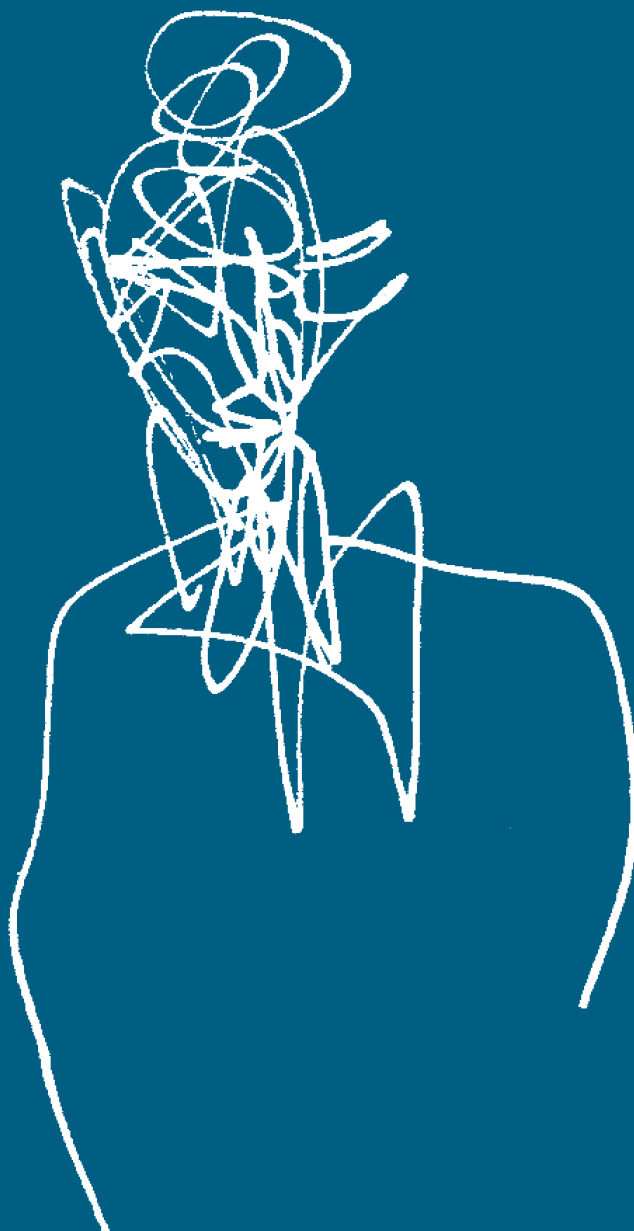
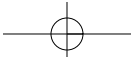
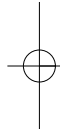
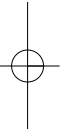


PART 1 THE CULTURAL ECONOMY TODAY





CULTURAL ECONOMY: THE SHAPE OF THE FIELD

Stuart Cunningham, John Banks and Jason Potts

Introduction

Raymond Williams (1976) famously remarked that culture was one of the most complex words in the English language. While not an economist, nor especially interested in the question of the relation between culture and economy that preoccupies us in this volume, Williams made a powerful contribution to its understanding by offering a basic typology of culture – in his foundational text *Culture* (1981: 204) – as *residual*, *dominant* or *emergent*. This is simple but powerful, and emphasizes the dynamic, overlapping and contesting nature of culture and its role in economies globally. The value of Williams' typology is that it embeds the insight that culture is always in process, always propagating (meanings, experiences, identities) rather than only preserving that which is gone, it is becoming rather than begotten, and that it is important to understand its place in relation to the forces that are shaping it and that it is shaping.

We propose to adapt Williams in order to lay out a hopefully useful heuristic by which to introduce the diverse range of approaches to the relation between culture and economy presented in this volume. We start from (but will not stay only with) the position of what does economics make of culture? To address this deceptively simple question adequately, as John Holden points out, we would need to traverse macro- and microeconomics, labour economics, international economics, law (IP, moral rights, freedom of expression, contract theory), spatial economics, and the services innovation literature, to name an indicative few (2007: 4–5). And this is only to name approaches from the standpoint of economics.

When attempting to survey a field as vast as cultural economy, we suggest that it is useful to decompose it into broader sets of relations, and that a natural basis for this is the dynamic relation between the cultural economy and the rest of the economy, i.e. how a change in one affects the other.

We can hypothesize four models of this relation, which are the four possible answers to this question, namely: (1) negatively, (2) competitively, (3) positively or (4) in an emergent manner. We call these, respectively, the *welfare model*, the *competitive model*, the *growth model* and the *innovation model*. These map onto Williams' residual = (1), dominant = (2) and emergent crossing over (3) and (4). But it is not a simplistic linear set of relations: there are trends and potentials that see model 1 and model 4 recursively turning toward each other. Each of these four hypotheses suggest different possible economic policy responses: in the first case a welfare subsidy is required; in the second, standard industry policy; in the third, investment and growth policy; and in the fourth, innovation policy is best.

Our reason for emphasizing these different dynamical relations is that the study of the cultural economy has been dominated by models 1 and 2: either the 'negative' model in which the cultural economy produces cultural value but this is rarely economically viable in the market, and thus requires public transfer for support; or the 'competitive' model in which large, industrial-scale and often multinational businesses parlay culture as a commodity and behave just like the rest of the market-capitalist economy.

The first feature we note, in introducing the chapters in Part I of this volume, is a decreasing weight of attention to the fields of culture and creativity most readily associated with each successive model. This is consistent with Williams and reflects the fact that most supportive attention has been placed on the 'residual' (those most vulnerable, and often most valued, parts of the cultural continuum, arts, crafts and heritage), and most critical attention placed on the 'dominant' (those large, consolidated industrial-scale fields such as film, music and broadcasting). For this reason, we shall spend some time 'filling the gap', as it were, with exposition of emergent fields of culture and creativity.

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Naturally, there are issues we will touch on which complicate the picture this heuristic paints. But the value of a relatively simple model like this is that it allows some measure of organization of the global range and perspective that this volume's contributors bring to bear, if only so that it provides a target for debate and criticism! Are culture and economy in a state of permanent tension, embodying irreconcilably and constitutively different notions of value? Does culture, at this level of organization, obey the iron laws of capitalist industry, especially through the economically contentious optic of labour theories of value? Do the geospatial configurations of cultural industry organization under conditions of globalization betray increasing degrees of structural asymmetry, inequity and exploitation? Does the creative industries, discourse represent a neo-liberal take-over of the cultural debate, or does it offer a pathway to the future shape of cultural activity and markets? Issues such as these seem to us to capture some of the vigour of the debates, evidence and approaches that make the cultural economy so vibrant a topic of attention today.

Four models of culture and the economy

A detailed description of the four models of the dynamic relation between the cultural economy and the rest of the economy can be found in Potts and Cunningham (2007). While the rest of the economy is normally taken to mean the national economy, these models extend to consideration of a global economy in which cultural goods and services are traded globally and in which the new technologies and business models developed within the cultural economy can be adopted and used in a global economic context. These four models can be summarized as follows.

Model 1 (the **welfare model**) is the argument that the arts, broadly considered, are economically successful to the extent that they can extract rents from the rest of the economy. (This may also be called the 'subsidy model', but we prefer the term welfare in the standard, politically neutral, sense that it is used in microeconomic theory.) This is typical of what are called 'public' or 'merit' goods, with the economic justification for resource transfers resting on a *market failure* argument. Policy is then calibrated to estimates of their non-market value. In model 1, cultural activities have a net negative impact on the economy, such that they consume

more resources than they produce. To the extent that they exist, their value must lie fundamentally beyond market value. This model fits most accurately the (subsidized) arts end of the cultural spectrum, and the sub-discipline of cultural economics has largely been developed to address issues arising from these assumptions.

Model 2 (the **competitive model**) differs from model 1 in presuming that the cultural industries are not economic laggards, nor providers of special goods of higher significance, but are effectively 'just another industry'. The term cultural industries has historically been used for this part of the cultural spectrum. This model might be seen to fit best the established media industry sectors that are mature, experiencing static growth or are in relative decline, and which are being impacted by emergent distribution/aggregation models as, for example, in some parts of publishing and print, broadcasting and mainstream music copyright firms, and perhaps the commercial end of film.

The distinctive features of this large-scale sector – extreme levels of demand uncertainty, power-law revenue models, tendencies toward monopoly, complex labour markets and property rights, endemic hold-up problems, information asymmetries, highly strategic factor markets, and so on (e.g. Caves, 2000; De Vany, 2004) – are held to be addressable under competitive conditions. This is where the neo-Marxist critique concentrates its energies, analyzing how large, powerful, industrial-scale and often multinational businesses parlay culture as commodity and behave just like the rest of the market-capitalist economy. Policy responses under model 2 are not about targeted resource re-allocation, but rather about consistent industrial treatment, or, as in the case of multinational and oligopolistic business, for regulation and control of excess market power.

Model 3 (the **growth model**) explicitly proposes a positive economic relation between growth in the creative industries and growth in the aggregate economy. It is for this model we deliberately use the term 'creative industries'. This is not because cultural forms, such as the established arts and media, cannot be regarded as part of the creative industries – they can and are – but because the term creative industries is more an idea or proposition than a neutral descriptor of an industry sector. The creative industries are a dynamic force and not just another static sector.

The creative industries, in this view, are a growth driver by their new creation of value, which is consistent with the rise of a global market economy. In this model, culture becomes increasingly important because as economies evolve, a larger fraction of income and attention is devoted to it. In model 3, policy should properly treat the creative industries as a 'special sector'. This is not only because it is economically significant in itself, but because it influences the growth of other sectors. This may plausibly lead to intervention, but unlike model 1, the purpose is to *invest* in economic growth and the development of capacity to meet growth in demand. This model thus accommodates design as an input factor into the economy, industrial digital content and applications like games, and also mobile and Internet media. These exemplify input impact, such as games providing models for next generation education and learning paradigms, or for simulation and virtual reality training in aerospace. It is evidenced by the positive correlation between design intensity in firms and their stock market performance (Design Taskforce, 2003; Design Council, 2004). It also is suggested by the growing proportion of creative occupations 'embedded' in the broader economy. But it is perhaps best exemplified by the huge growth of mobile and Internet media use and content creation and the unexpected (on the supply side) uses to which such activity and inventiveness has been put. The creative industries seem to be a driver of economic growth.

Yet rather than thinking of the creative industries as an economic subset 'driving' growth in the economy, as in model 3, the creative industries may not be well characterized as a sector *per se*, but rather as an element of the *innovation system* of the economy. This is model 4 (the **innovation model** or **creative economy model**). The economic value of the creative industries, in this view, does not stem from their relative contribution to economic value (as in models 1–3), but from their contribution to the coordination of new ideas or technologies and thus to the process of economic and cultural change. In this view, the creative industries are mistakenly classified as an industry in the first place; they would be better modelled as a complex system that derives its 'economic value' from the facilitation of economic evolution – a system that manufactures attention, complexity, identity and adaptation though the primary resource of creativity.

If model 4 is true, this renders innovation policy a superior instrument to competition or industry policy. This justifies an 'elitist' aspect to creative industries policy in the same way that traditional versions of cultural policy justified the development of culture as a public good. But unlike a heritage approach to cultural value, creative industries value lies in the development and adoption of new knowledge, and so is focused on experimentation and difference, rather than conservation and equality. Evidence for model 4 would accrue from the emergence of new industries in consequence of creative industries activity as a facilitator of ongoing structural change and adaptation.

Plainly, these four models have, at different times and places, been more or less appropriate. An abstract model, such as the four possible dynamic relations between the cultural economy and the rest of the economy, helps us to see more clearly the nature of our economic characterizations of the cultural economy, and to point toward appropriate policy frameworks. We have elected here to introduce the works in this volume within this framework because it serves to highlight the difference between dominant Keynesian and neo-Marxist analysis, which are based in a static view of the economy that tend to presume no positive connection between the cultural economy and the process of economic growth and development, and emergent Schumpeterian conceptions of the cultural economy, which do recognize such a dynamic (evolutionary) connection.¹ The fact is that much can be elucidated by these dominant neo-Marxian and Keynesian approaches, but little of the emergent dimensions of cultural economy – which are beginning to impact on all sectors of the cultural economy – are captured in these approaches. This is recognized by many contributors to this volume.

Cultural economy in four models

Approaches to model 1 are well represented in this volume. Friel and Santagata (Chapter 24) argue that cultural economics has neglected material cultural heritage as of too marginal and hyper-local significance. This field of cultural activity is changing through global niche market development and the application of quality control standards based on 'soft industrial design'. Dhamija's contribution (Chapter 9) reinforces this point, showing the

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strength of crafts in India as an employer (36 million in the cottage industries sector) and exporter (one of the largest exporters of goods after agricultural produce). It attracts no state subsidies – unlike heavy industry – and forms a crucial link between the massive informal economy and the formal, export-oriented sector.

Similarly, Aageson's chapter on cultural entrepreneurship (Chapter 6) reminds us that, particularly in low income countries, publicly-provided infrastructure for culture is often too tenuous to suggest that it readily fits the model of the subsidized arts. This is the space where the cultural entrepreneur operates as a core intermediary. This take on the agency-structure dyad is a necessary balance to emphases on institutional, political-economic and similar large-scale perspectives. However, it also begs the question of a broader vision of the cultural entrepreneur which allows for collective action (cf. Leadbeater and Oakley, 2001) and leaves unaddressed the ways in which cultural entrepreneurship operates in complex advanced economies relatively well-provisioned with state-supported infrastructure. The state in this situation runs the risk of 'crowding out' the entrepreneur.

The arts festival would seem prototypical of model 1 as a time-and-space limited form which would not survive without state support. Klatic surveys the global diversity of the form (chapter 22), showing that there are a wide range of non-state – philanthropic, commercial sponsorship, community-based – sources of support, but the phenomenon remains a sort of shadow economy, propped up by cargo cultish beliefs in economic benefit which somehow are never quite realized. His suspiciousness of claims made for the economic impact of festivals lead to undervaluing the necessity, driven by globalization, as well as cultural benefits which can flow from place branding. There is also the simple fact that countless individual artists and small companies survive on that globalized diet of festival performance – what is the alternative? (The data on the volume of the live arts in festival settings versus fixed locations would be interesting to compare.) His policy focus is on the local, and directly cultural, benefits of festivals, and/or to do more to make them economically sustainable by using the commoditizing logic of globalization against itself, as it were, by recycling on digital platforms and forming strong international alliances.

The case of Australian Indigenous visual art, canvassed by Ryan, Keane and Cunningham (Chapter 25), is somewhat of a category breaker as well. This is work at the borderland between the intensely local (expressions of fundamental spiritual beliefs and codes rendered into paintings often with access to only the most basic of art materials and conditions) and the global, in terms of its uptake in the metropolitan heartlands of New York and Paris. The major challenges this case raises, involving ethics and governance and questions of value and meaning across huge cultural divides, could have been developed further (see Smith, 2008; De Marchi, 2008; Senate Standing Committee, 2007), but it is an outstanding case of the global and the local, and the strengths and weaknesses of state and commercial backing.

It is no surprise that this first model of culture-economy relations should occupy substantial space in this volume. It is where most debate about culture is played out. It is *because* the model is clear that the relation is one of transfers *from* the economy *to* culture that focuses and sharpens the debate. Most of the contributors mentioned thus far accept that this relation needs to be repositioned to become a more dynamic one – thus the stress on a form of Schumpeterian entrepreneurial spirit, on using the forces of globalization 'against itself', of approaching culture of this type as a form of small business activity, as much as a sector that simply seeks transfers. This balances the traditional focus on a form of Keynesian response to market failure which may require (and perhaps deserve – for its sublime, meta-market value) indefinite state transfers for its survival.

The position on publicly-supported culture we would proffer is a dynamic one. Given the importance of non-economic/non-market measures of the arts end of the creative industries spectrum, let us widen the scope to position publicly-supported culture (emphasizing that the arts share with public broadcasting and many film industries a common posture *vis-à-vis* the state) as having a dynamic and positive interrelation to the broader creative economy on grounds of *enablement*. John Holden has summarized this well:

What is clear is that in a digitised and globalised world the relationship between culture and creativity has become more complex, and in many ways potentially more economically as well as

culturally fruitful. Greater numbers of people are engaging with the content and spaces of publicly-funded culture, while the working lives of greater numbers of people are taking on the characteristics and processes of cultural practitioners.

...a number of hypotheses can be put forward for the publicly subsidised cultural sector, to the effect that it:

- *can help to theorise the creative industries;*
- *is embedded in networks that interweave with the creative industries;*
- *displays direct linkages with commercial culture and the wider creative industries (sometimes called 'spill-over');*
- *develops human capital skills that are applicable across a wider field, into the creative industries and beyond;*
- *encompasses models of individual practice that can be applied in the creative industries and beyond;*
- *includes organisational models and practices that can be used in the creative industries;*
- *is a vital part of the infrastructure of cities, where creative industries are generally concentrated;*
- *operates as an attractor for the location of creative individuals and businesses;*
- *provides spaces and places for the development of creative industries' networks and serendipitous exchanges;*
- *has outputs that become the stimulus, and sometimes the inputs, for the creativity of others. (Holden, 2007: 8–9)*

What is apparent from this list is that Holden is appealing to aspects of models 2, 3 and even 4 in seeking to connect the residual to the dominant and the emergent.

It is around the *industrialization of culture*, and thus model 2, that most of the major normative debates concentrate, as they do in this volume. As we asked at the start of this discussion, are culture and economy in a state of permanent tension? Can or should 'Big' culture be fundamentally understood in terms of the iron laws of capitalist industry? Do the geospatial configurations of cultural industries under conditions of globalization look more diverse or are they semi-permanently locked into structural inequity?

Throsby lays out the core normative issue of globalization and related technological change as increasing the tension between economic and

cultural value. The tension is here presented in an unambiguous and rigorous way. But it begs the question of whether previous eras, pre-globalization, had enjoyed stable and mutually supportive relations between such values. One doesn't have to agree with the full thrust of Tyler Cowan's *In Praise of Commercial Culture* (1998) to admit of no automatic golden age against which the present globalizing era will appear definitively a poor relation; or that the commercial domain is always already opposed to the cultural. We might pose, as a counterpoint to Throsby's notion of Western commercial power, the ways in which contemporary technologies of potentially near-global reach and near-global popularity have thrown down the gauntlet to business-as-usual models of globalizing capital. To operate globally in capitalist cultural industries today one must engage in a post-imperialist fashion with non-Western economic and strategic power. The challenges of cross-culturalism in a globalizing world are non-negotiable, and will consolidate with the rising power of China (the fourth largest economy in the world, and about to become the third largest) and India. The challenge to US and Japan-led intellectual property regimes posed by cultural production and consumption in east and south Asia (as Sundara Rajan argues in Chapter 4 this volume) requires serious engagement with legal and regulatory reform and encouragement of sustainable local production capacity rather than just megaphone diplomacy and threats of sanctions.

Another main question posed by Throsby in Chapter 1 is the assumption that there is a loss of cultural value as a consequence of the growth of the economic value of the cultural industries. To question this assumption would require a review of the classically normative popular-versus-high culture debate. But it is perhaps most relevant here to refer to the five varieties of new media culture to which Goggin points in this volume (peer-to-peer networks, blogging, social networking, mobile phone culture, and mobile media and wireless technology) and to pose the question: can all this emergent activity be assumed to have less cultural value than the traditional cultural forms? These emergent cultural forms have far less shape and history – by definition – but that is why it makes more sense to undertake analysis from the perspective of a model 3 or 4 world.

Of course, it is imperative for Throsby (and several other contributors, including most strongly

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Nyamnjoh Chapter 8) to point to the sometimes extreme disparities of access to and involvement in global cultural affordances and opportunities for wealth creation. For these and other writers, the situation is getting worse, not better. In Nyamnjoh's case for African cultural prospects, this may well be the case, in part because, relative to economic development in other global regions outside the West (such as east and south Asia), Africa is increasingly relatively marginalized. This allows, perhaps authorizes, the deeply value-laden dismissal of African cultural and human capital as 'socially inferior and (because?) economically uncompetitive'. But even in strong statements of global asymmetry, such as that of Drache and Froese in Chapter 3, there is a dialectical acknowledgement of immanent developmental potential as

[t]he global cultural economy is driven by technological change towards a global, integrated and interactive sphere of communication in which political power is inexorably moving downwards and towards the margins of international civil society because it gives a voice to those who previously did not have one.

While the games industry would be one of the industry sectors that fit in our model 3, Miller's political economic treatment of it in Chapter 19, as 'essentially a rather banal repetition of Hollywood', is another contribution to the volume's debate over the industrialization of culture. A leading voice of labour analysis in the media industries globally, Miller insists that the reality of the games industry is found at the level of its obedience to the iron laws of conglomeration, take-over, and sourcing its labour inputs at the lowest possible level of cost (thus extending what he calls the New International Division of Cultural Labour). Games' characteristics – their post-passive interactivity, their being born digital (thus being the first major new creative industry of this kind), their blurring of the distinction between producer and consumer, their being produced in more widely dispersed centres across the world than other main industrial-strength cultural output, their (re)constitution of (virtual) community and group dynamics – are dismissed as epiphenomena. We would accord such features of game play and production – together with the sheer size and growth rates of the industry over the space of less than a generation – more weight in trying to grasp changes in the nature of value creation in the contemporary cultural economy.

The geospatial dimension of the cultural economy informs a substantial number of perspectives collected here. Pratt is well known for his careful, rigorous work which demonstrates that, far from the digital age pronouncing the 'death of distance', place may indeed matter even more as cities, industries and creative production people and centres seek to respond to the challenges of globalization. In his essay in this volume (Chapter 2), he links this cultural geography to insights on the vexed issue of adequate measurement of the cultural economy when what it embraces is so contestable. Significantly for our perspective in this Introduction, he acknowledges the fading force of market failure arguments as the sheer dynamism of the cultural economy becomes undeniable, and the blurred divide between the formal and informal, and the commercial and not-for-profit sectors, throws up opportunities which equilibrium economics cannot elucidate.

Curtin resumes the history of the media imperialism thesis – which formed a dominant fraction of the media and communication literature for 30 years and strongly influenced international frameworks such those produced by UNESCO – and argues that globalization should not be thought of as an extension of western soft imperialism but a way of understanding the emergent diversification of media flows, cultural formations, and the forces that are driving particularly non-Western growth and assertion (see Chapter 18). This certainly does not mean walking away from hard-edged analysis of power, concentration and inequity, but taking each (regional) case on its merits; what we might call a middle-range approach between excessive sanguinity and off-the-rack total explanation.

The section in this book on *Regional Realities* puts much flesh on the bones of these normative debates. It is usually assumed that developing and transitional societies have less purpose and priority for the cultural industries as they struggle to feed, clothe and house their citizens and develop more robust economic and political governance. This has been fed by a certain metropolitanism in much debate which tends to think of the creative industries as associated with the vanguard of the most advanced civilizations (and therefore able to 'indulge' their Maslowian upper hierarchy of needs), and in particular with the powerhouses of New York, Tokyo, London and Paris (Hall, 1998). But there is growing evidence that the large developing and

transitional economies (pre-eminently the BRIC bloc – Brazil, Russia, India and China) are well aware of the significance of the creative sector's links to economic advancement and have the urban conglomeration to make the co-location in production and the aggregation processes central to industrial-scale activity work. Thus, Beijing and Shanghai increasingly compete to shoulder Hong Kong out of the way of creative and cultural pre-eminence; Bollywood is diasporized and globalized for both hard economic and soft diplomatic purposes; and Brazil is looking to exercise Global South leadership in this field through close links to UNCTAD, as it has done by taking on Western Big Pharma around the issue of generic drugs. If we add the K to the BRIC, we admit the most intensely networked and one of the most innovative in terms of social and cultural embedding of technology – nations in the world, Korea. These trends are covered for East Asia by Keane (Chapter 10) and for Korea by Choi (Chapter 11).

We can classify many of the other regions treated in the book (south-eastern Europe, central Asia, Africa, central and eastern Europe, Latin America and the Caribbean) as seeking to deal with the challenges and opportunities raised by cultural economy without the scale-and-growth economies of BRICK or the traditional advantages enjoyed by the 'advanced' West. In most instances, the under-developed nature of open markets, and the lack of scale and coordination of cultural activity, means that state sector agency remains critical. Where appeals to the state to do more are made, however, it is with an awareness that this often comes with the caveat that the endogenous institutional and governance frameworks are as much to blame for loss of opportunity and marginalization as the western hegemony. The appeal of a NGO and SME approach to cultural advancement returns regularly, taking into account that globalisation, the Internet and associated networked processes (horizontal cooperation), favour flexible entities such as SMEs rather than top down, administratively regulated and heavily subsidized bodies.

The regions covered are thus located in large part outside the metropolitan West; the chapters by Greffe on Europe (Chapter 13) and by Wyszomirski on the United States (Chapter 17) are two exceptions. Greffe goes to the heart of tensions in (Western) European approaches to cultural economy, a region

'long regarded as the world's principal location of artistic creation and consumption'. However, it (or, more particularly, the EU) is caught between macroeconomic policies which strive to position the EU as a coherent single economic unit – the largest in the world – with progressive innovation, R&D, educational and social contract frameworks, while on the other hand its cultural policies are still captured by backward-looking protectionism. There is increasing strain between normative free market thought driving much else within the Union while cultural leaders champion exceptionalism. In the context of a global economy, Europe's cultural centrality may be decreasing and its traditional interventionist and protectionist policy stances (its cultural exceptionalism) may prevent it from fully benefiting from the globalization of cultural exchanges. Greffe suggests that suspicion of the market by European artists and a tradition in which culture is viewed as autonomous from markets, and where a distinctive European culture is essentially carried on the back of the state, can make adaptation to a global market difficult. However, increasing recognition of the importance of the creative industries suggests a change in this understanding of the relationship between culture and markets. In this context, the understanding of cultural production is shifting towards small, flexible enterprises linked to global networks of exchange and export.

Wyszomirski reminds us that US exceptionalism (paradigmatic hegemony in entertainment) exists normatively at the national level while at the regional, state and local level, policies to support the creative economy struggle for space and acceptance as in most other countries. She shows that the debates around the creative industries (which many have assumed have not been needed or noticed in the US) have indeed made their mark: a language at once more focused than culture as a whole way of life but much broader than the traditional arts has effected a significant change in policy thinking 'from a resource poor, cost diseased sector in need of subsidy to a set of community assets that can be engines of local development'.

Debates around the idea of the creative industries form the nucleus of treatment of model 3. The term is somewhat of a chameleon, not least because the locus of its effective invention (UK's portfolio ministers and department of Culture, Media and Sport) has changed emphasis over the decade since the late 1990s. It has moved from

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being about the size and rate of growth of a newly constituted sector – which was defined to include the traditional arts, the established media, the new media as well as architecture, design and software – to an emphasis on the creative economy – the degree to which creative inputs are embedded in, and influencing the growth of, the economy as a whole. (We are arguing here that the term can be pushed further, to embrace the idea of creative activity forming an important element of innovation – the growth and embodiment of new ideas in new technologies and social networks.)

This idea has been taken up widely; attracting significant policy attention while also provoking critical scrutiny.² It has generally been regarded as playing to the commercial end of the cultural continuum and criticized for that. Isar's essay (Chapter 7) analyses the tensions created by such 'neo-liberal' incursions into the cultural continuum for the major intergovernmental policy actors: UNESCO, WIPO, UNCTAD, ILO, the United Nations Special Unit for South-South Cooperation (and we could add the various development banks). The state of play would seem to be that 'cultural diversity' is the response and that, while acknowledging the potential of the cultural industries as a pathway to cultural democracy, there remains a deep mistrust of the Western-dominated, commercial spirit of Big Media, digital content and their ilk.

But despite critiques – such as that of Nicholas Garnham (2005) that the creative industries idea is a kind of Trojan Horse, secreting the intellectual heritage of the information society and its technocratic baggage into the realm of cultural practice, suborning the latter's proper claims on the public purse and self-understanding, and aligning it with inappropriate bedfellows such as business services, telecommunications and calls for increases in generic creativity – there are marked variations in its adoption as it has been taken up around the world. The constant definitional wrangling and regular recasting of what counts in the creative industries indicates a productive ferment.

We can broadly identify four main global variations on the creative industries theme as it has travelled around the world: US, Europe, Asia, and the global South.

The term creative industries is employed sparingly in the United States and, despite some developments canvassed by Wyszomirski, the broad sectoral field embraced by the UK definition remains resolutely divided into arts and culture on

the one hand and the entertainment/copyright industries on the other. And to the extent there is ongoing adoption of the discourse, it is very much in the arts domain. In the major deployment of the term, by Americans for the Arts, for example, there is an explicit exclusion of 'computer programming'.

As might be fully expected of any process of adaptation of a discourse originating in the Anglosphere, European variations on the creative industries tend to stress a greater degree of communitarian benefit and strategies of social inclusion than is evident in UK settings. It is the social and cultural uptake of ICT as much as it's potential as an economic driver that receives attention.

Kong et al.'s (2006) carefully trace the way creative industries discourse has been adapted to the local contexts of East and South Asia shows that creative industries work in intermittent, sometimes incoherent or contradictory ways, and emphasize especially the role of national socio-economic and political circumstances. This, to us, is a sign of dynamism, not of a failure to attain the standards of a Platonic ideal of a rational-comprehensive policy model. In the light of Garnham's argument, Kong et al. show that only Hong Kong explicitly includes software and computing as a key sector of the creative industries. In Singapore, for example, the discourse has been used to begin to displace, or at least supplement, the prestige of ICT – which has hitherto held unquestioned sway in a city state known for its normative technocracy. 'Creative industries' has come to mean a quite radical emphasis on creative thinking and problem-solving and a challenge to time honoured Confucian educational models and an new inscription of the prestige of the artistic endeavour.

The creative industries discourse in south America, South Africa, the Caribbean and countries like Brazil, is one which must engage with cultural heritage, poverty alleviation and basic infrastructure, as pre-conditions for gaining leverage. In the global south, the discourse can be used to leverage support for the development of basic infrastructure, both cultural and ICT – the 'unquestioned prestige' of the latter absolutely cannot be taken for granted.

Emergent culture: new, mobile and interactive digital media

As we have signaled earlier, with the exception of Goggin's chapter (Chapter 20), the book leaves

under-developed the crucial role which new, mobile and interactive digital media are playing in the contemporary adoption, absorption and retention of new technologies, in challenging and changing the business models of many industries (not just the media industries) and in creating the conditions for what could be broadly called 'social innovation'.

We are already very aware of the potential, and current reality, of the Internet as a platform for next generation cultural production and communication, and the major opportunities it may present for cultural diversity – Allen Scott reinforces this in his concluding overview chapter. One of the key emergent factors is that China has, in 2007, become the second largest user of the Internet globally and is expected to overtake the US in usage volume relatively soon. As the benefits of economic growth in China become more widely spread, there is potentially an expressive future for young people unthinkable less than a generation ago. China's versions of YouTube (Tudou and Yoqoo) and social networking sites (Douban and QQ), in addition to the exponential growth of blogs (to mid 2007: 34 million in PRC), are driving an extraordinary bottom-up culture of communication.

Another major emergent platform is mobile infrastructure. The rapid uptake and near ubiquity of mobile infrastructure is a given in most OECD countries. As one mid-range country indicator, the latest data from Australia (2004–05, see Access Economics and AMTA, 2007) show that the combined industry gross product (IGP) of mobile network carriers and resellers was higher than that for either free-to-air television services, the newspaper, printing and publishing industry or the computer consultancy services sector. It was almost three times as large as that of the automotive, vehicle and component manufacturing sector. In addition to its direct contributions, it drives productivity gains throughout the economy. In this it is not dissimilar to the role of ICT as a driver of industry change in past decades, and should be contrasted with such headline industry sectors in the Australian economy as mining, which makes a significant direct contribution to the economy but much smaller indirect contributions.

But what from a global equity perspective is more remarkable is the way mobile has 'leapfrogged' fixed line telecommunications in many developing countries. 3G and further developments in mobile carriage of rich content make this a platform with

yet-to-be-tapped potential for cultural exchange at a local, regional and global level and from sites of traditional disadvantage in the global communications system. Again using the same analysis from Australia, a forward estimate of the economy-wide benefits arising from mobile data use, made possible by the increasing uptake of 3G technology and increase in mobile data traffic, could add an additional \$1 billion to GDP by 2010.

The emergent possibilities of mobile content embracing innovative cultural exchange and communication are clear. In China, it is possible to load whole novellas onto mobiles – an affordance unavailable to Western language speakers at present due to the particularity of ideographic Chinese language – and the centrality of mobiles to the culture. In Malaysia, the UAE and Saudi Arabia, you can subscribe to an Islamic religious service and 'take your mobile beliefs with you' – 160 million units were sold in its first year of operation. Maori in Aotearoa are seeking to finalize protracted negotiations over control over the spectrum which they assert are part of their air, land and water rights conferred under the Treaty of Waitangi in 1840 (Bell, 2007).

What, though, are the specific affordances for the cultural economy offered by new, mobile and interactive digital media? There is now a veritable wave of proposal, analysis and prognostication addressing this question. Chris Anderson's *The Long Tail* (2006) and Mark Pesce³ posit the limitations of the mass market, model 2 mentality that can be addressed by Internet-based harvesting of the 'long tail' and exploitation of 'hyperdistribution'. Charles Leadbeater's (2007) *We-Think: the power of mass creativity*⁴ explores diverse domains where the power of socially networked collective creation and communication are at work. Recent studies by Henry Jenkins (2006) and Yochai Benkler (2006) suggest that consumers' participation in new media production practice now generates significant economic and cultural value. Media production may be shifting from a closed industrial model towards a more open network in which consumers are now participatory co-creators of media culture product. Henry Jenkins is careful to remind us that this is not simply a direct outcome of technology but a significant cultural phenomenon in which we're seeing what happens when the means of cultural production and distribution are co-evolving between producer, aggregator and user. He is aware that this 'bottom-up' process plays out in the context of 'an

alarming concentration of the ownership of mainstream commercial media, with a small handful of multinational media conglomerates dominating all sectors of the entertainment industry' (Jenkins, 2006: 18); the economic value of user co-creation and social media poses a significant challenge to business-as-usual for the dominant media.

As an example of models 3 and 4 thinking about the cultural economy, Potts *et al.* (2007) have recently proposed a new definition for the creative industries as the economic space of 'social network markets'. They are the set of activities and industries that facilitate choice over uncertainty when dealing with novelty in a social context. These are not just the information and communication industries, as that just addresses the technology, but more fundamentally are the industries that build networks of people to facilitate the social action and structure, across which new ideas can flow. The social network market idea gains traction by positing that these networks have characteristic properties associated with complexity and evolutionary theory. The implication is that this helps us explain why many cultural economic phenomena we observe are properties of models 3 and 4 worlds, not of model 1.

Here we depart from Benkler's analysis to suggest that rather than being a non-market phenomenon, consumer co-creation practice may be understood as emergent market relationships. Here, we aren't proposing that these practices are simply seamlessly appropriated into existing stable market institutions that support a globally rampant industrial media economy. For this is not a static or closed situation in which we can clearly and definitely identify what are market or non-market motivations, incentives or behaviours. Instead, these emerging practices potentially redefine our understanding of what markets are and how they operate in relation to social and cultural networks.

Complex social networks play at least as significant a coordination role as price signals in cultural economy markets. Markets for novelty as social networks are thus moved closer to the centre of the economic analysis of innovation and growth. New, mobile and interactive digital media are the principal means by which such social network markets operate. The very act of consumer choice in creative industries is thus governed not just by the set of incentives described by conventional consumer demand theory, but by the choices and participations

of others. An individual's payoff is an explicit function of the actions of others. There is overwhelming evidence that this applies generally to the creative industries. The social network definition of the creative industries proceeds not in terms of individual 'artistic' or creative novelty in a social context, but rather in terms of individual choice in a complex social system of other individual choice. In turn, these social networks function as markets. Thus recognized, it becomes equally apparent that the creative industries are also a crucible of new or emergent markets that, typically, arise from non-market dynamics and that often then stay at the complex borderland between social networks and established markets. For example, *YouTube's* social networks, were then bought by *Google* and thus market conditions were brought to bear; *MySpace* is a similar example, which was recently bought by Rupert Murdoch, but not marketized – at least to this date. *Second Life*, however, is being marketized from within, as it were, through the process of many commercial interests not 'buying' the property, but buying into the social space (Castronova, 2006).

The analytic distinctiveness of the creative industries is not their cultural value or sublime nature (i.e. their non-market value, as in model 1), but the fact that the environment of both their production and consumption is essentially constituted by complex social networks (as in model 4). The creative industries rely, to a greater extent than other socio-economic activity, on word of mouth, taste cultures, and popularity, such that individual choices are dominated by information feedback over social networks rather than innate preferences and price signals. User co-creation relations, then, do not so much statically reallocate resources across markets and non-markets, but rather the cultural economics at work concern dynamic, open, self-organizing networks that generate opportunities for growth, change and innovation.

Consumer co-creation in all its uncertainty is perhaps an agent of change that unsettles existent industrial knowledge and cultural production regimes. This may well result in the introduction of novelty and diversity that will also change our understanding of what markets for the exchange of cultural products and experiences are. In many ways, this analysis is in line with Scott's suggestion in the final essay in this book that the digital foundations of this modern cultural economy may well see a 'proliferation of small-and micro-enterprises with the capacity to contest diverse markets'

existing alongside the large multinational corporate players in the cultural economy.

Conclusion

In introducing this volume, we have sought to use a fresh analytic framework for understanding the cultural economy. Specifically, we have suggested a taxonomy based on culture's dynamic relation with the rest of the economy. In so doing, we have contrasted Keynesian, neo-Marxist, and Schumpeterian approaches to cultural economy, and have sought to elucidate the debates engaged in by the volume's contributors in the light of this taxonomy, seeking to give shape to the macro-trends and perspectives across a wide variety of authors.

Our underlying critique has been that the dominant explanatory schema, which seeks to address the place of the arts and media in cultural economy, is increasingly incapacitated in understanding the shape of emerging global trends and advancing both theoretically and practically engaging responses. Furthermore, we think that many of the contributions to this book share that view – without, of course, necessarily agreeing with what we have proposed in their place. We think that model 3 points to good evidence of where growth in the cultural economy is occurring. And we propose that model 4 indicates that 'creative disruption' to established business practice at even, and perhaps especially, the highest levels of media capitalism while also drawing on human (i.e. social) technology, via the creation and maintenance of social networks and the markets that evolve from them, shows that these processes can be progressive in a social and even political sense.

Indeed, these are actually trends and potentials that see model 4 approaches recursively turning toward approaches to model 1 content and value. This

recursive potential is apparent if we ask the simple question: where are the untapped cultural sources of future economic potential and gain? Asked in this way, the discourses of, for example, Nyamnjoh (Chapter 8), of Pinter (Chapter 5) or Goggin (Chapter 20) are not diametrically apart insofar as they are all addressing potential sources of value creation and the nature and structure of future markets.

Finally, the policy implications of this framework are also not without significance. Welfare arguments have delivered much in the way of public support for a range of cultural activity, and no doubt will continue to do so. But new rationale for public investment, together with a preparedness to maximize the potential affordances provided by globalization, and technological and social change, offer a wide range of new opportunity for policy-makers to consolidate the value of the cultural economy at a local, regional, national and supranational level. Culture is part of the process of economic change that in turn changes the conditions of culture. Cultural dynamics come first, economic dynamics come second, but then cultural dynamics come third, starting this process again.

Notes

- 1 In modern economics, the Schumpeterian endogenous growth model has systematically replaced the Keynesian model as an explanation of how economic systems change through time and in turn this has led to a shift in economic policy focus from industry policy and demand management to innovation policy and the facilitation of entrepreneurship and enterprise.
- 2 An excellent short overview is Flew (2002), Chapter 6 and a more detailed introduction is Hartley (2005). See also Cunningham (2006).
- 3 <http://www.mindjack.com/feature/piracy051305.html>
- 4 <http://www.wethinkthebook.net/home.aspx>

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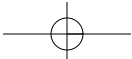
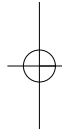
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ISSUES

GLOBALIZATION AND LOCALIZATION





CHAPTER 1

GLOBALIZATION AND THE CULTURAL ECONOMY: A CRISIS OF VALUE?

David Throsby

This chapter argues that the interaction between the economic and cultural consequences of globalisation has resulted in a crisis of value. The crisis exists in the contemporary cultural economy at both micro and macro levels, evidenced in the divergences that exist between economic and cultural value as criteria for resource allocation within the sector. The chapter discusses the ways in which value is created, distributed and received in the contemporary cultural economy and how these activities are affected by both the economic and technological aspects of globalization. In the final sections of the chapter, the effects of the crisis of value are considered in relation to cultural policy-making at domestic and international levels.

Introduction and background

It is now well understood that processes of globalization as they are experienced in the contemporary world are being propelled by economic and technological drivers that have significant cultural implications. In this chapter I shall argue that the interaction between the economic and cultural consequences of globalization has resulted in a crisis of value. The crisis arises primarily because the economic values that underlie the inexorable progress of globalization are in many respects at odds with the cultural values that are an indispensable component of the production, consumption and experience of culture.

Consider the following examples. A composer faces a decision: should she write a piece of music in pursuit of her pure artistic vision or should she respond to the incentives provided by the market and produce a more commercially saleable work? Demonstrators shout slogans outside a meeting of the World Economic Forum because they believe that the power of the global marketplace is undermining their cultural identity. An ancient indigenous language is in danger of dying out because its

value as a cultural expression is not reflected in the financial resources that would be required to keep it alive. In their different ways these examples illustrate the tensions that can arise between the economic imperatives of the market and the values inherent in the artistic and cultural aspects of human existence. These tensions are exacerbated by globalization.

We shall look at this question in terms of the cultural economy, a concept that can be depicted in the first instance as a value chain portraying the production, distribution and final demand for cultural goods and services such as artworks, music, literary texts, dramatic performances, movies, video games, print and broadcast media, and so on. These are all commodities that require creativity in their making, convey symbolic messages of one sort or another, and embody, at least potentially, some intellectual property. The value chain stretches from creative producers at one end, through various stages of production and value adding, to distribution networks, and onwards to final consumption.

In addition to this goods-and-services interpretation of the cultural economy, the ambit of culture can be broadened to embrace intangible phenomena such as ways of living, beliefs, attitudes, identities and practices. In this context an economy is more an anthropological or sociological construct than an economic one. When considered in these terms, the cultural economy extends to embrace virtually everyone, through their experience of living in a country, a region or a community bound together by shared cultural experience.

Common to all the actors in the cultural economy, however it is interpreted, is an involvement with value, whether it is the creation of value by an artist, the enhancement of value by an entrepreneur, the appreciation of private value by a consumer, or the recognition of public value by a member of the community. Indeed value is a

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phenomenon that affects us all, every day. As John Fekete (1987: 1) argues:

No concept of human life is unrelated to values, valuations and validations. Value orientations and value relations saturate our experiences and life practices from the smallest established microstructures of feeling, thought, and behavior to the largest established macrostructures of organizations and institutions.

What is meant by the term *value*? At its most fundamental, *value* can be thought of as the worth, to an individual or 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.¹ The process by which value is assigned to something is referred to as *valuation* or *evaluation*, i.e. the process of 'estimating, ascribing, modifying, affirming and even denying value' (Connor, 1992: 8). 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.²

How then can we say that a crisis of value exists? To answer this question we can simplify the value concepts under discussion by making a broad distinction between economic and cultural value³ when applied to artistic and cultural phenomena.

Looking first at economic value, we can observe that the notion of value has a long history in economics⁴ dating back to well before Adam Smith drew the distinction between value in use and value in exchange. In the neoliberal economics of the contemporary world, the Benthamite concept of utility underlies 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 paradigm 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 post-modern world has provided cultural theory with a crisis of value of its own that shows no signs of being resolved.⁵ 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, multi-faceted, unstable, and lacking in an agreed unit of account.

Thus the source of a crisis of value for the cultural economy starts to take shape. 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 the cultural economy, whether it is asked at an individual, an institutional or a government level: what values should count in decision-making in relation to the production, distribution and consumption of cultural commodities?

Of course in one sense this crisis of value has always been with us. As Lewis Hyde (2006: 160) argues:

All cultures and all artists have felt the tension between... the self-forgetfulness of art and the self-aggrandizement of the merchant, and how that tension is to be resolved has been a subject of debate since before Aristotle.

But it is a crisis that is heightened by globalization, through its various impacts on value formation and reception. Although, as we shall see, these impacts can be both positive and negative, in the cultural arena it is the inexorable economic drivers in the global economy that have the strongest impact. As Steven Connor (1992: 99) observes, in free-market economies:

the requirement to produce substantial value is paramount... When everything can be produced, sold and exchanged, even (especially) knowledge and the experience of culture, then it is precisely the insistence on the production of value... which cannot avoid serving the interests of... the global market.

Thus far we have been discussing the crisis of value created by the *economic* consequences of globalization. But the *technological* revolution that

underpins the globalization phenomenon also has an impact on value creation, shifting the criteria by which cultural value is assessed, introducing new aesthetic concepts to be absorbed into the evaluation process, and eventually expanding the domain of what may be seen as the artistic canon. Again this may be nothing more than a continuation of long-term trends, where aesthetic judgement is constantly being modified by technological change; one has only to think of innovations like the invention of the saxophone or the development of photography. Nevertheless, by its very speed, the technological transformation being witnessed at the present time can be argued to magnify tensions in cultural valuation that would otherwise take a more leisurely time to work themselves out.

This chapter looks at the ways in which value is created, distributed and received in the contemporary cultural economy and how these activities are affected by both the economic and technological aspects of globalization. In the next section we discuss how artists and firms produce cultural goods and services and what the impacts of globalization are in the production sector. We then move to the next stage of the value chain and examine the globalization of distribution. The value placed on the products of the cultural economy by consumers is considered in the following section, with reference to both private and public goods. Finally, the effects of the crisis of value in the arena of cultural policy are considered in the last two sections of the chapter, with regard to policy-making at domestic and international levels respectively.

Impacts of globalization on systems of value creation

There has been a long debate surrounding the question of how value of a cultural commodity such as an artwork actually comes into being. Is value somehow intrinsic to the work and exists whether or not anyone notices it, or does value only arise through the interaction of the viewer, the reader or the listener with the work? Either way there is a question as to whether the intentions of the original creator(s) have an influence on value and, if so, what that influence might be. In this section we examine the production side of the creative economy – the individual artists and the creative enterprises that produce text, sound

and image – and ask what impacts globalization has on their work.

Artists and arts organizations such as music ensembles, theater companies, film production houses and so on can be portrayed as being motivated by a desire to maximize an objective function containing both economic and cultural value as arguments. Different artists and groups are likely to attach different weights to the economic and cultural value components of their objective functions. Those in whom the artistic drive is paramount, for whom an artistic vision is all that matters, and who are willing to survive on a minimum of worldly goods, can be interpreted as attaching stronger weight to cultural than to economic value as a motive for production. The opposite will apply to artists interested solely or mainly in the income-producing opportunities of artistic work. The majority of artists and groups will lie somewhere in between, facing a perennial question as to how to trade-off pure artistic creativity against hard economic realities.

How is this balance worked out in reality? Individual artists call upon a range of strategies to allow pursuit of artistic ideals at the same time as satisfying minimum income requirements. Such strategies include taking on additional work within the arts (e.g. teaching) or outside the arts altogether (e.g. driving a taxi) in order to support a creative practice, or seeking financial support through awards or grants provided by foundations or government funding agencies.⁶ Many artists are obliged by the economic realities of the marketplace to adjust the qualitative nature of the work they produce; for example a playwright may write plays for small casts because there is more chance of having them performed, or a writer may produce novels rather than poems because poetry yields inadequate financial return. In these ways economic necessity affects cultural value measured in qualitative terms as the scope or composition of artistic output. If globalization amplifies these economic pressures, the impact on cultural value will be correspondingly increased.

Turning from individuals to groups, we can observe similar patterns; creative enterprises in the arts are also obliged to adopt strategies coupling the desire for artistic growth with the necessity for financial survival. In the not-for-profit sector, arts enterprises such as opera companies or symphony orchestras can be portrayed as firms maximizing a weighted combination of the quantity and quality of

output subject to a financial break-even constraint. In such a model, the desire to produce cultural value is reflected in the objective function, and the need for minimum levels of economic value is expressed via the constraint set. In the commercial arts, on the other hand, the driving motives are more likely to be financial; firms in the commercial sector of the cultural economy are predominantly larger corporate enterprises whose stockholders demand a return on their capital investment. Thus the cultural decisions of such firms tend to be guided by the prospects for commercial success rather than any notions of 'pure' cultural value.

How, then, does globalization influence this picture of the productive sector of the creative economy? A first glance would suggest a two-fold set of effects. First, the economic imperatives and competitive pressures of the global marketplace may cause artists and organizations to shift the balance in their output towards a greater emphasis on creating economic value, and, as noted above, affect the qualitative nature of the cultural value produced. Second, the new technologies available to creators in all fields may alter their concepts of cultural value in either positive or negative directions. But these are simply preliminary observations. The reality is more complex. We can discuss the effects of globalization on cultural production under three headings: the effects of new technologies on the day-to-day operations of cultural producers; the effects of the spread of global markets for inputs and outputs; and the effects of improved international communications.

New technologies

It is by now commonplace to say that the advent of new information technologies has given rise to an enormous array of innovative possibilities for creative artists to express their ideas. Indeed, ever since the advent of the electronic computer almost half a century ago, artists have been keen to exploit the imaginative possibilities of new media.⁷ Almost every artform has found ways to take advantage of the creative potential of the new technologies, from computer graphics to electronic music, from holograms to animation. New artforms such as computer games and video art have been opened up,⁸ creating entire industries in the cultural sector that were non-existent a mere decade or so earlier.

The impact of these developments on individual artists can be illustrated using recent data from a survey of practising professional artists across all artforms in Australia. The survey undertaken in 2002 (Throsby and Hollister, 2003: 55, 108) showed that about 80 per cent of artists used a computer in relation to their art practice; about three-quarters of these artists used the computer for record-keeping and administering their career, and around half used it as a creative medium and to run software that facilitates their creative practice. About 70 per cent of the artists surveyed used the Internet, mainly for research; fewer than one-third of these artists used the Internet to promote or market their work. These numbers can be expected to grow as access to the Internet expands.

A further effect of new information technologies on the lives and careers of individual artists is seen in the widening of the skill base of the art professions. Most training programs for professional artists incorporate significant components dealing with new media. Even in traditional institutions such as music conservatoria, the curriculum increasingly embraces new musical forms and means of expression. The benefits of these developments for the working lives of artists are visible in the increased labour market flexibility that they can call upon. Many visual artists, for example, are able to undertake highly skilled and lucrative work in the digital arena (e.g. designing websites) as a means of supporting a core creative practice.

Most of the foregoing observations about the effects of new technologies on the work of individual artists can be applied also to artistic ensembles and groups. Furthermore, the IT revolution has transformed the way in which such enterprises manage their businesses: museums have digitized their collections and are making them accessible on-line; performing companies have introduced efficient booking and ticketing systems; libraries have radically altered the way they catalogue their holdings.

It can be seen from the above that there are many positive effects on value formation arising specifically from the technological aspects of globalization. The production of economic value from the cultural economy is clearly enhanced as a result of the many efficiency gains and productivity improvements that computer-based applications provide, while the expansion of creative scope in

the production of artistic and cultural goods and services can also be seen to add to the yield of cultural value across the board. Whether the realignments of economic and cultural value or the shifts in the composition of cultural value produced are regarded as beneficial or otherwise remains a subjective matter and it is probably too early to judge whether any consensus exists one way or the other.

The spread of global markets

The breakdown of barriers to flows of both capital and labour around the world has facilitated the creation of a global marketplace for many commodities, including those produced by the cultural economy. In particular the freeing up of capital movements has encouraged the growth of transnational corporations and has increased competitive pressures on smaller producers. Moreover, the inexorable expansion of reliance on free-market forces as guides to the allocation of resources within and between countries has accelerated a shift in overall economic power from the public to the private sphere; this shift has been felt in the cultural sector, as elsewhere.

These trends have had significant effects on value production in the cultural economy. Take the music industry, for example. Music is one of the oldest and most fundamental artforms. The stock of music inherited from past civilizations is a vital repository of cultural value, and the flow of music, whether it is produced by skilled musicians or by ordinary citizens, is a basic means of creative expression. Globalization has transformed the music industry. In later sections we shall consider the effects on distribution and consumption, here we are concerned with production. One of the observed effects of the spread of global markets on the music industry has been to concentrate power in the hands of an ever-smaller number of music publishers and record companies. Independent producers committed to promoting music associated with a particular musical genre or national origin have been squeezed out of the market or taken over by the ever-growing transnational corporations. The crisis of value engendered by these trends is clear: music production in these circumstances becomes increasingly a process of creating economic value rather than a cultural expression whose primary importance is as a purveyor of cultural meaning.

Improved international communications

The rise of the Internet has created unprecedented opportunities for cultural dialogue and exchange of ideas. It has also provided artists and arts organizations with scope to diversify their product range, for example via e-commerce. These developments can be seen as beneficial to the production of culture, through their contribution to the flow of information and their stimulus to creativity.

At the same time there are fears that because cultural symbols are more freely transmitted as a result of improved international communication, a global cultural standardization will emerge. The ubiquity of corporate branding, for example, or the ready availability around the world of the cultural messages emanating from Hollywood, would appear to diminish cultural diversity and weaken the distinctiveness of national or subnational cultural identities. In fact, however, fears of a universal cultural homogenization arising as a result of globalization would appear to be exaggerated, at least for now. Such empirical evidence as exists seems to point towards a strengthening of local cultural differentiation against the forces of global standardization, and a resilience of the nation-state against the threat of a borderless world (Holton, 2005: 117). Indeed writers such as Brown (1995: 66) have argued that greater social differentiation is possible under globalization; he suggests that the means by which people can define themselves and their interests has actually increased, creating a 'global multicultural pastiche of social heterogeneity'.

Furthermore, these very same forces have created conditions for the emergence of new global artforms. 'World music' can be cited as an example, representing a range of specific musical genres or styles originating in various parts of the world, from Cuba to the French Antilles, from Greece to India, from Algeria to Pakistan.⁹ Another illustration is the extensive discussion as to whether or not there is such a thing as a 'global literature', a notion first articulated in 1827 in Goethe's *Weltliteratur* and given a significant boost in modern times by the advent of new means for international communication and interchange.¹⁰

To sum up, where does all of this lead in assessing whether or not a crisis of value exists at least on the production side of the cultural economy? The economic impact of globalizing forces on artists

and enterprises producing cultural goods does suggest a pressure towards increased emphasis on the economic value of cultural production, a trend that may be accepted willingly by some producers, and reluctantly and inevitably by others. The technological impacts also have a range of effects, from the undoubted benefits of new media for artistic creativity to the more uncertain effects on the interpretation of cultural value in the new technological utopia.

Are there winners and losers? Stuart Hall has suggested that it is easy to overplay the beneficial effects of globalization on artistic production. He argues:

One of the immediate effects of globalization has been the internationalization of the circuits and circulations of cultural and artistic production... it's now ideologically represented to us as if there's a frictionless cultural universe in which anybody can get on the tramline anywhere, any work of art will be seen anywhere... [But] in reality... you see massive disparities of access, of visibility, huge yawning gaps between who can and who can't be represented in an effective way. (2004: 34)

This remark has particular relevance to the frustrations felt by artists of the South in trying to access the global cultural economy.

Impacts of globalization on systems of value distribution

The economic and cultural value generated in the production of cultural commodities is distributed to those who consume these goods and services by the firms, the media and the communications networks that transport and market cultural product. Distribution systems can be seen as channels by which value is conveyed from producers to consumers. Along the way the value might be transformed, added to or diminished. How does globalization affect the processes of cultural distribution, and what are the positive and negative effects on the economic and cultural value of the goods and services involved? In this section we consider two related aspects of the distribution of culture that are inextricably associated with the mechanisms of globalization: the Internet and cultural trade.

The Internet

It is a truism to say that the World Wide Web has been the greatest single development in national and international communications in the present era. Its effect on the way in which cultural products are promoted, marketed and exchanged has been profound. In regard to economic impacts, the value-adding enabled by the Web in the processing of cultural goods needs no elaboration. Its impact on cultural value may be somewhat less clear, as we shall see further below.

A significant aspect of the Internet's presence in the cultural arena relates to the intellectual property content of cultural goods and services. We have noted already that cultural commodities typically embody some intellectual property, the rights to which properly accrue to the commodities' original creators. The codification of copyright protection for creative works has existed since the original ratification of the Berne Convention in 1886, but the advent of the Web has greatly expanded its scope. At the same time the digital environment also opens up widespread opportunities for subversion of the system through piracy, which enables users to access protected material without payment to rights owners and without fear of penalty for unauthorized use, a matter we shall return to in the next section.

The value implications of the Web in its dealings with intellectual property can be examined in both economic and cultural domains. In regard to economic effects, the Internet clearly provides an efficient means for facilitating access to many types of copyright material and for conveying appropriate payment to its creators. As such it can be seen to promote greater equity in the distribution of remuneration for creative work and to act as a stimulus to the production of further creative output. The mechanisms for tracking usage and enforcing payment for digital material are constantly being improved, to the point where it is possible to imagine, in the foreseeable future, a universal system for detection of use and a means of directly linking users with rightsholders without the need for intermediaries. In these terms, then, the impacts of the Web on the economic aspects of value creation and transmission for cultural goods can be argued to be positive.

In regard to cultural value, however, the effects of the Internet are more difficult to gauge. By providing a means for the wider exercise of intellectual

property rights and the more extensive capture of revenue from their use, the net has tended inexorably to transform what were once public goods into private commodities. Although one of the main functions of copyright has always been to provide for public access to protected material, for example via 'fair dealing' or 'fair use' provisions contained in most copyright legislation, the simple fact is that with the advent of the World Wide Web, the private space for accessing intellectual property has expanded and the public access space has shrunk. To the extent that important elements of cultural value are related to principles of freedom of information, shared identities and community participation in cultural experience, these trends could be seen as inimical to cultural value creation.

Nevertheless there are also ways in which the net can contribute to growth rather than contraction of the public space in which ideas are exchanged. Some artists, more concerned about getting their artistic and cultural messages across than in earning revenue from them, will place their music, visual art or text onto the Web, offering free and unrestricted access to anyone who wants to download their creative work. Broader ideas for a 'cultural commons' have been circulating for some time, using the power of the Internet to create a genuine public arena in which cultural interaction can occur (Drache and Froese, 2006). Such initiatives have taken practical shape in a number of areas; in science, for example, the *Public Library of Science* has been in existence for six years, involving a suite of open-access, on-line, peer-reviewed science journals that aim to make high-quality scientific research freely available.

Cultural trade

The international distribution of cultural goods and services occurs through the international trade systems at two levels: trade in tangible goods such as books and music recordings, and trade in digital material such as television programs where payment is for the intellectual property rights involved. In the area of global cultural trade, the balance between trade in goods and trade in services including trade in rights, has shifted inexorably in recent years in favour of the latter.

Cultural goods and services have always proved an irritant in international trade negotiations, providing a paradigmatic case of the conflict between economic and cultural values in decision-making.

Consider the case of the international market for audio-visual product such as film and television programs. On the one hand producers of these goods in countries such as the United States, who have access to scale and other economies in production and who see lucrative markets in many parts of the world, are likely to oppose any intervention in international trading arrangements that will limit their market access. On the other side of the fence, many importing countries see their local culture swamped by foreign product, against which their local cultural industries are unable to compete without some form of protection. Thus the crisis of value becomes apparent: should cultural goods be treated simply as commercial merchandise, with the economic gains from trade being the only concern in trading negotiations, or should the fact that these goods convey cultural messages, with profound quantitative and qualitative effects on the circulation of cultural value, be taken into account? Since, as we have seen, the processes of globalization have greatly facilitated the international movement of cultural goods and services, it can be argued that globalization has contributed to sharpening these tensions between economic and cultural value in the trading arena.

Trade negotiations are traditionally all about economics, whether on a multilateral basis through the World Trade Organization or in the many bilateral free-trade agreements that are appearing at the present time. Any suggestion that cultural value should be taken into account in determining the rules of the game is likely to be dismissed by economists. Yet the fact that cultural identity, self-recognition and self-esteem are important to people, and that cultural trade has an impact on these values, should give pause for thought. Economic policy-making in this area may need to accept that ultimately the goals of different societies extend beyond immediate material concerns, and that cultural considerations might therefore need to be admitted into policy-making processes in this area.¹¹

Impacts of globalization on value reception and interpretation

We now reach the final stage in the value chain, where cultural product is consumed and experienced by end-users. It is convenient to divide our

consideration into the consumption of culture as private good and as public good. This distinction arises from the fact that cultural goods and services can be categorized as 'mixed goods', having both private (excludable, rival) characteristics and public (non-excludable, non-rival) characteristics.¹² The economic value to consumers of private cultural goods is reflected in the market prices at which these goods are bought and sold. The economic value of public cultural goods can be derived from knowledge of individuals' willingness to pay for such goods, for example through their taxes. The cultural value of private cultural goods can be assessed in terms of expressed cultural benefits accruing to individuals from their own cultural consumption, whilst the cultural value of public cultural goods can be collated from a variety of indicators relating to the benefits of culture to society as a whole.

Culture as private good

The private demand for cultural goods of all types has been widely studied.¹³ For goods such as theater performances or movies, the market price paid to secure the cultural experience reflects the expectation rather than the reality of the cultural value to be derived from consumption, since uncertainty surrounds the quality of the good until it is actually consumed. For such goods, demand can be interpreted within a preference space where expected cultural value is set against the monetary cost. For other cultural goods such as artworks, the quality of the goods is known in advance, although uncertainty still attends the other (possibly additional) motive for demand, namely the expectation that the work's monetary value may increase over time. The demand for such goods can be interpreted as both an investment and a consumption demand, the former reflecting economic value in the eyes of the consumer, the latter reflecting the cultural valuation.

Globalization affects the reception of value in the consumption of private cultural goods in two important ways: it affects the array of prices that consumers face, and it affects the technological means by which cultural product is experienced.

In the first instance, it is apparent that technological change and the spread of global markets has greatly reduced the prices of mass-produced cultural goods such as pop songs relative to those of specialized products such as live theater. Such a

trend can be interpreted as an economic impact of globalization that parallels the effects of economic forces on artists and arts organizations discussed earlier; on the supply side the effect is on the production of cultural value, on the demand side the effect is on how cultural value is received and interpreted. In both cases the outcome is a shift in the balance between economic and cultural elements in determining the operation of the cultural economy, and perhaps also a re-alignment amongst components of cultural value itself within that economy.

The latter possibility arises because the cultural value elements attaching to the products whose demand is favoured by the economic effects of globalization are different from the elements defining cultural value for products that are relatively disadvantaged, other things being equal. To illustrate, consider the effects of globalization on the consumption of cultural experiences by tourists. Cultural tourism in both mass markets (high volume, low yield) and niche markets (low volume, high yield) is facilitated by the globalization processes we have been discussing, through reductions in the real costs of travel and the increased availability of information, booking services and so on. The cultural value of the experiences sought by mass tourists is qualitatively different from that sought by well-informed and discriminating cultural tourists, and conflicts arise when the two markets intersect. This occurs in destinations such as Venice or Angkor Wat where the economic impact of mass tourism encouraged by the relentless globalization of the tourist industry threatens to overwhelm the reception of the cultural values yielded by these world heritage sites.

The second aspect of the effects of globalization on demand for cultural goods and services relates to the changing technology of cultural consumption. The rise of the Internet and the escalating adoption of mobile telephony and other platforms have changed the means by which cultural messages are received, and have provided consumers with unprecedented power in signalling their demands (Lam and Tan, 2001). One outcome of these processes has been to blur the creative boundaries between producer and consumer; interactive cultural consumption of some digital artworks, computer games, etc. places the consumer in the role of co-creator. Robinson and Halie (2002: 382) describe this as a revolution when they argue that

the 'interactive quality of digital formats [is] a unique characteristic that makes it different from other media advances'. In these circumstances the nature of the cultural value yielded by experience of the arts is radically altered, raising issues about creative responsibility, questioning standards of artistic judgement, and even pointing to the McLuhanesque possibility that in some cases the medium becomes the message.

Culture as public good

The public-good nature of cultural products such as the arts has been widely seen as a justification for government intervention in cultural markets, rationalizing support for local creative producers and protection of them from foreign competition.¹⁴ We have already noted the pervasive effects of globalization in shifting the balance of economic power from the public towards the private sector in many countries and to this extent the public interest aspects of the cultural economy might be seen to be threatened. Nevertheless, public perception of the cultural value of the arts appears to remain resilient to these effects. For example, as yet unpublished data from a random sample survey of the Australian adult population undertaken in 2007 indicate that significant majorities of people either agree or strongly agree with propositions such as 'it is important to keep the arts alive for future generations' (88 per cent), 'the arts have an important role in creating our national identity' (79 per cent), and 'the arts help people to appreciate beauty' (84 per cent). These and similar sentiments can be taken as indicative of a broad public consensus as to the cultural value of the arts, a consensus that is translated into majority agreement with the proposition that 'governments should financially assist the arts' (71 per cent). Such results lend support to arguments that governments should take cultural value into account in the formulation of cultural policy, a matter to which we turn in the next section.

Domestic cultural policy issues

Questions of value permeate government policy across the board. Pre-eminent amongst the priorities seen by national governments in all countries, rich and poor, is the task of ensuring the economic health of the nation, looking to the traditional objectives of maximizing economic growth, minimizing

unemployment and maintaining price stability and external balance, all within a context of providing equity in the re-distribution of income and wealth. Recent years have witnessed a strengthening of the economic basis for policy formation in a number of countries, evident, for example, in the re-definition of social policy in areas like health, education and welfare in terms of economic performance criteria. These trends are at least partially attributable to globalization, through the economic pressures noted earlier that are exerted on governments by the emergence of a competitive global market-place.

The cultural sector has not been immune from these effects. A sharpening of the focus of cultural policy can be observed, especially in many parts of Europe and Asia, towards a more explicit recognition of the economic dimensions of cultural activity. The value implications of these developments in the context of the cultural economy can be analyzed at two levels: the effects on policy towards the cultural industries, and the effects on state support for the arts and culture that we discussed in the previous section.

In regard to the cultural industries, it is no exaggeration to say that globalization has given them an entirely new prominence and has provided new challenges for cultural policy. In earlier times the production and consumption of cultural goods occurred largely within national and regional boundaries. True, there was considerable international trade in cultural product, especially music, film and television, but it has taken the advent of the new information age to open up new means for the production, distribution and consumption of cultural goods and services and to create a global market place in which these products can be bought and sold. As we have noted already, the major drivers of the worldwide growth in the creative industries can be found particularly in the convergence of multimedia and telecommunications technologies that has led to an integration of the means by which cultural content is produced, distributed and consumed. At the same time the deregulation of media and telecommunications industries and the privatization of previously state-owned enterprises in these spheres has opened the way for massive growth in private-sector investment, with consequent effects on output and employment across the board. Underlying these developments has been a more general trend in economic policy-making

towards a broadening of the concept of innovation from one concerned only with science and technology into a more wide-reaching appreciation of the role of creativity in the economy. Acceptance of the idea of creativity as a driving force in the knowledge economy pushes the creative industries into the spotlight as a primary source of the skilled workforce that can produce creative ideas and make innovation happen across a wide range of activities from business entrepreneurship to imaginative new social programs.

The value implications of these developments for domestic cultural policy begin to take shape. If the major forces promoting the growth of the cultural industries are economic in nature, it follows that the balance between economic and cultural value production will tend to be shifted in favour of the former, and policy will be under pressure to reflect the economic rather than the cultural content of the goods and services produced. In other words, the revenue potential or employment-creating effects of growth in the cultural industries will tend to dominate in policy decisions, and the cultural messages conveyed by television programs, video games and so on will take a back seat, or be disregarded altogether.

The second aspect of domestic cultural policy to be considered is the effect of the changing policy environment on public support for the arts and culture. Here the crisis in value can be seen very clearly to arise from the tussle between economic and cultural motives for government intervention. As governments become more focused on justifying public expenditure programs in terms of measurable performance outcomes, support for the arts must increasingly be argued by reference to the economic and social benefits that cultural activity bestows on the community through such avenues as employment creation, wealth generation, urban revitalization, increased social cohesion and so on. Valid though these claims may be, publicly-supported theater companies, orchestras, dance ensembles, art galleries etc. may feel that funding authorities look to economic sustainability rather than cultural viability as a basis for continued funding.

These concerns have led to a vigorous debate about how to introduce cultural value alongside economic value into the making of public policy towards the arts and culture. In the United Kingdom, for

example, government obsession with laying down performance targets for cultural organizations is argued to have subverted the organizations' cultural purpose; the measurable economic and social benefits that they provide have become more important to policy-making than the artistic or cultural activity itself (Holden, 2004; 2006). In the US, a recent report by the RAND Corporation on reframing the debate in America about the benefits of the arts (McCarthy et al., 2004) discusses the wide range of economic and social benefits that the arts bring to individuals and to communities, but calls the intrinsic value of the arts 'the missing link'. This report argues that the intrinsic benefits of the arts have become marginalized in public discourse, in part because they are difficult to measure. Both of these influential reports call for a new approach to public-policy formulation with respect to the arts and culture, one that makes explicit the full range of value created by these activities.

International cultural policy issues

One of the most significant events of recent times in the international cultural policy arena has been the ratification by member states of the United Nations Educational, Scientific and Cultural Organization (UNESCO) of what has come to be known as the Cultural Diversity Convention that came into operation in March 2007.¹⁵ The forces of globalization played a significant part in establishing a perceived need for such a treaty. Three different pressures were particularly important: the problem of culture in international trade; the perception that globalization is increasingly threatening people's sense of their own cultural identity; and a profound sense that countries of the Third World are losing out in the process of economic and cultural development. We have discussed these matters already; suffice it to say here that these motives underlying the remarkably rapid adoption and ratification of the Cultural Diversity Convention provide a vivid illustration of the essential thesis of this chapter. In other words, globalization has created a crisis of value in cultural policy around the world, reflected in the conflicts being experienced between the desire to enjoy the benefits of economic and technological progress on the one hand, and the need to recognize the role of culture in representing fundamental human values

on the other. The Convention provides one forum in which these conflicts can be re-evaluated in an objective way, where the voice of culture can be given space to be heard, and where the quest for policy solutions at both the national and international level can be directed towards finding 'win-win' outcomes, i.e. policy strategies that can harness the beneficial aspects of globalization for economic and cultural development and avoid the harmful effects.

It remains to be seen whether the mechanisms of international cultural policy administration will be capable of realizing these laudable objectives. As the UN agency most directly concerned with culture, UNESCO has a responsibility to oversee the implementation of the Cultural Diversity Convention, in particular to ensure that the treaty's focus on the value of culture is maintained in an environment where an economic agenda tends to dominate policy-making. Other UN organizations, including the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP), are devoting priority attention to the encouragement of creative industries in developing countries, linking economic and cultural growth in a sustainable development framework¹⁶ (see also Chapter 7). The World Bank has asserted its interest in incorporating cultural factors into its development programs and strategies (World Bank, 1999), although as a lending institution it has always to be primarily concerned with the economic viability of its projects. Some NGOs such as cultural foundations are also involved in international projects that reflect concern for cultural value in a globalizing world.

Conclusions

This chapter has argued that a crisis of value exists in the contemporary cultural economy at both micro and macro levels, evidenced in the divergences that exist between economic and cultural value as criteria for resource allocation within the sector. Although processes of globalization are by no means the sole source of the pressures that bring this crisis about, they do exacerbate its effects. We have argued that the pressures arise on two points. First, the economic power of the global marketplace has tended to amplify trends already evident

in a number of countries that shift the balance in favour of economic rather than cultural value-creation as motives driving the cultural economy. Second, although the technological aspects of globalization have yielded a multitude of beneficial impacts on cultural production, distribution and consumption, they have also raised questions internal to the assessment of cultural value itself, challenging traditional modes of aesthetic evaluation and proposing new approaches to the interpretation of what we understand by culture.

The way forward in confronting the various aspects of the crisis that we have been describing lies in several arenas. In the scholarly discourses concerned with economic or cultural aspects of the cultural economy, much remains to be done in advancing understanding of how value can be interpreted and how different interpretations influence systems of analytical thought. A particular challenge lies in the area of measurement. Techniques for assessment of the economic value of cultural goods and services are constantly being refined, especially in the area of non-market effects where methods used in environmental economics are proving adaptable to application in the cultural field. However, devising appropriate criteria for representing cultural value is a more difficult task, given the complexity and lack of an agreed metric for capturing the impacts of cultural phenomena.

These theoretical and methodological concerns have their counterpart in the practical world of policy-making. Resource allocation decisions are being made every day at all levels in the cultural economy, from the lone artist to the transnational corporation, from the small theatre company to the national Culture Ministry. In all cases, the fundamental questions are the same: what values should count in decision-making and how are they to be evaluated? And if the path towards resolving the crisis of value lies in a clearer understanding of the benefits and costs of globalization assessed in both economic and cultural terms, what data are necessary to inform the decision process?

In the arena of public policy, the forces of globalization present particular challenges. Ultimately policy-makers must be guided by the collective will of those whom they represent. In a world where individual enterprise is a key element of the driving economic ideology, asserting the public interest in culture is not always an easy task.

Notes

- 1 Value in this singular sense is different from the plural noun 'values' which is used in common parlance to mean a moral or ethical position.
- 2 For further discussion of this phenomenon, see Klamer (2002).
- 3 This duality between economic 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).
- 4 For a fuller discussion, see Throsby (2001: Chapter 2).
- 5 Assertions of the intrinsic value of art have enjoyed something of a resurgence in recent years; see, for example, Etlin (1996), Johnson (2002), Crowther (2007).
- 6 For a detailed account of the working conditions and career decisions of creative artists, see Alper and Wassall (2006) and Menger (2006).
- 7 For an early analysis see, for example, Cornock and Edmonds (1973) who foresaw the possibility that computers might in some circumstances replace the artist altogether.
- 8 For an overview and analysis, see Candy and Edmonds (2002).
- 9 See Bohlman (2002), Miller and Shahriari (2006). For a critical view focusing on the cultural values involved, see Brennan (2001).
- 10 See further in Maxwell et al. (2003), Huyssen (2005).
- 11 See further in Yúdice (2003: 214–86).
- 12 A non-excludable good is one which, once produced, is available to all, and no-one can be excluded from enjoying its benefit. A non-rival good is one where one person's consumption does not diminish the amount available for others. Examples of non-excludable non-rival public goods are national defence and broadcast television signals.
- 13 For an overview see, for example, contributions to Towse (2003) and Ginsburgh and Throsby (2006).
- 14 For discussions of the economic rationale for government support for the arts, see Throsby (1994) and contributions to Towse (1997).
- 15 The full title of which is Convention on the Protection and Promotion of the Diversity of Cultural Expressions; see www.unesco.org/culture/en/diversity/convention.
- 16 See, for example, the United Nations Conference on Trade and Development (2004).

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