficulty encountered with statistical data relating to the cultural sector concerns the lack of comparability in data series across jurisdictions and across countries. An effort to lead to greater consistency in national statistical collections for culture is the new Framework for Cultural Statistics developed by the UNESCO Institute for Statistics. We discuss the structure of this framework and the prospects for its implementation.

The final chapter in the book draws some of the threads together. The legitimacy of cultural policy studies as an area of theoretical and applied research is discussed, and the validity of this volume's project of applying economic principles to this area is appraised. The conclusion is drawn that economics does indeed have something to contribute to an understanding of cultural policy. It is hoped that by the time the reader has reached the end of this volume, he or she will have found at least some reason to agree.

Notes

1 Quote is from Jennings (2005: 124).
2 See Green and Wilding (1970).
3 See Gumucio (1978). A poignant reminder of how political circumstances can change and how cultural intolerance can wreak disaster is provided by the report for Afghanistan (Rahel, 1978), which sets out a programme for heritage protection in that country, illustrated by a photograph of one of the Bamiyan Buddhas. These priceless cultural artefacts were destroyed by the Taliban in 2001.
4 This was despite the fact that at the original 1967 conference, UNESCO had argued for a recognition of the economic linkages between culture and development, pointing out that 'economic and social development should go hand in hand with cultural development' (UNESCO, 1969: 10), and encouraging the application of economic models to the analysis of the production, distribution and consumption of the arts.
5 For an essay on art and popular culture in a cultural policy context, see O'Connor (2006).
6 See Castells (2001: 112).
7 Not a persuasive argument in economic terms; for an attempt to measure the economic impact of the arts at that time, see Myerscough (1988).
8 See, for example, Howkins (2001); UNCTAD (2008).
9 See further in Hayes and Stratton (2003: 70).
10 Of course the relationship between the cultural industries and cultural policy has been a long-standing matter for discussion within the cultural studies and political economy traditions (Garnham, 1990; Lewis and Miller, 2003; McGuigan, 2004; Hartley, 2005; Hesmondhalgh and Pratt, 2005; Pratt, 2005). However, the rapid technological change associated with globalisation that has occurred over the last decade or so has brought the cultural industries, and their role in cultural policy, into a new prominence; see also Bustamente (2004).
11 As envisaged in their disparaging description of the 'culture industries'; see Adorno and Horkheimer (1947).
12 See the 'Aims and Scope' of the *International Journal of Cultural Policy* as set out on the inside front cover of any recent issue. For a discussion of 'implicit' cultural policy, see contributions to a special issue of the journal, published as volume 15, no. 1, 2009.

2 *The scope of cultural policy*

> … having faith in the progress of humanity towards perfection, … we grow to have a clearer sight of the ideas of right reason, and of the elements and helps of perfection, and come gradually to fill the framework of the State with them, to fashion its internal composition and all its laws and institutions conformably to them, and to make the State more and more the expression, as we say, of our best self …
>
> (Matthew Arnold, *Culture and Anarchy*, 1869[1])

1 Introduction

In days gone by, when cultural policy was concerned primarily or solely with the creative arts, a definition of its scope was straightforward. The goods and services produced and consumed were easily recognisable – works of art and literature, music compositions, theatre performances, and so on – and the individuals and organisations that might be targets for cultural policy occupied an identifiable corner of the economic and social landscape – artists, performing companies, music ensembles, etc., on the supply side, and the 'arts audience' on the receiving end. The value of what was being done in the name of art was taken for granted as the motivation for cultural policies designed to nourish and improve society. Responsibility for cultural policy within government rested quite naturally in a ministry for the arts or culture or in an arts funding agency of some sort.

The expansion in the reach of cultural policy that we discussed in the previous chapter has changed all that. No longer are the goods and services that comprise the output of the cultural sector confined to the arts; rather, new definitions are required of cultural or creative goods and services and the industries that produce them. The range of suppliers and consumers of such commodities that are potentially the object of cultural policy measures has correspondingly extended well beyond the arts

sector, and the value of cultural activity is now subject to critical scrutiny, rather than being automatically assumed to be good. The widening reach of cultural policy is reflected also in the increasing number of government ministries and instrumentalities with an interest in this area.

This chapter charts these changes by looking at the ways in which the scope of cultural policy has expanded. We begin with the basic issue of identifying the products and the activities with which cultural policy is concerned, discussing contemporary approaches to defining cultural goods and services and measuring their value. We then go on to consider the composition of the cultural sector, the structure of cultural production, and the multiple areas of responsibility for cultural policy that have emerged in contemporary public administration.

2 Cultural goods and services

An economic analysis of cultural policy must begin with a fundamental question as to the nature of the goods and services that are likely to be of policy concern. If they are simply commercial commodities bought and sold on markets like any other products that circulate in the economy, the application of economic policy to their production, distribution, marketing, transport and consumption would be no different from economic policy-making in respect of any other commodity. If, however, cultural goods and services have distinctive qualities that set them apart from other products, they may have a claim to special policy attention.

To begin with, we draw attention to the somewhat confusing use of terminology that has emerged in this area, where the descriptions 'creative goods' and 'cultural goods' are used sometimes interchangeably and sometimes with different meanings. An obvious way to resolve this difficulty is to provide objective and unambiguous definitions of the adjectives 'creative' and 'cultural'. Such an approach requires definition of the corresponding nouns. In the case of *creativity*, there is no simple definition that encompasses all the various dimensions of this phenomenon. Nevertheless, the characteristics of creativity in different areas of human endeavour can at least be articulated. For example, it can be suggested that artistic creativity involves imagination and a capacity to generate original ideas and novel ways of interpreting the world, expressed in text, sound and image. This might be compared with scientific creativity, which relates to experimentation and problem-solving in other spheres of human activity.

In regard to *culture*, its definition can be simplified if it is accepted that it can be interpreted either in an anthropological sense, meaning shared values, customs, ways of life, etc., or in a functional sense, meaning activities such as the practice of the arts. Whichever of these notions of culture is accepted, the concept of cultural products can be articulated. There is some agreement now that cultural goods and services such as artworks, music performances, literature, film and television programmes, video games, and so on, share three distinguishing characteristics:

- they require some input of human creativity in their production;
- they are vehicles for symbolic messages to those who consume them, i.e., they are more than simply utilitarian, insofar as they serve in addition some larger communicative purpose; and
- they contain, at least potentially, some intellectual property that is attributable to the individual or group producing the good or service.

In addition, cultural goods have been described as experience goods, and as goods which are subject to rational addiction, meaning that increased present consumption will lead to increased future consumption, such that demand is cumulative.[2]

A further definition of cultural goods and services can also be proposed, deriving from a consideration of the type of value that they embody or generate, i.e., it can be suggested that they yield *cultural value* in addition to whatever commercial value they may possess, and that this cultural value may not be fully measurable in monetary terms. In other words, cultural goods and services are valued, both by those who make them and by those who consume them, for social and cultural reasons that are likely to complement or transcend a purely economic evaluation. These reasons might include spiritual concerns, aesthetic considerations, or the contribution of the goods and services to community understanding of cultural identity. If such cultural value can be identified, it may serve as an observable characteristic to distinguish cultural from other types of commodities.[3]

Whichever of the above definitions is accepted, *cultural* goods and services can be seen as a sub-set of a wider category of goods that can be called *creative* goods and services. The latter are simply products that require some reasonably significant level of creativity in their manufacture, without necessarily satisfying other criteria that would

enable them to be labelled 'cultural'. Thus the category 'creative goods' extends beyond cultural goods as defined above to include products such as advertising and software; these latter goods and services can be seen as essentially commercial products, but they do involve some level of creativity in their production. Since the subject of this volume is cultural policy, we shall henceforward confine ourselves to a consideration of *cultural* goods and services.

3 Value and valuation

A basic concept that underlies consideration of policy in any area of public concern is that of value. The consumption behaviour of individuals is motivated by the value they attach to the goods and services they consume, the production of value is the *modus operandi* of business firms, and value to society at large guides (or should guide) the decisions of government. At its most fundamental, value can be thought of as the worth, to an individual or a group, of a good, a service, an activity or an experience, with an implied possibility of a ranking of value (better to worse, or higher to lower value) according to given criteria. The process by which value is assigned to something is referred to as *valuation* or *evaluation*, described by Steven Connor as the process of 'estimating, ascribing, modifying, affirming and even denying value'.[4] We should also note the occasional use of the word *valorization* to mean a process by which value is imparted to some object as a result of deliberative action or external event, such as the increase in value accorded to sites of cultural heritage when they are added to the World Heritage List.

The expansion in the scope of cultural policy to which we have been referring implies a corresponding expansion in the relevant concepts of value that are significant in policy-making. In earlier times, when support for the arts was the main policy concern, the appropriate interpretation of value was one related to artistic or cultural criteria. Now, with the shift towards an economic orientation for cultural policy, notions of economic value must be introduced into the picture, and indeed reference to the economic consequences of alternative strategies might nowadays play a dominant role in many cultural policy decisions. It is necessary therefore to specify the value concepts upon which the expanded realm of cultural policy should be founded. Accordingly, throughout this book a distinction is maintained, when

considering the economics of cultural policy, between the economic value and the cultural value yielded by the goods, services, activities, industries, policy interventions, and so on, with which we are concerned – in short, we argue that this duality of value applies to all the phenomena of relevance to the cultural policy field.[5]

To clarify how the twin concepts of economic value and cultural value can be made operational for cultural policy purposes, we need to describe their definition and the methods for their assessment. Looking first at economic value, we can observe that within the neoclassical paradigm, the Benthamite concept of utility is assumed to underlie consumers' formation of value, reflected in due course for particular goods and services in equilibrium prices that emerge in competitive markets and in people's stated willingness to pay for non-market effects. However it arises, value in the economic sphere is ultimately expressible in financial terms. In contrast to this well-defined concept of economic value, the interpretation of cultural value in relation to art objects and other cultural phenomena is by no means clear-cut. It has long been a source of controversy within philosophy, aesthetics and art history; indeed a confrontation between absolute and relative theories of value in the postmodern world has provided cultural theory with a crisis of value that shows no signs of being resolved. Whether there is a right or a wrong in this debate is of less relevance for our discussion than the undeniable fact that cultural value is complex, multifaceted, unstable, and lacks an agreed unit of account.

The distinction between economic value and cultural value creates a dilemma for the process of valuation. On the one hand the neatly circumscribed principles of economic evaluation lead to what appear to be unambiguous estimates of the economic value of cultural goods and services, whilst on the other hand cultural value seems to resist precise, objective and replicable means of assessment. The two interpretations pull in different directions, creating uncertainties surrounding a core question in cultural policy: what values should count in decision-making in relation to the production, distribution and consumption of cultural commodities?

Nevertheless, the existence of a duality of value and its attendant problems of valuation should not deflect the cultural policy analyst from the task of assessing value as fully and accurately as possible. In particular, considerable progress has been made at both theoretical

and empirical levels in assessing the *economic* value of cultural goods and services, using a range of techniques familiar to applied economists. Let us consider briefly the basis upon which economic analysis is applied to cultural goods and services in order to assess their economic value.

Valuing cultural goods and services in economic terms requires a recognition of the fact that such goods fall into the category of *mixed goods*, i.e., goods that have both private-good and public-good characteristics. Private goods and services are those whose benefits accrue entirely to private agents (indiviuals or firms); in other words such agents can appropriate the benefits for themselves by acquiring property rights over the good or service involved. People buying a book or attending a play, for example, enjoy the book or the performance as private individuals, and the valuation of their *use benefit* is reflected in the price paid for the book or the theatre ticket.[6] Public goods, on the other hand, are those whose benefits accrue to everyone in a given community; economists describe them as *non-excludable* (once they are produced they are available to everyone and no one can be excluded from consuming them) and *non-rival* (one person's consumption does not diminish the amount available to others). Public goods are classified as *non-market goods* because there is no market on which the rights to them can be exchanged; their benefits arise outside of conventional market processes. Paradigm cases of public goods include the services of national defence and a free-to-air broadcast television signal.

Why might at least some cultural goods and services have these public-good properties in addition to their functioning as private goods? We can answer this question in relation to the arts by looking at the ways in which people in society might value the arts in general, as distinct from their valuation of specific art commodities or experiences that form part of their own private consumption. Three sources of non-market benefits for the arts can be identified: an *existence* value (people value the arts simply because they exist); an *option* value (people wish to retain the option that they may wish to consume the arts at some time in the future); and a *bequest* value (people think it is important to pass the arts on to future generations). All of these sources of value need to be taken into account when assessing the economic value of a cultural good or service. They can be measured by finding out how much people are willing to pay for these benefits,

for example by donating to a specific fund, or through an ear-marked tax increase. Well-developed methodologies exist for estimating willingness to pay, including contingent valuation methods and choice modelling. We shall return to these matters in later chapters. For now it is important simply to understand that a full assessment of the economic value of culture must account both for the direct use value as revealed in the markets for cultural goods and services, and the non-use value as estimated by alternative analytical procedures.

To a neoclassical economist, a full assessment of the market and/or non-market value of any good or service, including cultural goods, would be provided by measuring actual payment and/or potential willingness to pay, the reasoning being that a person could not be regarded as attaching value to any good or service that he or she was not prepared to pay for. However, stepping outside the framework of neoclassical economics raises some broader issues in considering the value of cultural goods and services. We can ask: are there collective benefits of culture that cannot be factored out to individuals and yet are important for decision-making? In particular, there may be concern that the standard economic model cannot entirely encompass those elements of a cultural good that gives rise to what is understood to be its cultural significance. Such considerations lead us into an alternative discourse which entertains the concept of cultural value that exists in addition to whatever economic value the good might possess. Cultural value in this context is a multifaceted concept reflecting qualities such as the aesthetic, symbolic, spiritual or historical values attaching to a particular item. Of course such qualities may affect individual valuations of the item in question and, to the extent that they did so, would be reflected in any economic analysis of the item's value. But there is also a sense in which some such values can only be fully realised in collective terms, and cannot sensibly be represented in individual monetary valuations. Take, for example, the notion of identity. We say that a nation's culture is important because it expresses the people's identity – it tells their stories, it helps define who they are. It is difficult to translate this value into willingness to pay; indeed it is hard to see how the value of identity can be expressed in financial terms at all. Yet identity is something that is valuable to society at large and clearly affects decision-making in the cultural policy arena.

Identifying cultural value is one thing, measuring it is another; ascribing aesthetic and other non-monetary values to artworks,

artefacts, and so on, has long been a critical question for a number of disciplines interested in art, culture and society. If we were to adopt the mindset of the neoclassical economist, we might suggest that the cultural worth of an artistic good, for example, could be interpreted as being formed by a negotiated process akin to a simple market exchange. When a cultural good such as a painting or a novel is made available to the public, consumers absorb, interpret and evaluate the ideas contained in the work, discussing and exchanging their assessments with others. In the end, if a consensus is reached, the assessed artistic value of the work could be interpreted as something like a cultural price – an exchange value reached by negotiation amongst parties to a market transaction, where the 'market' is that for the cultural content of the work. Indeed it can be argued that creative artists in fact supply a dual market – a physical market for the good, which determines its economic price, and a market for ideas, which determines the good's cultural price. In the goods market, there is a single price at any one time, because of the private-good nature of the physical work; in the ideas market, there are always multiple valuations, as befits the pure public-good properties of artistic ideas. Prices in both markets are not independent of each other, and are subject to change over time as reassessments of the work's economic and cultural worth occur.

Such a theory may have intellectual appeal but it provides little comfort for the empirical analyst, and something more practical will be required if the notion of cultural value is to be made operational so that it can be incorporated into actual decision-making in the cultural policy arena. There are several lines of attack here. One possibility is to deconstruct the idea of cultural value into several components and to seek numerical or other scales to represent judgements based on defined criteria.[7] To illustrate, following Throsby (2001: 28–29), it can be suggested that the cultural value of an artwork, for example, could be represented in terms of the work's aesthetic, spiritual, social, symbolic, historical and authenticity qualities, all of which could be assessed by a given observer, and aggregated over a group of observers to reach some consensus judgement against each criterion.[8] The assessment in a case like this could be made in terms of ordinal or qualitative scales measuring the strength or importance of each attribute as exhibited by the item in question. If such judgements can be expressed as, or converted into, cardinal scores, they have the

advantage that they can be combined, using any desired weighting system to reflect the assumed relative importance of the individual criteria. Such an approach is clearly no more than an ad hoc means of giving formal expression to judgements that would otherwise be left simply to informal processes. Nevertheless, these methods might be a workable way of providing, for specific policy options, some sort of aggregated quantitative representation of the cultural value of alternative strategies.

Whose judgements should count in such an assessment? In areas of public policy-making where particular expertise is required in order to reach an informed decision, the opinions of people who know are generally sought; for example, in allocating grants for medical or scientific research, governments usually rely on the advice of experts. The same can be argued to be the case in the cultural field. If decisions are required on the cultural value of paintings or heritage buildings or archaeological finds, the views of art critics, architectural historians and archaeologists respectively must be taken seriously. Thus in a practical policy context, a group of experts in a particular cultural arena could be asked to come up with a consensus judgement of the cultural worth of particular activities that were the object of some policy strategy. Alternatively, adopting a more 'democratic' approach, appeal could be made to public opinion on various policy measures using survey techniques or other means of distilling a popular view. In either case the intention is to transcend the variability of individual judgements by amalgamating them into some definable consensus.

We return to the issue of measuring economic and cultural value in Chapter 6, in our discussion of cultural heritage.

4 Composition of the cultural sector

In line with the widening ambit of cultural policy and its extension beyond a concern simply for the arts, the range of stakeholders who have an interest in cultural policy – as producers, distributors, consumers, or as policy-makers – has likewise expanded. Such stakeholders inhabit the 'cultural sector', a term that can be used to describe the collection of organisations and individuals that are directly involved in the production, distribution or consumption of the arts and culture in the economy and in society. We can identify the various groups of stakeholders that comprise the cultural sector as follows:

- *Cultural workers*: People working in cultural production include the primary producers of cultural material (artists and other creative professionals) and those non-creative workers whose employment lies within the sphere of cultural production, such as support staff in arts organisations. Also included are teachers of music, drama, dance, etc., and other artistic and cultural educators and trainers.
- *Commercial (for-profit) firms*: This category includes large numbers of small- to medium-sized enterprises that produce cultural goods and services of various sorts, and a smaller number of large corporations that operate at a national or transnational scale. Although established on a commercial basis, the motivations of firms in the small-to-medium group are likely to have a significant cultural emphasis, whereas large-scale corporate enterprises in the cultural sector are generally likely to be driven more strongly by financial motives.
- *Not-for-profit firms*: Incorporation of private-sector firms on a not-for-profit basis is prevalent in theatre, opera, dance and music, and occurs occasionally in other areas of the arts, for example in artists' cooperatives and collectives. In all these organisations it is likely to be artistic rather than financial objectives that are paramount. This category also includes those organisations in the cultural sector such as professional societies, unions, industry organisations and other NGOs that are operated as non-profit service-providers to the arts and culture rather than as profit-seeking companies.
- *Public cultural institutions*: All levels of government from national to local are likely to own and operate cultural institutions of various sorts, including museums and galleries, libraries, archives, heritage sites, performing arts companies and venues, and public broadcasting companies.
- *Education and training institutions*: Schools, colleges and other facilities providing education, training and skills development in the arts and cultural field fall into this group. Such institutions include art schools, conservatoria, drama schools, and so on. They may be publicly or privately owned and operated. An interest in the arts and culture also extends to the general education system, particularly via the exposure of schoolchildren to the arts as part of their normal curriculum.
- *Government agencies and ministries*: A range of public-sector instrumentalities exist with direct or indirect responsibilities in the cultural field. We consider the make-up of this group in more detail below.

- *International organisations*: Cultural policy-making at the international level cuts across a number of UN and related agencies. Primary responsibility rests, of course, with UNESCO, but there is a cultural component to the work of many other players at the international level, both within and outside of the 'UN family'. These include UNDP, UNCTAD, FAO, WIPO, the OECD and the World Bank, as well as a number of international NGOs in the cultural field.
- *Consumers and consumer organisations*: This category comprises a very large group indeed, since virtually everyone is a cultural consumer of one sort or another. Looked at from this viewpoint, the reach of cultural policy is especially wide-ranging; since almost everyone watches television, for example, a policy measure affecting the cultural content of television broadcasts will touch the entire community. Cultural consumption is frequently analysed using Richard Peterson's distinction between 'omnivores' (people who engage in a wide range of cultural consumption) and 'univores' (those who concentrate on one cultural form).[9]

5 Production, distribution, consumption

The expansion in the range of stakeholders who have an interest in cultural policy in the contemporary world, as described in the previous section, means that the relationships of interest to the cultural policy-maker have correspondingly widened in scope, from a concern solely with relatively simple processes of production and consumption of the arts to a wider view of the more complex patterns of production, distribution and uptake of cultural goods and services in the economy and society at large. In this section we consider two complementary approaches to depicting the relationships between stakeholders in the cultural production sector: the concept of the value chain and the concentric circles model.

The value chain for cultural goods and services

In its simplest form, the analytical model of the cultural production chain is one where the initial creative ideas are combined with other inputs to produce a creative good or service, which may then pass

through further value-adding stages until it enters marketing and distribution channels, and eventually reaches the final consumer. For some cultural goods this process is very simple – a visual artist selling her paintings direct to the public from a street stall, for example, represents a value chain with only a single link. For other goods, however, the process can become quite complex, as the creative idea is transformed or reformatted at successive stages. For example, a musical idea might begin with a composer writing a song and passing it on to a publisher who transforms it into a tangible printed form. From there the idea might be realised as a live performance before an audience, with the performance subsequently being recorded and marketed by a record company. The record will pass through a sequence of wholesale and retail value-adding until bought by a consumer, or it may be uploaded onto the internet and subsequently accessed by consumers who may or may not pay a price for on-line delivery. Subsequently the song may be re-packaged as background music for a film, with further value added along the way. Thus the overall chain can become quite attenuated, one effect of which is usually to diminish the relative share of total revenue accruing to the creator of the original idea, in this instance the composer of the song.

The apparent linearity of the value chain may be replaced, for some cultural products, by something more akin to a value network, where multiple inputs, feedback loops, and a pervasive 'value-creating ecology' replaces a simple stage-wise process.[10] In film-making, for example, a complex multi-layered process is involved in bringing together the many creative and non-creative inputs required to produce the finished product, which may even then be subject to further reiterations and re-workings. Identifying the value added by the various players in these sorts of circumstances can become a very complicated task.

From a policy point of view, depicting the cultural production process as a value chain allows an analysis of the effects of policy intervention at various points in the chain. For example, in assessing the impacts of existing policy measures, or in determining the optimal point at which to apply prospective measures, the policy analyst can use the value-chain concept to clarify where the effects of intervention have been or will be felt, and who are the affected stakeholders upstream or downstream from the point of intervention.

The concentric circles model of the cultural sector

In the contemporary policy environment, an important focus of cultural policy is on the growth of the cultural industries, so it is necessary to understand how these industries can be conceptualised and how they relate to one another and to consumers. We shall be considering the cultural industries in detail in Chapter 5; for now all that is required is a brief and intuitive overview of how the distinction between economic value and cultural value can be used to inform an approach to modelling the cultural industries.

A model of the cultural industries that is based on this value distinction is the so-called 'concentric circles model',[11] which asserts that it is the cultural value, or cultural content, of the goods and services produced that gives the cultural industries their most distinguishing characteristic. Different goods have different degrees of cultural content relative to their commercial value; the model proposes that the more pronounced the cultural content of a particular good or service, the stronger is the claim of the industry producing it to be counted as a cultural industry. Thus are the concentric circles delineated: at the centre are core industries in which the proportion of cultural-to-commercial content is judged to be highest according to given criteria, with layers extending outwards from the centre as the cultural content falls relative to the commercial value of the commodities or services produced. On this basis a series of layers or circles can be proposed, with the core creative arts (music, performing arts, visual arts, etc.) at the centre, surrounded by other core industries such as film, museums and galleries. The next layer is the wider cultural industries of the media, publishing, and so on, and finally there are cultural industries where the commercial content of output is highest, such as fashion, advertising and design.

The model proposes that creative ideas and influences originating in the core diffuse outwards through the concentric circles. How does this occur? At one level it may arise through the sorts of generalised communication and exchange processes that govern the circulation of knowledge and information in the economy and society at large; for example, the plot of a novel or play may suggest ideas for a video or computer game, or a painter's work may inspire a fashion creation. Alternatively, the diffusion of ideas may arise through the fact that the creative people who generate them actually work in different

industries, providing direct input to the production of cultural content in industries further from the core or outside the cultural industries altogether; for example, a visual artist may have a creative practice producing original artworks, but may also work in the design industry, or an actor may appear on stage in the live theatre, as well as making television commercials in the advertising industry. However it happens, it is the creative ideas that generate the cultural content in the output of these industries.

As an interpretation of the structure of cultural production, the concentric circles model can be seen as a static snapshot at a given point in time, in contrast to a dynamic form of analysis such as the value chain model discussed above. In the concentric circles model, downstream functions such as distribution are represented as distinct industries in their own right, incorporating original creative ideas produced in the core into their production processes as intermediate inputs. For example, television scriptwriters, located at the core of the model, sell their work to broadcasters located in the 'wider cultural industries' circle. At a given point in time the output of both industries – the scriptwriting industry and the television industry – can be observed and, under appropriate assumptions, the cultural content of their output assessed.[12]

There are several implications for cultural policy arising from use of the concentric circles model as a means of representing the structure of the cultural industries. Firstly the model provides a basis for formulating statistical classification systems for the cultural production sector, enabling the orderly collection of data on output, value added, employment, etc., which are relevant for policy purposes. Secondly, the concentric circles model is readily adapted to fit formal analytical methods, such as input-output analysis or computable general equilibrium models, which may be used to investigate inter-industry relationships within the cultural sector or between the cultural industries and other parts of the economy. Finally, interpreting the cultural industries as a radiating system with the pure creative arts at the centre provides a direct means of representing the core role of the arts in motivating and sustaining the entire cultural sector. In the Introduction to this book it was asserted that adoption of a cultural-industries approach to a consideration of cultural policy did not necessarily imply a sell-out to economics, nor a subjugation of the lofty ideals of the arts to the mechanical forces of

the marketplace. The concentric circles model makes it explicit why cultural policy need not marginalise the arts or consign them to some peripheral or irrelevant status. On the contrary, the model actually points towards the need for a strong, dynamic and sustainable arts sector as an essential source of the creativity that drives the cultural industries and that can animate innovation and development in other parts of the economy.

6 Cultural policy in government administration

We have been arguing that cultural policy is nowadays not a single entity but involves multiple components that ramify throughout the structure of public administration in line with the expanding concept of cultural policy in the contemporary world. The areas of government responsibility that are likely to have some involvement with cultural policy include the following:

- *Arts/culture ministry*: Notwithstanding the shift in cultural policy away from a sole concern with the arts, there is no question that ministries or departments with designated responsibility for arts and cultural heritage remain as the principal locus for the delivery of cultural policy in most administrative systems. This point is reinforced by the core role envisaged for the creative arts in the cultural industries model outlined above.
- *Finance/treasury*: Cultural policy in all areas is likely to require significant commitments of public expenditure. Participation by the government departments and ministers with responsibility for financial provision is likely therefore to be critical in cultural policy formulation and implementation.
- *Industry development*: The cultural industries' potential role in contributing to incomes, economic growth and employment creation makes them an obvious target for industry development strategies, assessed at national, regional or local level.
- *Labour*: More specific policies affecting the labour market for cultural workers will be of concern to employment ministries, including industrial relations, occupational health and safety, human resource management, and so on.
- *Trade*: International trade in cultural goods and services can be both a major stimulant to exports and an irritant in trade negotiations,

as we shall see in Chapter 9. Trade ministries have an important role to play in cultural policy formulation because of this.

- *Education*: As we shall see in detail in Chapter 11, there are two aspects to the involvement of education in cultural policy. The first concerns the role of arts education in schools, where exposure to active participation in music-making, visual art, dance, creative writing, etc., not only enriches children's cultural lives, but also enhances their learning abilities in other areas. The second relates to the vocational training and skill development of creative workers to furnish the need for specialised creative input in the cultural industries across the board.
- *Urban/regional development*: The concept of the creative city, to be discussed in Chapter 7, has become a powerful talisman for urban planners. Cultural policy has much to contribute towards re-vitalising depressed urban areas, improving livability, and stimulating urban and regional economic growth.
- *Environment*: In a world adapting to climate change, the creative industries have a particular role to play, not just through exemplary environmental practice in their own operations, but also through the contribution that creative ideas in design, architecture, etc., can make to the development of carbon-reducing technologies in other industries.
- *Information technology and the media*: In some countries, policy in the communications area is driven solely by economic considerations to do with innovation, productivity and media ownership. Yet IT and media are important in the transmission of cultural content, and hence are implicated in cultural policy considerations.
- *Legal affairs*: The major way in which the legal services of government are involved with cultural policy is through the formulation and enforcement of intellectual property law. Copyright is a significant component of the regulatory framework in which the production and distribution of cultural product occurs, as we shall see further in Chapter 13.
- *Social welfare*: There is an important role for cultural policy in the implementation of strategies concerned with cultural pluralism and the promotion of social cohesion in communities. These aspects are nowadays gathered together under the heading of cultural diversity, to be discussed in more detail in Chapter 10.

7 Conclusions

This chapter has dealt with the expanding scope of cultural policy in the contemporary world. It has been argued that cultural goods and services do indeed occupy a distinctive place in the array of commodities produced in the present-day economy that sets them apart as an object of policy attention. The distinctiveness arises particularly from the fact that cultural goods and services engage creativity in their production, and give rise to both economic and cultural value. The latter quality serves to connect cultural policy to the fundamental nature of culture as a characteristic of civilised human existence.

We have also pointed to the greatly increased range of stakeholders who have an interest in cultural policy, once such policy shakes off the restrictions imposed by its being confined simply to arts policy and embraces wider questions concerning the role of art and culture in contemporary society. Similarly, extending the scope for cultural policy entails taking a broader view of the processes of production, distribution and consumption of cultural goods and services; the value chain concept and the concentric circles model of the cultural industries are both useful here as means of systematising the analysis of cultural policy and its effects. In particular, the latter model provides a basis for interpreting the place of the creative arts in this widened cultural policy domain.

Finally, we have indicated the substantial increase in the number of government ministries, departments and administrative units that have an interest in some aspect of cultural policy, once its reach is extended beyond a concern merely for the arts. Such multi-dimensionality to cultural policy makes the whole policy process more complicated, as will be discussed in the following chapter. Underlying it all, however, remains the essential task of recognising the twin sources of value, economic and cultural, as the basis for delivering policy outcomes by the public sector. The art of policy-making in this area is in finding the right balance between the two.

Notes

1 Quote is from Arnold (1869 [1935]: 204).
2 A characteristic they share with certain other goods such as addictive drugs; see further in Throsby (2006: 7).

3 Note, however, that although there may be broad agreement that cultural value can be looked to as a signifier of a cultural good, there are differing interpretations of how it should be assessed. For example, adopting an extended view of popular culture widens considerably the range of products to which cultural value might be attached, to the point where, ultimately, everything has cultural value and the concept becomes meaningless.
4 Connor (1992: 8).
5 This duality between economic value and cultural value is the unifying theme for a collection of essays on value in economics, culture and art by a multidisciplinary group involving economists, art historians, anthropologists and cultural theorists; see Hutter and Throsby (2008).
6 In fact the benefit they receive may be worth more than the price paid, if the amount they were prepared to pay for the book or the ticket exceeded the market price; this excess is known as *consumer's surplus*, and strictly speaking should be evaluated in any study of the economic value of a particular private good or service.
7 See, for example, Nijkamp (1995); Choi, et al., (2007).
8 An example of an empirical exercise that attempts to assess the cultural and economic value of artworks is reported in Throsby and Zednik (2008).
9 See Peterson (1992); for an empirical study, see Chan and Goldthorpe (2005).
10 See Hearn, et al., (2007); value networks may be particularly relevant in a digital environment (Keeble and Cavanagh, 2008).
11 For a more detailed treatment of this model, see Chapter 5.
12 Note that the production and distribution of some cultural goods involves many more distinct stages, and hence different industries, than this simple example suggests. For instance, the production and distribution of music involves the live performance industry, the music publishing industry, the recording industry, the broadcasting industry, etc., all of which are represented in the various layers of the concentric circles model.

3 *The policy process*

Sir Humphrey Appleby: This country is governed by ministers making decisions from the alternative proposals which we [civil servants] offer them. If they had all the facts, they would see many other possibilities, some of which would not be in the public interest … So long as we formulate the proposals, we can guide them towards a correct decision … In order to guide the Minister towards the common ground, key words should be inserted with a proposal to make it attractive. Ministers will generally accept proposals which contain the words *simple*, *quick*, *popular* and *cheap*. Ministers will generally throw out proposals which contain the words *complicated*, *lengthy*, *expensive*, and *controversial*. Above all, if you wish to describe a proposal in a way that guarantees that a Minister will reject it, describe it as *courageous*.

(Jonathan Lynn and Antony Jay, *Yes Minister*, 1984[1])

1 Introduction

There are standard approaches to systematising the policy process in any area of public administration that are well understood in theoretical terms and widely adopted in practice, at all levels of government from local to national. The sequence of stages can be summarised as the following six steps:

- specification of *objectives* of policy agendas, strategies or measures;
- allocation of *responsibilities* to the appropriate areas of the administrative machinery;
- policy *coordination* between areas of administration in pursuit of 'whole-of-government' or 'joined-up-government' efficiency standards;
- choice of the policy *instrument or instruments* best fitted to achieve the desired outcomes;
- *implementation* of policy measures; and

- *monitoring and evaluation* of the effects of policy action, and feedback to inform future policy development.

In this chapter we discuss the processes of policy-making as they relate to cultural policy generally, as a prelude to more detailed consideration of specific areas in subsequent chapters. An underlying premise is the fact that much of public policy is nowadays interpreted in economic terms, reflecting the dominance of an economic way of thinking in guiding the behaviour of governments in the contemporary world. We see evidence of this all around us. For example, areas thought of in earlier times as being part of a social welfare system are now more often seen as aspects of economic policy. Health policy provides a good illustration; this is an area that nowadays is increasingly constructed in terms of contractual arrangements between the state and the people, where the worth of alternative strategies for providing medical and hospital care is assessed in terms of their financial benefits and costs. The same sorts of influences are at work in the cultural policy arena. Thus our discussion of the cultural policy process in the present chapter begins with a consideration of how culture fits into the *economic* policy objectives of governments.

But despite its dominance, economics is not the only game in town, and governments clearly acknowledge that they have a responsibility for the social and cultural well-being of society that extends beyond purely financial concerns. Most political leaders, if set the task of articulating a mission statement for the government they represent, would almost certainly include within it a grandiloquent reference to the importance of culture in the life of the nation, and would recognise a collective responsibility to pay attention to this area. Hence we must also consider the purely *cultural* intentions of cultural policy. Indeed it hardly needs pointing out that it is precisely its cultural content, however culture is defined, that serves to set cultural policy apart from other areas of government concern and that endows cultural policy with its distinctive significance.

In the following sections we discuss the distinction between the economic and cultural objectives of cultural policy, the major instruments whereby policy is implemented, and the problems of monitoring and evaluation of cultural policy when both economic and cultural outcomes are regarded as important.

2 Economic objectives of cultural policy

National governments are generally understood to have a series of objectives in managing the national economy, including the promotion of market efficiency, achievement of an equitable distribution of income and wealth, encouragement of economic growth, and the maintenance of full employment, price stability and external balance. The weight given to these different objectives is a political matter and the relative importance accorded the specific goals varies over time and between countries. Furthermore, it is rare that they can all be achieved simultaneously, and difficult trade-offs frequently arise. Policy-making in these circumstances is not helped by the fact that economists' capacity to forecast the future directions of the economy or to predict the outcomes of alternative policy measures is limited, to say the least. Thus policy choices often have to be made on the basis of faith and hope rather than the certainty of achieving particular desired results.

How do the various economic objectives of government as listed above relate to cultural policy formation? Let us consider each objective in turn.

Efficiency

The promotion of economic efficiency has become a major focus of policy concern for governments managing free-market economies in the contemporary world. The neoliberal economic ideology upon which such economies are founded relies on the proposition that free markets are the appropriate mechanism for the allocation of resources in the economy, and that the public interest is best served by governments that confine their intervention to ensuring that markets work as freely and as efficiently as possible. This ideology is deemed to apply both to goods markets, hence proscribing any form of industry protection, and to input markets, thus forbidding interference in areas such as the setting of minimum wages.[2]

Nevertheless, despite the minimalist role for government intervention envisaged in the standard model of the operation of the macroeconomy, it is conceded that markets do in some circumstances fail. The first and most important source of market failure is the occurrence of public goods, as defined in the previous chapter. We noted

there that the arts and culture can be argued to have public-good characteristics through their contribution to providing diffused community benefits that are not able to be captured in market processes. If this is so, the overall output of arts and culture will, according to the competitive model of supply and demand, be less than the social optimum, providing an in-principle justification for government intervention to boost supply. Such intervention could take many forms, the most immediately apparent of which is the provision of subsidy to cultural producers to enable their output to increase. However, as economists are quick to point out, intervention may have associated costs, and will only be warranted if it can be shown that at the margin such costs do not exceed the benefits produced.

It is a curious irony that in the long-running debate about the justification for public support for the arts,[3] advocates from the arts community have often failed to appreciate how persuasive the public-good case can be in their disputes with economic sceptics. Most neoclassical economists are likely, if pressed, to admit that market failure does occasionally occur, and will entertain at least in principle the validity of the case for arts assistance made on these grounds, provided of course that the case is supported by credible empirical evidence as to benefits and costs.

Market failure occurring through the existence of non-market effects also arises because of particular characteristics associated with some specific areas of the arts and culture, for example in the benefits provided by cultural heritage. In addition to supplying a generalised public good, heritage may also give rise to what are called beneficial externalities. Externalities are close relatives of public goods, and arise as both positive and negative spillovers in production or consumption; they are the unintended side-effects of activities the main purpose of which lies elsewhere. Positive externalities may arise in the area of cultural heritage if, for example, the beauty of heritage buildings located in city streets is enjoyed by passers-by. These beneficiaries cannot be made to pay for the pleasure they receive, and so the owners of the buildings must themselves bear the full costs of maintaining their properties in good condition. In principle, the existence of such external benefits may warrant some collective assistance to property owners to ensure the continued provision of this benefit.[4]

A further area of market failure resulting from the existence of non-market effects arises through the public-good nature of artistic ideas

embodied in creative works of literature, visual art and music. The expression of such ideas may in some circumstances be appropriated by individuals or firms without authorisation by, or payment to, the original creator. The transmission of music through radio broadcasts or the internet is an example; users may be able to record the broadcast or download the music file free of charge, and the songwriter or performer receives no reward. Copyright law exists to define property rights in these circumstances and to provide a market in which rights can be exchanged. Government regulation in this area can be seen as a response to market failure that is aimed at restoring economic efficiency, by establishing a market where one did not exist before.[5]

Economists also point to the fact that competitive markets are subverted and inefficiencies arise if increasing returns to scale or declining average costs exist in production. Firms subject to high fixed costs need to produce substantial levels of output so that their average costs per unit of output will be low enough to make production worthwhile. In these circumstances only a relatively small number of firms in the industry will be capable of reaching an economically efficient scale of production; this phenomenon is evident, for example, in the newspaper or television industries. Firms in such industries, if left to their own devices, may attain such market dominance that they can make excess profits at the expense of consumers. Competition may also fail for other reasons, for example when industries become increasingly concentrated because of mergers or the unrestrained takeover of smaller firms by larger ones. These considerations provide the rationale for government policies of regulating natural monopoly and promoting competition in the economy. They also constitute the basis for the so-called infant-industry argument for protection, which is designed to shield emerging industries from competitive pressures to allow them to grow to a sufficient size to be able to stand on their own feet. In the cultural industries arena, such arguments have been used in the audio-visual area to provide an economic basis for the protection of film-making in small domestic markets, and for stimulating the growth of emerging high-technology industries producing cultural product such as computer games.

A final source of market failure where government intervention to promote economic efficiency may be warranted arises if one side of a market, usually the buyer's side, is not fully informed about the goods or services being traded. The achievement of efficiency in the standard

exchange model is based on an assumption that market participants have full information, and if this assumption is not upheld, government action to improve the availability of information may be justified, for instance through various consumer protection measures. In the arts, such arguments may be used to rationalise public assistance to advertising or marketing of artistic activities, and more broadly as an argument for arts education to improve people's capacity to make informed choices in regard to their present or future cultural consumption.

Equity

Economic theory acknowledges the fact that the pursuit of efficiency does not necessarily lead to an allocation of resources in the economy that anyone would regard as fair. Indeed there can be many 'efficient' patterns of resource allocation, and judgements as to which one would be fairest are likely to vary amongst different observers. Economists are wary of venturing too far into questions of the equitable distribution of income and wealth, on the grounds that such questions involve value judgements that are the prerogative of individuals, and as such cannot be presumed or imposed by anyone else. Nevertheless most governments do accept the ethical proposition that poverty alleviation in society is an appropriate objective of public policy,[6] and accordingly adopt fiscal and regulatory measures to go some way towards redistributing income and wealth from rich to poor, for example through progressive taxation or through the provision of social goods like education and health services for lower-income households.

In the simplest models of macroeconomic management, the tasks of promoting economic efficiency and achieving equity are seen as separate and indeed sequential. That is, the first task of government is to ensure that the nation's resources are being utilised in an efficient manner and then, if the resulting allocation is deemed unfair, to seek alternative efficient allocations which better serve equity objectives, until one is found that is agreed to be acceptable (or even optimal) in equity terms. The implication of such a staged process is that governments should not be concerned if a particular efficiency measure has untoward distributional effects – these will be taken care of in the final redistribution that will complete the policy process.

Such arguments have been used in debate about the impact of subsidies to the arts. If it is true that opera, for example, is consumed predominantly by the rich, subsidies provided by government to opera companies which have the effect of lowering prices of admission will be regressive in their incidence. Since the subsidies are financed out of general taxation it is unfair, so the argument goes, that poor taxpayers should be called upon to finance the pleasures of the well-off. The counter-argument is that the subsidy is provided for the purpose of promoting economic efficiency – opera is subject to high set-up costs, and possibly generates some public-good benefits, hence some encouragement to increasing the output of opera may be warranted if the marginal value of the benefits attained exceeds their marginal cost. The contribution to the subsidy that the non-opera-going poor make through their taxes will be appropriately offset by the benefits they receive through the general redistributive mechanisms in place in the economic system.

While such an argument is plausible in principle, its application in practice leaves many critics of arts subsidies unconvinced. Even opera companies' well-intentioned efforts to spread access to their performances to wider socio-economic strata fail to impress. Yet it remains a troubling fact that many government policies have untoward distributional consequences, possibly involving substantially larger transfers than are implicated in subsidies to the arts. Thus questions arising in regard to the equity effects of arts subsidies need to be raised in the wider context of the extent and effectiveness of a government's redistributive policy agenda overall.

Growth

Government objectives of promoting economic growth are directly relevant to policy towards the cultural industries, since, within the creative economy rubric, these industries are seen as a sector contributing significantly to economic dynamism. In the UK, for example, output of what is referred to in that country as the creative industries sector (comprised largely of industries that fit the cultural-industries definition of the previous chapter) grew at a rate of 5 per cent per annum over the period 1997–2004 when measured as value added, compared to 3 per cent for the rest of the economy.[7] In developing countries, too, the cultural industries have been singled out for

special attention in government growth strategies; for example, South Korean policy has encouraged the expansion of the audio-visual and new media industries, and the growth performance of these industries in recent years has been impressive.[8]

The role of the cultural industries in contributing to economic growth has also been witnessed in a variety of urban settings, from established cities such as New York and London, the cultural facilities of which act as a magnet to inbound tourism and stimulate economic activity as a result, to newly emerging mega-cities in the developing world such as Shanghai. In the latter case, the city's municipal government has stated explicitly that the development of creative industries, including performing and visual arts, television, architecture and fashion, is one of its priorities during the Eleventh Five Year Plan from 2006–2010; these industries now account for around 6 per cent of the city's gross regional product.[9] In a wider urban context, culture figures prominently in the rhetoric of 'creative cities', an agenda that has as much to do with the economic functioning of the urban complex as it does with fostering cultural participation or creating livable environments for the city's inhabitants.[10]

Full employment

As traditional manufacturing industries decline and as labour-saving technologies are increasingly adopted throughout the economy, workers are made redundant; in these circumstances the maintenance of full employment becomes a particularly important task for governments. In the arts and culture area it is again the cultural industries that are implicated in the pursuit of this objective of economic policy. This is hardly surprising, in view of the significant growth rates of the cultural industries in a number of countries as noted above; these growth rates have been reflected in substantial increases over time in levels of employment in both creative and non-creative occupations. For example, taking the cultural sector of Europe as a whole, the average number of employed persons grew by between 3 to 5 per cent from 1995 to 2000, with significantly higher growth rates in some countries.[11]

As a basis for an effective employment policy, the cultural industries offer governments a particularly attractive target for investment, since the labour content of cultural output is typically higher than

in other sectors. In the production of the creative arts, for example, the ratio of labour to capital in the inputs to production processes in theatre, film-making, visual arts, and so on, is typically greater than in other industries, suggesting a more significant marginal contribution to employment to be obtained from the marginal unit of capital invested in these industries compared to elsewhere. It is also argued that the types of jobs created in the cultural sector are greener, more enjoyable and deliver greater non-pecuniary rewards to workers than is the case for jobs in other sectors such as manufacturing.

As in the case of growth policy discussed above, employment policy in the cultural sector has found particular application in urban development. Cultural activities of various sorts have been used as a circuit-breaker to deal with problems of urban youth unemployment and social isolation. Arts projects in some cities have been used to revitalise depressed areas and restore a sense of civic pride.[12]

Price stability

The objective of controlling inflation is an important aspect of both the fiscal and the monetary policy of governments in their efforts to manage the contemporary market economy. The implications for cultural policy are unlikely at first glance to be particularly significant, since cultural goods and services comprise a relatively small component of household expenditure, and movements in their prices do not have a noticeable impact on overall changes in the price level. However, this is not to say that cost inflation is irrelevant to the operations of cultural enterprises[13] or to consumers of cultural products; rather it is to say that in pursuing the objective of controlling the level of inflation in the macroeconomy, governments are likely to look elsewhere.

Nevertheless, the actions of governments in implementing measures to stabilise prices may have indirect implications for cultural policy if such actions take effect through, for example, restrictions on public outlays designed to reduce budget deficits. In such circumstances all avenues of government expenditure are likely to be on the table as candidates to be cut, but some politicians may well see cultural programmes as being easier in political terms to prune or to abolish altogether than are other areas of expenditure such as education, health or national security.

External balance

Cultural goods and services enter the external account on both sides of the ledger, with the proportions varying substantially between countries. Some countries, such as the United States, are net exporters of cultural goods and services; others, such as many developing countries, are net importers. Assessment is problematical because although physical trade in cultural product can be traced reasonably accurately, it is far more difficult to provide a comprehensive account of financial flows between countries in the form of royalties and other payments arising from the buying and selling of rights to cultural material such as television programmes. Without such transactions included, estimates of total cultural exports and imports remain incomplete.

What data do exist show considerable expansion over recent years in trade in tangible products derived from a range of cultural industries, including design, publishing, visual and performing arts and new media. Indeed UNCTAD has argued that the creative industries constitute a new dynamic sector in world trade with particular potential to contribute to the foreign exchange earnings of developing countries; China, for example, is by far the largest exporter of tangible creative goods, with a market share in this area of about 20 per cent in 2005, and an annual growth rate of about 18 per cent over the period 2000–2005.[14]

In these circumstances the economic objectives of government in regard to the balance of trade may be importantly served by cultural policy, both through export promotion and through import substitution via the encouragement of local cultural production. The latter possibility is especially relevant in the area of television production, where local content quotas may be imposed in order to provide space for the domestic industry in the face of external competition. When this happens, economic and cultural policy objectives become entwined, as we shall see further in Chapter 9.

3 Artistic and cultural objectives of cultural policy

At the beginning of this chapter we noted that in addition to the economic objectives of public policy, governments also recognise a responsibility towards the arts and culture relating to the intrinsic importance of culture to the lives of the people. How can these cultural objectives be specified in a manner that distinguishes them from

a purely economic agenda? As we have already pointed out, a guiding theme of this volume lies in the distinction between economic value and cultural value. Such a distinction enables the economic and cultural objectives of cultural policy to be separated, with the latter formulated as the task of enhancing the output and reception of cultural value in the economy and in society.

Four sources of cultural value can be identified: arts production and consumption; cultural identity and symbolism; cultural diversity; and cultural preservation and continuity. Let us consider these four in turn.

Producing and consuming the creative arts

The creative arts have traditionally been the principal focus for governments in spelling out their cultural objectives, with the result that arts policy, as noted in Chapter 1, has been the primary element, or even the only element, in many cultural policy statements. The objectives of arts policy will be considered in more detail in Chapter 4; for now we can summarise these objectives as specified by most funding agencies in terms of the following three dimensions:

- *Excellence*: If the cultural value of art is to be judged independently of whatever commercial value it might possess, the emphasis will be on artistic quality, judged against appropriate standards as set by professional practice in the relevant artform. Of course the word 'excellence' means different things to different people, so translating this notion into an agreed objective of cultural policy may not be an easy matter. The usual procedure when appealing to this objective as a guide in making funding decisions is to rely on the judgement of informed practitioners in the arts, whose consensus opinions on what constitutes excellence are taken as decisive.[15]
- *Innovation*: The cultural value of extending an artform in new directions is widely recognised and provides a basis for an objective of fostering innovation in creative work as a further aspect of arts policy. Supporting innovation in this sense can be seen as similar to research and development expenditures in science, which are motivated by the same sort of exploratory purpose. Research and development at the frontiers of artistic practice is a risky business with an uncertain payoff, but every now and then, just as in science and

technology, success is achieved. In such cases the yield in terms of cultural value might be substantial, and there could be associated economic gains as well.

- *Access*: It can be argued that the cultural value of art becomes a reality only when it is experienced by someone. Thus the cultural objectives of arts policy almost always include a goal of widening access to artistic consumption in the community. This element of policy is clearly related to the broader equity objectives of government as discussed above, incorporating notions of fairness in access to cultural participation and enjoyment. There is sometimes also a paternalistic flavour to such objectives, reflecting a view, traceable to the nineteenth century, of the arts as a means to improve and civilise the ignorant masses.

Defining cultural identity

The recognition and celebration of national, regional or local identity is an important objective of cultural policy at each of these levels of government. This objective can be articulated in terms of the cultural value accruing to individuals through the understanding of who they are. As noted in Chapter 2, this is one type of cultural value that clearly stands outside the limits of economic assessment; it makes little sense to ask people to express their valuation of their cultural identity in terms of willingness to pay.

The value of cultural identity contributes to cultural policy objectives via a number of avenues. Importantly, it becomes an aspect of arts policy when support is directed towards artistic work in any medium that expresses something specifically about the country or region in which it is located or produced. Similarly in media policy, local content restrictions are an embodiment of the cultural objective of providing opportunities for domestic voices to be heard. Identity also plays an important role in the formulation of the objectives of heritage policy; both tangible and intangible cultural heritage make strong contributions to an understanding of the cultural identity of the communities to which they relate.

Celebrating diversity

The cultural life of the people, whether experienced through artistic creation or consumption, or more broadly through shared traditions,

rituals and social engagement, is a source of cultural value, or social value, or both – the precise terminology is less important than the recognition that such collectively experienced value derived from the arts and culture can be a significant contributor to social cohesion, and as such its enhancement is an important objective of cultural policy. These social aspects of cultural policy can be interpreted within the current debate on cultural diversity, a debate that has been given particular focus through the entry into force in 2007 of the UNESCO *Convention on the Protection and Promotion of the Diversity of Cultural Expressions*. We shall discuss these issues in greater detail in Chapter 10; for now it suffices to point to the wide-ranging role of diversity in the formulation of cultural policy objectives, a role that extends across a variety of social aspects of the arts and culture, from the instrumental functions of the arts in building social capital to issues of cultural pluralism and ethnic diversity in urban communities.

Ensuring continuity

It is well known that an individualistic model of human behaviour, one which portrays people's interests as being focussed solely on themselves to the exclusion of anyone else, is likely to under-represent the concerns that people feel for others. One aspect of this interpersonal dimension to human nature is demonstrated by the fact that individuals feel a connection with both past and future generations; in other words, the continuity of human existence is important to them. There are several aspects of the cultural objectives of cultural policy that relate to this issue:

- *Heritage*: The cultural value of heritage is inherently bound up with the sense that the existing stock of tangible and intangible cultural capital represents both a link with the past – an inheritance that tells us a great deal about ourselves and where we have come from – and a link with the future – surveys of public attitudes to heritage reveal a widespread acceptance of a responsibility to pass on our valued cultural resources to our children, our grandchildren, and beyond. This 'bequest value' does have an observable economic component, measurable as a willingness to pay for heritage conservation, but there is likely to be a significant non-financial component as well – an ethical belief in the importance of continuity. The generation of

this sort of cultural value provides one element in the objectives of heritage policy, as we shall see in Chapter 6.

- *Education*: An aspect of continuity is reflected also in the transmission of knowledge and skills from one generation to the next, one of the tasks of education and training. Aside from its purely economic objectives directed at improving human capital and increasing productivity, education policy also has significant cultural objectives. Education in the arts for schoolchildren raises cultural awareness and assists in taste formation, and also lays the foundation for a potentially more diversified and rewarding cultural life for the individual in later years. The educational objectives of cultural policy are also expressed in the area of vocational education, i.e., the training of artists and creative workers of all sorts. It can be argued that pursuit of the cultural goals of arts policy will be facilitated if a well-educated cohort of artists is available to contribute through their professional practice to the continuity of the artform in which they are working.[16]

4 Instruments

Once objectives are determined, the implementation of policy is effected through the use of various policy instruments available to government. The choice of instrument to achieve given ends is by no means a straightforward matter – the so-called assignment problem, referring to the allocation of instruments to tasks, requires an understanding not just of the effects of specific measures on target variables such as the rate of unemployment or the money supply, but also an appreciation of the complex ways in which variables in the economic system are interrelated, such that change in one may flow on to changes in others.

Instruments may be classified in several different ways. One approach is to relate policy tools to the government agency most responsible for putting them into effect – the Treasury for fiscal policy, the Central Bank for monetary policy, and so on. Another is to focus on the broad targets of policy, such as public revenues and expenditures, government debt, prices and incomes, etc. Our task for present purposes is simply to separate out the major types of instruments that governments can use to pursue the economic and cultural objectives of cultural policy as outlined above. Accordingly, five groups of policy tools

are specified under the following headings: fiscal measures; regulatory measures; industry assistance measures; labour market intervention; and trade policy. These categories are neither watertight nor fully comprehensive, and there is considerable overlap between them. Nevertheless they do provide a systematic basis for discussion.

We consider the essential components of each group of instruments in turn, leaving a more detailed consideration of specific measures to the relevant chapters later in the volume.

Fiscal policy

Fiscal policy refers to measures that are put into effect through government expenditure and/or through raising of public revenue through the tax system. Since much of cultural policy in pursuit of both economic and cultural objectives requires a commitment of resources by government, it is not surprising that fiscal policy measures are amongst the most important cultural policy tools. They may be exercised in a number of different ways:

- *Direct provision of cultural goods and services*: Governments may choose to make cultural provision through public ownership and operation of cultural facilities of various sorts, such as museums, art galleries, libraries, performing arts venues, public-service broadcasting stations, and so on. The fiscal allocations to provide these goods and services relate to both the capital requirements and the operating expenditures of the enterprises and institutions concerned. In many cases, publicly owned and operated organisations are able to supplement their government funding by raising revenue from other sources, including the organisations' capacity to generate income from the sale of the goods and/or services they produce. There are many variations in the corporate and administrative structures of public cultural institutions: some are effectively government departments, some are set up as statutory corporations, some function as quasi-private-sector firms but with majority public ownership, and so on. All, however, are united in their ultimate dependence on the fiscal policy decisions of the government for their financial well-being.
- *Subsidies and grants to cultural producers*: Traditionally, a primary avenue for the implementation of arts policy has been, and continues to be, through the provision of grants or other forms

of financial assistance to individual artists and arts organisations. The justification for deploying fiscal policy in this way might be expressed in terms of rectifying market failure, as described earlier, or as a means of pursuing the purely artistic or cultural objectives discussed above. Either way, the level and quality of output of artistic goods and services is the target, and the subsidy is seen as the most appropriate instrument. When organisations are assisted via grants from the public purse, it is generally a requirement that they be incorporated on a not-for-profit basis; the payment of public subsidy to commercial firms may in some circumstances be warranted, but such an occurrence in the arts is unusual. A variety of mechanisms exists for the distribution of subsidies to the arts, as we shall see further in Chapter 4.

- *Tax concessions*: Cultural policy can also be implemented through the tax system: individual artists may be afforded income tax relief; arts organisations may avoid corporate income taxes if they operate as not-for-profit enterprises; and such organisations may have some or all of their indirect tax liabilities waived through exemption from property taxes, payroll taxes, value-added tax, export duties and other financial impositions. Furthermore, artists and arts organisations in many countries receive income in cash or in kind from individual and corporate donors, philanthropic trusts and cultural foundations of various sorts, all of whom or which are motivated to give as a result of government tax concessions; these donors are allowed to offset their cultural gifts as a deduction or rebate against their income tax. The fiscal policy aspect of this form of support for the arts arises through the setting of concessional tax rates, and the cost to government is measured in terms of revenue forgone on the income side of the public-sector budget.
- *Assistance to consumers*: It is not only artistic producers who may be the beneficiaries of fiscal measures to support the arts. Schemes are occasionally proposed to channel assistance directly into the hands of consumers, for example through provisions of vouchers for free or reduced-price admission to selected arts events. Another method by which governments can promote arts consumption is via the provision of information and marketing services to improve consumer awareness and encourage cultural participation.

Regulatory policy

Governments have an important responsibility to set up and manage the regulatory framework within which the economy operates. Much of this is taken for granted in everyday life – the infrastructure of the legal system, for example, or the prudential requirements that are supposed to control the nation's banks and finance houses. Individuals and organisations in the cultural sector are as much a beneficiary of these sorts of infrastructure as anyone else, with some aspects being of particular relevance to specific areas of cultural production, such as the importance of a workable contracts system to the film industry.

Apart from these general aspects of the regulatory environment, there are several specific areas in cultural policy where the instrument of regulation plays a distinctive role:

- *Intellectual property law*: Perhaps the most important form of regulation affecting cultural producers is that designed to protect their property rights over creative work. As we shall see further in Chapter 13, copyright has the purpose both of ensuring public access to creative material and of enabling creators to be rewarded for their effort. Copyright legislation enacted by government provides the framework within which rights can be defined, revenue can be collected and distributed, and compliance can be enforced. International conventions exist which govern the intellectual property relationships between countries. In some countries, copyright is extended to include additional forms of protection, such as a *droit de suite* or resale royalty applying to repeat sales of visual artworks.
- *Cultural rights*: A related area concerns the definition and assertion of cultural rights. Such rights may take several forms. A variant of copyright is the moral right that an artist may be permitted to exercise over the way his or her work is represented or used. Such a right can relate to attribution, whereby an artist's claim to authorship must be acknowledged, or to integrity, a requirement that a work cannot be altered, dismembered, destroyed or relocated without the permission of the artist. Moral rights require specific legislation, and have been invoked particularly in the areas of film, visual art and sculpture.[17] Another form of cultural right is that accorded indigenous people to pursue traditional cultural practices on their own land or in their own communities. Such rights may relate to language, ritual, etc., or to the granting of the right to gather food

through hunting, fishing, and so on, in ways that might otherwise be proscribed. Under this heading we can also draw attention to concerns in some countries with codifying the rights of professional artists. Such rights might include those already discussed above, but may also extend to definition of professional status, i.e., the right of an artist to be recognised and treated as a professional in industrial matters or in dealing with the tax or social welfare system. Finally, cultural rights also extend to freedom of speech and freedom of expression. In the cultural policy arena these issues arise, of course, in the debate about artistic censorship. For example, the so-called culture wars in the United States in the 1980s and 1990s were an example of the confrontation between artists and their supporters on the one hand, and the conservative right on the other, about artworks that were considered by the latter to be obscene or anti-religious.[18] Similar disputes have arisen in other countries from time to time. The extent of regulatory intervention to limit freedom of artistic expression varies markedly in different countries and at different times around the world.

- *Media policy*: Regulation is an important instrument in efforts by government to manage the print and broadcast media. Regulatory measures are deployed in some countries to prevent too great a concentration of media ownership in too few hands. They are also used to control the type of material that is distributed to the public, especially via free-to-air television. For example, most countries impose minimum requirements for certain types of programmes such as children's programmes or news broadcasts. Some governments also specify quotas for the transmission of domestically produced material such as drama, in an effort to prevent saturation by imported product. These trade-related aspects of cultural policy will be discussed further in later chapters.
- *Heritage policy*: Regulation is one of the principal instruments used in the protection of cultural heritage, as we shall see in Chapter 6. The listing of historic buildings, for example, is a regulatory device designed to safeguard such buildings from demolition, to control the extent to which they can be modified, and to encourage their conservation. Treaties such as the World Heritage Convention are examples of international regulatory arrangements which provide incentives to governments to act responsibly towards globally significant heritage sites in their care.

Industry policy

Governments use industry policy as a means of encouraging the establishment and expansion of industrial sectors that are believed to be of importance to current and future employment and economic growth. This may involve the dismantling of tariff protection that is shielding industries from the rigours of international competition, or it may be focussed on cultivating the development of one or two specific industries regarded as potential 'winners', through the provision of tax incentives, investment allowances, etc. At the regional or local level, industry policy may be a preferred instrument to attract the relocation of businesses that will provide a boost to regional economic growth. In situations where particular industries are targeted, the expectation is that industrial expansion will not only yield direct economic benefits but will also generate positive externalities that will spill over to other businesses through faster diffusion of technology and skills, complementarities in investment, and so on.

Industry policy is of particular relevance, of course, to the cultural industries if they are thought to offer good prospects for contributing to employment and output growth, and/or if they are seen as a source of the sorts of beneficial externalities mentioned above. The design industries are sometimes targeted for these reasons, as are those industries developing digital technologies in the provision of cultural content in areas such as gaming. The instruments that governments can use in pursuit of industry policy towards the cultural sector include the following:

- *Business start-ups*: Given the predominance of small-to-medium enterprises (SMEs) in the cultural industries of most countries, it is often through small-business programmes that industry assistance is most effectively provided. Such assistance might include business incubators, the provision of finance, skills development in business management and entrepreneurship, and so on.
- *Industry development strategies*: Sometimes governments put together an industry development scheme composed of various elements and identify it as a specific national strategy. For example, a National Tourism Strategy might involve coordination of planning arrangements for the tourism industry, targeted marketing campaigns, assistance to certain operators, and so on; cultural tourism could be a beneficiary of such a strategy.

- *Creative clusters*: The clustering of creative businesses is an observable phenomenon, where networking and reciprocal externalities provide benefits to the businesses involved. Such clustering may occur spontaneously, but it may also be initiated or encouraged by industry policy, for example through the establishment of cultural industry parks. Such interventions may also be important in terms of their employment effects, through the pooling of labour and skills in particular areas of cultural production.

We will return to a more detailed discussion of policy for the cultural industries in Chapter 5.

Labour market policy

We have stressed at many points in this discussion the importance of employment for cultural policy. Many of the policy instruments that we have considered above will have positive employment effects that are either deliberately intended or incidental to the pursuit of other objectives. But there is also scope for use of specific labour market instruments in the implementation of cultural policy by governments concerned with the welfare of artists and other creative workers. Such instruments include:

- *Labour market interventions*: In addition to providing grants and other measures to help individual artists, as noted above, governments can also assist practitioners through minimum wage legislation for cultural workers, schemes to provide financial support via the dole, superannuation and pension arrangements for artists, and so on.
- *Occupational health and safety*: In some areas of cultural production, artists and other creative workers are exposed to risk of injury or to unsafe working practices, necessitating the formulation of appropriate OHS protection measures. This arises especially in fields such as dance, circus, theatre, music, sculpture, and some areas of the crafts.
- *Vocational training and skills development*: In many areas governments acknowledge the need to provide assistance for vocational training in order to ensure a continued supply of skilled workers to the labour market in particular industries; the cultural industries may be targeted for such support as part of a government programme for industry expansion.

Trade policy

A number of the policy instruments discussed above have implications for international trade. Subsidies to domestic film producers, for example, may enable them to sell their product more effectively into export markets, whilst regulations mandating minimum local content in television broadcasts will almost certainly result in reduced imports of foreign programmes. Thus cultural trade is an area of concern to governments that spreads quite widely through the economic system. In its more specific sense, however, cultural trade policy can be taken to refer to that part of a government's overall dealings with international trade that relates directly to the import and export of cultural goods and services, matters that fall to the responsibility of the trade minister and the associated bureaucratic machinery. Domestic trade policy is significantly constrained by obligations that are imposed on countries by their participation in multilateral trading arrangements under the auspices of the World Trade Organisation, and by any bilateral trade agreements entered into. Subject to these limitations, the main instruments of trade policy of relevance to culture are summarised below, prior to a fuller consideration in Chapter 9:

- *Export promotion*: Although direct export subsidies may not be permissible, governments can promote international sales of cultural product in other ways, for example by facilitating touring overseas by national performing companies. Such endeavours are likely to spring more from cultural than from economic motives – the promotion of the nation's cultural image abroad, for example. Nevertheless, raising the profile of a country's culture in foreign lands may also be an element in a wider trade agenda, in pursuit of the old adage 'where culture leads, trade follows'. Thus sending a symphony orchestra or a dance troupe or an art exhibition to a potential trading partner may increase mutual understanding between countries and facilitate trade deals in commodities far removed from the arts and culture.
- *Import controls*: The standard instruments for intervention on the import side are tariffs and quantitative restrictions such as import quotas. In a world trading system predicated on the doctrine of free trade, such impediments are frowned upon and the expectation is

that where they exist they will be reduced or removed. Nevertheless, exceptions have been made for cultural goods and services, based essentially on the proposition that it is the cultural value of the goods and services involved that gives them the right to be treated differently from ordinary commercial merchandise.

5 Monitoring and evaluation

Once any policy strategy or specific policy measure has been implemented, it is important to governments to know whether the desired objective has been achieved. Information on the success or otherwise of various policies allows an assessment of their efficiency and effectiveness, and provides valuable feedback to help improve policy performance in the future. The two principal steps involved in measuring policy processes and outcomes are monitoring and evaluation. These steps may occur sequentially or in parallel, and may be one-off or continuing, depending on the nature of the policies under review.

In regard to the monitoring and evaluation of cultural policy, we can separate out the business of tracking economic outcomes and that of tracking cultural outcomes.

Tracking economic outcomes

Monitoring the economic consequences of policy implementation should in principle be reasonably straightforward, since there are readily available and universally acceptable metrics according to which outcomes can be measured, such as monetary values of output, levels of employment, numbers of consumers, and so on. The variables to be monitored will depend on the type of policy being implemented, and are likely to include:

- observable levels of output, such as number of artworks sold, number of attendances at art events, number of visitors to museums, etc.;
- measures of the value of output, such as gross value of production, value added, etc.;
- levels of exports/imports of cultural product;
- rates of growth according to various economic indicators;
- price levels for cultural goods and services; and
- income levels of creative workers.

Governments rely on various sources of data in monitoring these types of variables, including, importantly, their own statistical agencies. In addition, special-purpose exercises may be undertaken to gather data on the impacts of specific policy measures.[19]

As we have noted earlier, observable market-related outcomes comprise one aspect of the economic value yielded by cultural policy. The other major component of this economic value derives from the non-market effects of policy measures, those generalised benefits accruing to people at large that are not captured through market-based exchange. When such benefits arise in the form of public goods or positive externalities, their value is measurable using assessment techniques such as hedonic price analysis or contingent valuation methods, to be discussed in Chapter 6 in the context of their application to cultural heritage. However, the implementation of non-market valuation methodologies is something that must generally be undertaken on a project-by-project basis, and the data are by no means easy or straightforward to collect. Thus the use of these approaches in the monitoring and evaluation of cultural policy, both at an aggregate level or in regard to specific policy measures, is unusual. To the extent that non-market effects are important in particular situations, any economic evaluation that ignores them is likely to be incomplete.

Tracking cultural outcomes

Monitoring and evaluation of the cultural outcomes of cultural policy is much more difficult than the tracking of economic effects, for two obvious reasons: firstly, there is no acceptable unit of account by which cultural value can be measured, and secondly, evaluation of cultural impacts must rely to a significant extent on subjective judgements. Nevertheless, efforts to assess how successfully cultural goals have been pursued can be made more systematic if a distinction is drawn between those aspects that can be objectively described and those which will inevitably entail some subjective elements:

- *Objective evaluation*: A number of quantitative and qualitative indicators of culturally relevant outcomes can be proposed that do not rely on subjective assessments. For example, a cultural objective of increasing locally produced innovative arts output can be tracked by reference to the number of exhibitions of cutting edge contemporary art resulting from a particular grants programme,

or by counting the number of new plays commissioned by a subsidised theatre company. Likewise if a cultural goal of arts policy is to widen access to artistic experience amongst a cohort of young consumers, the extent to which the goal is achieved can be measured from detailed statistics on arts consumption by different socio-demographic groups. Similarly, media policy objectives motivated by cultural rather than economic intentions that are pursued, for example, through local content regulation, can be readily tracked via objective data on the content of television programming, and the success of this policy in raising the consumption of domestically produced material is observable in audience ratings.

- *Subjective evaluation*: Since much of the assessment of cultural value depends on the subjective opinions of the individuals who are doing the assessing, any evaluation of the success of particular policies in achieving cultural objectives is likely to vary from person to person. Judgements relating to aesthetics, for example, are especially prone to the vagaries of individual taste. Similarly, a goal of promoting excellence in artistic output is likely to be difficult to pin down because of disagreements on how the concept of excellence should be interpreted. Nevertheless, as discussed in the previous chapter, some progress can be made in monitoring and evaluation of subjectively judged outcomes by reference to aggregated opinions, whether those of individuals whose judgements are regarded as relevant or those of the public at large.

6 Conclusions

The cultural policy process that has been the subject of this chapter follows a sequence that is common to most areas of government administration. Put in simple terms, the sequence begins with the articulation of objectives, proceeds through the choice of instruments and the business of their application, and culminates in the achievement or otherwise of desired outcomes that can be monitored such that lessons for further policy development can be drawn. We have argued that the characteristic that distinguishes cultural policy from other areas of government responsibility is, not surprisingly, its cultural content, a distinction that is represented in our formulation by the explicit separation of economic value and cultural value

as the double-bottom-line of any policy strategy. We have indicated the ways in which both the economic and the cultural objectives of cultural policy can be articulated, such that a common set of policy instruments can be deployed to pursue them. The process of monitoring and evaluation of outcomes requires careful assessment, to the extent possible, of both the economic and the cultural value generated.

However, there remains an unresolved and overarching issue that is required to bring the double-bottom-line to a single policy conclusion: how is the weighting to be determined between economic value and cultural value in prospective policy judgements? In different areas of cultural policy there is often an observable tendency to emphasise one source of value over the other – arts policy, for example, generally places cultural aspects uppermost in the policy framework, whilst more recent interventions in favour of the cultural industries have had clear economic motives in mind. Nevertheless, in the end some trade-off between the two sources of value is likely to be inevitable, and at this point the economist is inclined to shrug his or her shoulders and say that making such a trade-off is a political matter. Whilst it is true that major policy decisions must ultimately be made in the political arena, the policy analyst can at least shine some light on the policy process. The intention of this chapter has been to point out two ways in which that illumination occurs: firstly through the provision of a systematic framework for analysing the cultural policy process, and secondly by an insistence on the significance of both economic value and cultural value as representing the dual purpose of government policy towards the cultural sector.

Notes

1 Quote is from Lynn and Jay (1984: 141).
2 Until recently, the neoliberal ideology was applied to financial markets as well, but the credit crisis of 2008, which saw unprecedented interventions by governments in free-market economies around the world, has marked a significant departure from the laissez-faire doctrine in fiscal and monetary policy.
3 For a collection of contributions to this debate up to the mid 1990s, see Towse (1997, vol. II, Parts V–VIII, pp. 499–719); see also Frey (2003).
4 See further in Chapter 6.
5 See further in Chapter 13.

6 Indeed if the lessening of poverty provides perceived benefits to the community at large, for example by making everybody happier because a source of suffering in society has been removed, poverty alleviation itself becomes a public good, and government intervention to relieve it can be rationalised on grounds of promoting economic efficiency rather than as an aspect of equity policy; the classic paper on this topic is Thurow (1971).
7 See statistics collected in Department for Culture, Media and Sport (2006).
8 See Shim (2006: 28).
9 See UNCTAD (2008: 47).
10 See further in Chapter 7.
11 See further in Wiesand and Söndermann (2005: 9).
12 See, for example, Strom (1999). These issues are discussed further in Chapter 7.
13 For a discussion of the impact of cost inflation on performing arts firms, see Chapter 4.
14 For a more detailed analysis, see UNCTAD (2008: 110).
15 See further in McMaster (2008).
16 See further in Chapter 11.
17 See further in Chapter 13.
18 See further in Chapter 4. For a case-study of a specific example of conflict involving the public funding of controversial art, see Rothfield (2001); Brooks (2008).
19 See Chapter 14.