<ET>Cultural economy

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<ABS>The contemporary cultural industries comprise publishing, film, TV, music, theater, in both their recorded and their live forms. Historically, culture was restricted to immaterial and material cultural heritage and the fine arts. The notion of the cultural economy encompasses both usages. The terminology “cultural economy” is new but derives from terms like “culture industry,” “cultural industries,” “creative industries,” “cultural and creative industries,” and “creative economy.” This field of activity spans the economic and social/cultural, for-profit/not-for-profit, and formal/informal. Academics and policymakers have struggled to conceptualize and operationalize definitions; however, in the first decade of the twenty-first century, agreement has been reached. The cultural economy has an unusual organizational structure related to a fluid, fast-changing, and high-risk environment. Novel organizational forms have developed; a characteristic one is temporary, project-based working. This organizational form has distinct implications for the nature of work, and for the spatialites and governance of the cultural economy.

<KW>culture; economy; governance

<P>The cultural industries comprise publishing, film, TV, music, theater in both their recorded and their live forms. There has been a focus on the economic reproduction of these cultural forms and, usually separately, of the artists who feature in them. Less common has been a concern with the various technicians and support staff. Accordingly, a more comprehensive framework has sought to include both the objects, and texts, as well as labor: the system of production and reproduction of cultural forms, or a *cultural field*. With such a dynamic topic there is ongoing disputation of its boundaries and value; this illustrates the relational nature of both the circulation of cultural meaning and its constitution.

There is a range of socially and politically privileged cultures and practices, and others that are merely tolerated or even censored. The role of cultural governance is also important within any institution, and specifically within state institutions. Historically, state support for culture has been legitimated through a welfare economics discourse: that culture was subject to market failure, but society regarded it as a merit good, hence it was supported by the state. Historically, culture in this sense is restricted to immaterial and material cultural heritage and the fine arts. In recent years this state-legitimated culture has been placed in tension with the mainly commercial cultural industries. This tension was the primary concern of Adorno (Horkheimer and Adorno 2002/1947), who coined the term “culture industry” as representing a disparaging negative mirror image of “real” culture. The tensions between the mass-produced and craft, and authenticity and its other, have a resilience in public debate. The old tension between the economic and the cultural has been given new force with the pincer movement of, on the one hand, austerity-driven cuts in state budgets or simply neoliberal small-state initiatives, and, on the other hand, the profitability and economic driving force of some aspects of the cultural field.

Another body of work that has used the term “cultural economy” in recent years is that of cultural, economic, and social geographies of the economy (Amin and Thrift 2004). These are a response to the “cultural turn” in geography and seek to apply the tools of cultural analysis to the object of economic action. It is interesting to note that, thus far, none of these analyses has taken the cultural economy (as outlined in the current entry) as an object of analysis.

<A>Terminology

<P>As noted earlier, the originating term was “culture industry,” an object defined by its negative relationship to real culture. By the 1960s the scope of what was and was not culture had been widened, and French communications scholars sought to deploy a new terminology that would reflect the field as a serious area of research. They also wanted to point to the differences within the field, so they used the term “cultural industries” (Garnham 2005). This term proved helpful in drawing to attention the expansion of related activities under the “cultural” umbrella, both state-supported and commercial. Recognizing the social and economic importance, and registering its purchase on politics, the cultural industries became a topic of policy concern; however, such concern was separate from the traditional focus on cultural policy. In most cases the cultural industries were the responsibility of business and industry departments, while culture came under the remit of heritage. As the cultural industries climbed the political agenda, there was scope for tension with cultural policymaking.

In 1997 the UK government, initiating a refocus of its governance of the cultural field, took the bold step of placing both concerns within one department, linked to communications. Similar strategies had been adopted by Australia, Canada, and New Zealand. It focused on the commercial cultural industries by renaming them the “creative industries,” oriented to those industries that generate value though intellectual property rights (DCMS 1998). In political terms, this turn made significant overtures to the “knowledge society”. The notion of the creative industries has often been elided with the discussion of the creative class by Florida (2002), which itself conflates with the notion of the creative city.

In order to avoid the fragmentation of a fast-developing field, academics and policymakers began to use the term “creative economy,” taking “creative” from the identification with the “creative industries,” and “economy” from a pre-seventeenth-century usage as a general management of resources. This latter inflection was important in that it sought to loosen the boundaries between for-profit and not-for-profit and formal and informal that clearly united the field in practice. Countries with a very strong public tradition of public funding for the high arts used the term “cultural and creative industries” as it allowed them to speak of the commercial and the cultural at the same time. The narrowing confines of the “creative” modifier have been a source of concern, potentially focusing in an idealist romantic version of “creativity” and genius, as opposed to the social process of cultural reproduction. Recently, the policy community has adopted the term “cultural economy,” thus avoiding the reduction to “creativity” and foregrounding the socially situated constitution of “culture.”

<A>Long-term change

<P>How and why has the cultural economy come to such prominence? The concept of the separation of culture from other parts of life rose in prominence in eighteenth-century Europe, with an increasing concern with the perfection or beauty deriving from a deity. Humanism and romanticism were woven into a powerful conception of the artist as author and interpreter of the world. These sensibilities were foundational in making decision about what cultural form should be appreciated and cultivated. That they were not “economic,” but “merit” goods (goods that the market would not value correctly), gave the state – if it valued these goods – a justification and obligation to support culture (Throsby 2001). Of course, culture also has an ideological role, which is critical in nation building.

There are two aspects to the transformation of economies in the Northern Hemisphere from an industrial to a postindustrial mode of organization. First, in general, people had more money to spend on consumption and so cultural consumption grew. Moreover, participation in higher education and extended years of compulsory education created a new consumer power: the teenager. Second, the balance of the economy has shifted to the postindustrial – or service – sector, termed the “knowledge economy.” It has been claimed that the creative, or cultural, economy is at the breaking edge of this new wave of economic change. Such a dual rationale places the cultural economy in a conceptually strategic position to lead growth.

Empirical measures of the cultural economy have since the mid-2000s showed that such anticipated transformation and growth is already a reality (UNCTAD 2010). The growth rates of employment, gross value added (GVA), and trade in the cultural economy have outstripped most other sectors; moreover, they have maintained positive growth through the recession. In distributional terms, much of this growth is concentrated in major cities (highlighting a quite different dimension to the instrumental and consumption-based creative cities agenda); indeed in many Northern cities the cultural economy is in the top five industries. While cultural employment and trade are concentrated in the Global North, rates of growth are higher in the Global South, indicating that the cultural economy is of growing international significance.

<A>Concepts and measures

<P>The notion of the cultural economy is a contested one, and steps to find reliable measures have been hard-won. There is a simple reason. The analytical and statistical framework that constitutes our understanding of the economy is founded (taxonomically) on an early twentieth-century snapshot. Many high-growth and transformative industries of the late twentieth and twenty-first centuries did not exist previously, or were so small as not to be considered worth a taxonomic category. The industries that had grown out of others, such as chemicals, engineering, and pharmaceuticals, were captured by incremental change and the modification of taxonomies. Others, the ones that were not “industries” (such as public cultural forms, orchestras, theaters, etc.) were not recorded or were bundled up with other activities that did not fit the taxonomies. Economically speaking, this was not of great concern, as they were merit, or nonmarket, goods that were not expected to enter into the price system. Of course, as such divisions have dissolved, state bodies have struggled to keep apart the cultural sector and the creative industries, administratively, as they were governed under different logics (indeed, in Adorno’s initial conception, the two categories are corrosive of one another and hence must be separate). So, gross activity in the economy may be measured, but any attempt to find out how many are involved in the computer games industry would draw a blank. As indicated previously, around the end of the twentieth century a number of countries began to experiment with measures for (what they believed to be) a growing cultural economy. The United Kingdom coined the term “creative industries” and included a list of 13 industries selected on the basis of pragmatism (i.e., that they could measure) rather than a rigorous attempt to delimit the field (Table 1). However imperfect it was, the DCMS (1998) “mapping document” proved to be a much replicated template.

<TAB1>

National statisticians like good time series, and are wary of making changes to taxonomies lest the time series be broken. The emergence of a new “industry” thus presents a problem. Accordingly, a compromise was adopted: simply, the method was to go back to the basic statistical taxonomies for industries and occupations at their most disaggregated and then to reconstruct an artificial new taxonomy that included all of the activities of the cultural economy. Normally employment statistics on the economy show a breakdown at a one- or two-digit level. The one digit gives descriptors such as agriculture, mining, and manufacture. The 2 digit gives types of industries, for example car-making, chemicals. The job of taxonomic reconstruction involves going to the four- or five-digit level analyses. When the new “codes” are combined, data can be associated with them to construct a “creative economy” category. Two measures are commonly used: those of employment and of economic output. Researchers have approached the employment measures in three ways: an analysis based on occupations (Markusen *et al.* 2008) or one based on industry (Pratt 1997), or a combination of the two systems. Clearly, this is not an ideal state of affairs, but, until the whole international statistical taxonomic system is revised, a satisfactory historical record cannot be constructed. Measures of cultural trade are even more problematic. Trade is normally measured in weight, and trade in “invisibles” is underrecorded (UNCTAD 2010). Therefore, although much effort has been put into this task, it significantly underrecords the economic value of culture (let alone the noneconomic value).

The logic for selecting particular occupation or employment categories and excluding others has been the subject of considerable debate; however, work from a conceptual foundation has provided a more comprehensive underpinning for future taxonomies and mapping exercises. In general, the difference between these approaches is that the occupational and opportunistic approaches rest on a quasi-romantic conception of “pure” culture/creativity which, like a ripple in a pond, becomes less and less creative or cultural until one reaches the rest of the economy (Throsby 2001). Such a model places artists at the core and technicians on the periphery. There is also no principled logic as to where to draw the line between culture or creativity and the rest of the economy. An alternative approach takes the notion of a production system that describes the set of activities and skills necessary to produce a given cultural output. Here there is the concept of a codependency of multiple processes on a final product, what we normally understand by an industry (Pratt 1997). It is this latter approach that underpins the UNESCO (2009) framework for cultural statistics. This approach has advantages in that it is neutral as to whether the activity is state- or privately funded, high or low culture: it captures comprehensive processes. These approaches have yielded insightful geographical analysis that foregrounds the flows of people and ideas in the construction of cultural value (see Figure 1).

<FIG1>

<A>Organization

<P>The analytical challenges of the cultural economy do not end with the collection of quantitative data; qualitative dimensions present additional problems. As noted earlier, the immaterial aspects and the novel (not previously measured) highlight the cultural economy’s outputs, with differentiations based on causal processes rather than appearance or social value systems. From a normative perspective, industries of the cultural economy appear chaotic, or at least quite different. Such criticisms are sometimes used to reinforce popular prejudices about the economic utility of culture, the management abilities of artists, and the “inefficiencies” of the state-subsidized sector. Extensive and detailed analyses of the industries of the cultural economy are relatively new; however, they indicate a variety of novel organizational modes, and disclose rationalities that are not always anticipated by normative approaches. These organizational forms show five common characteristics.

First, the organizational structure of the cultural economy has been characterized as one with a “missing middle,” meaning that mid-sized organizations are underrepresented and small and microenterprises overrepresented. This depiction creates an organizational problem, one that can be solved broadly in two ways: internalize all activities in a larger corporation, or hope for intermediaries to emerge. This echoes a trend of outsourcing that has characterized much of the economy; it has been argued that the cultural economy was a leader in such changes: post-Fordist *avant la lettre*. Currently the cultural economy is characterized by many freelance and self-employed people, by those in microenterprises (smaller than small), and by a small number of transnational corporations. The articulation of the two organistional forms generates both risk and opportunity.

The second is project working. Smaller enterprises that are able to mediate are formed as short-term projects. These are temporary groupings (firms) of workers and microenterprises to deliver a project (such as a film or a TV series). At the end of the project, the team disperses. The advantages of this form are that unique skill combinations can be managed at short notice. The disadvantages are that workers are in a constant state of impermanence. Such short-termism militates against training and knowledge transfer within organizations. It often means that learning, training, and knowledge transfer happen between or outside companies in what has been termed the wider ecosystem of the cultural economy.

The third characteristic is risk. The risk of not having an un- sustainable, or intermittent, job, which is a consequence of project working, is amplified by the nature of the cultural market place. In all markets some products succeed and others fail, but the spikiness is notorious in the cultural economy; it produces a phenomena that has been termed “winner takes all” markets. Moreover, the uncertainty as to which product will win in the market is extreme. It is a commonly cited rule that the ratio of success to failure is 1<thinsp>:<thinsp>:10. The only way to hope to survive the law of averages is to produce at least 10 potentially winning products; if one is fortunate a single product out of the 10 will succeed. This may sound extreme, but it is common in other high-risk industries such as financial services, where it is termed portfolio management.

The fourth is turnover. One of the reasons that stakes are so high is that cultural value is hard to predict and changes quickly. So, even if a product is successful, it may be superseded by another in a short space of time. This places significant pressure on companies to be innovative. While a car company may introduce a new model every two years, clothing fashions change by the month. In an indication of the speeding up of turnover, fashion used to have a seasonal turnover; fast fashion seeks to have a constant renewal. The prime example is the music company, which releases many songs a week, and those that are hits may be so for only a week.

The fifth is boundary spanning. Cultural innovation happens in all parts of the economy and society; some are planned but others are not. Cultural practices take place in the formal and informal economy; the public and private; and in both for-profit and not-for-profit realms. Cultural practitioners tend to work across these boundaries in part in order to put together jobs that may constitute a sustainable strategy; but also to gain new experiences and skills. The mobility of cultural workers can be an embodied form of knowledge transfer; however, it can be sustained only within a cultural ecosystem.

<A>Work

<P>Work is an important theme in research on the cultural economy, and represents the move away from the idealization of culture and artists that commonly precluded them from the lens of cultural analysis. First, the organization of cultural work exhibits a complex ecosystem of firms (commonly with 1–10 workers) and freelance workers, organized around short-term projects. Second, this temporary work engagement leads to precarious employment conditions for most, and the reconception of what a career is. Third, cultural labor includes physical tasks and mental labor, but is to some extent driven by a passion for a particular cultural practice. For some commentators, this raises new issues of “immaterial labor” and to what extent the “self” is sold or is over- and self-exploited. Fourth, and related, is the interest in affective labor and the presentation of self in cultural work. As noted, this affective turn characterizes the cultural economy for many geographers.

<A>Place/space

<P>In the analog age, culture and expression were commonly associated with the places in which they were practiced as if the soil itself gave rise to culture. This tendency was countered by “high” or transcendent culture, which was “out of place.” While craft production and the limited distribution of cultural goods or service took place, they were not economically significant (except in the trade of goods comprising high-value components, e.g., jewelry). With the mass reproduction of cultural goods huge returns to scale were possible, and in many cases monopolistic market forms: music, broadcasting, newspapers, and film are all good examples. Cultural production is reliant on large markets, and therefore global cities are popular. Moreover, the association with power and taste-making means that curatorial and fashion trends are found in cities.

It was expected by many that digitization would free producers, especially cultural producers (who were the archetypical symbolic analysts), from the constraints of place, as their work could be done anywhere. The “death-of-distance” hypothesis was much discussed, but geographers discovered in practice that digital producers like to be in close proximity, even though they did not need to be, in terms of the physical transfer of goods (Pratt 2000). As has been suggested, a well-populated and diverse cultural ecosystem is valued by the cultural industries and their workers; moreover, these ecosystems are rooted (but not exclusively located) in places. Cultural industry clusters have increasingly been a topic of analysis of economic geographers concerned with networking and knowledge exchange (Bathelt and Gluckler 2011). The attraction to place is associated with the social and economic reproduction of labor (people have to live and work in a place), but also with the local cultural discussions. Significantly, a *taste community* is a valuable asset in minimizing risk regarding new products. Quite simply, the notion of a “scene,” which is a community of practice and a social institution, has led to the clustering of cultural producers in cities, often within one or two streets, a hypercluster. Such clusters are stereotypically urban in the sense that the agora of the city, the in-betweenness, is the material and social manifestation of the ecosystem.

The cultural economy has a distinct geography, one that is clustered in cities and in the Global North. The reason for the North/South division is not cultural; rather, it is the global organization of cultural production that is dominated (but not exclusively) by major corporations based in the North which control intellectual property rights. Thus culture has some similarities to global commodity chains, which span the globe but filter control and value added to a small number of actors. It is particularly challenging in the South that colonial and imperial trade and distribution systems provided a first-mover advantage for the North – one that is echoed by the expertise in intellectual property control. These legal issues (access to markets and protection of property) are a significant challenge today.

<A>Governance

<P>Since the mid-1990s, the issue of governance of the cultural economy has grown in economic as well as social and cultural significance, and the modalities of its exercise have become more complex. Previously, the field was occupied by cultural policy and the regulation of culture. The former was usually associated with the public provision of merit goods, or the conservation of heritage, a function that is now increasingly associated with tourism and with national identity. Regulation was exercised through the control of monopolies (economic and of communication) and censorship.

In the 1990s, an instrumentalization of culture took place in many jurisdictions. Culture was mobilized to fulfill social and economic ends, examples of which range from improved mental health to community cohesion to urban regeneration. Previous iterations of cultural policy were instrumental in terms of nation-state politics and cohesion, but this new wave explicitly used culture for specific ends. The objective was not cultural excellence nor even participation: these objectives were held by core cultural policy. Governments lost faith in the justification of art for art’s sake or for the public good, and instead justified it by their other contributions. In this sense, “creative city” policies sought to achieve instrumental aims (Florida 2002) with what they hoped would be politically popular means. As many examples have shown, the investment in opera houses and art galleries to attract foreign direct investment did not benefit the whole population, especially the poor.

In the 2000s debate began about how policy could address the intrinsic value of the cultural economy either in its economic or its cultural value dimension: that is to create jobs in the cultural economy and supporting businesses and/or those sustaining local cultural value systems and communities of practice. The how of this new governance continues to be a challenge for the reasons set out earlier in terms of information about the sector and an understanding of its organization and processes. The emergent concerns are threefold: how to support and sustain cultural intermediaries; how to achieve local capacity building (education, training, archiving, and institution building); and to gain foresight and information collection to enable practitioners and policymakers to develop and manage strategy. Alongside these new approaches, however, more traditional instrumental approaches still obtain: regulation of monopolies; use of cultural attractions to facilitate foreign direct investment in financial services; and traditional public good policies.

The Great Recession of 2008 which impacted Europe and North America particularly was used by most governments to justify further cuts in public expenditure; these hit the cultural sector, already under pressure, with full force. Thus, in terms of finance and justification, the mid-twentieth-century settlement on culture as a public good managed by welfarist state economic logic which has more or less ended. In its place is a complex pattern of governance of the cultural field, a field that has grown significantly and that has, in some cases, become a major player in local economies. The challenge to understand this delicate balance of relationships that constitute cultural ecosystems will continue to be an important field for social scientific research.

<XREF>SEE ALSO: WBIEG0046; WBIEG0762; WBIEG0168; WBIEG0718; WBIEG0380; WBIEG0222

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<X>Further reading

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Most countries have produced creative/cultural industry/economy mapping reports; look at your local one; UNESCO and UNCTAD produce regular global reports.

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<TC>Table 1 The DCMS’s 13 creative industries

<P>The DCMS introduced the notion of the *creative industries* in 1998 defined as “those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.”

<NL>

1. Advertising
2. Architecture
3. Arts and antique markets
4. Crafts
5. Design
6. Designer fashion
7. [Film](http://en.wikipedia.org/wiki/Film_industry), video
8. Interactive leisure software
9. Music
10. Performing arts
11. Publishing
12. Television
13. Radio

<FC>Figure 1 The creative economy ecosystem.