

Economics and Culture

David Throsby



PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE
The Pitt Building, Trumpington Street, Cambridge, United Kingdom

CAMBRIDGE UNIVERSITY PRESS
The Edinburgh Building, Cambridge CB2 2RU, UK <http://www.cup.cam.ac.uk>
40 West 20th Street, New York, NY 10011-4211, USA <http://www.cup.org>
10 Stamford Road, Oakleigh, Melbourne 3166 Australia
Ruiz de Alarcón 13, 28014 Madrid, Spain

© David Throsby 2001

This book is in copyright. Subject to statutory exception
and to the provisions of relevant collective licensing agreements,
no reproduction of any part may take place without
the written permission of Cambridge University Press.

First published 2001

Printed in the United Kingdom at the University Press, Cambridge

Typeface Times Roman 10/12pt *System* 3b2 [CE]

A catalogue record for this book is available from the British Library

Library of Congress cataloguing in publication data

Throsby, C. D.
Economics and culture / David Throsby.
p. cm.

Includes bibliographical references.

ISBN 0 521 58406 X (hardback) 0 521 58639 9 (paperback)

1. Economics – Sociological aspects. 2. Culture – Economic aspects. I. Title.

HM548.T48 2000

306.3–dc21 01-063072

ISBN 0 521 58406 X hardback

ISBN 0 521 58639 9 paperback

Contents

<i>Preface</i>	<i>page</i>	xi
<i>Acknowledgements</i>		xv
1	Introduction	1
	Definitional issues	1
	Some qualifications	6
	Is economics culture-free? The cultural context of economics	7
	Culture as economy: The economic context of culture	10
	Individualism and collectivism	12
	Outline of the book	14
2	Theories of value	19
	Introduction: Why value?	19
	The theory of value in economics	20
	Economic valuation of cultural goods and services	23
	Cultural value	26
	Can economic value encompass cultural value?	31
	An application: the case of an art museum	34
	Conclusions	41
3	Cultural capital and sustainability	44
	Introduction	44
	What is 'cultural capital'?	45
	Other usages of the term 'cultural capital'	48
	Parallels between cultural and natural capital	51
	Sustainability and cultural capital	52
	Conclusions	58
4	Culture in economic development	61
	Introduction	61
		vii

	Culture in economic performance	63
	Culture in Third World development	66
	Culture, development and sustainability	69
	Conclusions	71
5	Economic aspects of cultural heritage	74
	Introduction	74
	Definitional issues	75
	Heritage as cultural capital	76
	Cost-benefit analysis of heritage projects	78
	Economic evaluation methods	80
	Cost-benefit analysis and cultural value	83
	Sustainability in heritage management	87
	Policy issues	88
	Conclusions	91
6	The economics of creativity	93
	Introduction	93
	Theories of creativity	94
	Creativity as a rational decision process	95
	Value in the work of creative artists	103
	Creativity as an irrational process	104
	Conclusions	106
	Appendix: a model of artistic production	107
7	Cultural industries	110
	Introduction	110
	Definition of the cultural industries	112
	The creative arts as an industry	114
	Cultural industries in urban regeneration and regional growth	124
	Cultural industries in the economies of developing countries	126
	Cultural tourism	128
	Trade policy and the cultural exception	130
	Conclusions	133
8	Cultural policy	137
	Introduction	137
	Culture and the state: the economics of cultural policy	138
	Culture and the state: the politics of cultural policy	141
	Economic and cultural value in policy formation	148
	Conclusions	150

	Contents	ix
9	Conclusions	153
	The historical moment	153
	Economics and culture: what have we learned?	158
	Epilogue	165
	<i>Bibliography</i>	168
	<i>Name index</i>	188
	<i>Subject index</i>	194

1 Introduction

Nothing so difficult as a beginning
In poesy, unless perhaps the end. (Lord Byron, *Don Juan*, 1821¹)

Definitional issues

It was Farmer Nicholas Snowe in *Lorna Doone* who said, with the insight given to simple rustics in Victorian novels, ‘virst zettle the pralimbinaries; and then us knows what be drivin’ at’.² In an enterprise such as the present one, settling the preliminaries inevitably comprises definitional matters, and this means the two principal objects of our concern: economics and culture.

It might appear that the first of these could be dispensed with quickly. There is apparently so little disagreement among contemporary economists as to the scope and content of their discipline that the introductory chapters of most modern textbooks of economics are virtually identical. The outline of the ‘economic problem’ always emphasises scarcity, such that the decision facing actors in the economic drama is one of how to allocate limited means among competing ends. Individual consumers have wants to be satisfied, productive enterprises have the technologies to provide the goods and services to satisfy those wants and processes of exchange link the one side of the market with the other. Much of the economics that is taught to students at universities and colleges throughout the western world nowadays is concerned with the efficiency of these processes of production, consumption and exchange, much less is concerned with questions of equity or fairness within the operation of economic systems. As a result, issues such as that of redistributive justice tend to play a secondary role in the thinking of many younger professional economists, if indeed such issues bother them at all.

The introductory textbooks also universally make the standard distinction between the study of the micro behaviour of individual units in the economy – consumers and firms – and the macro behaviour of the economy itself. In so doing, these texts lay the foundation for the reification of the economy, a process which has had profound effects on popular perceptions of economics and on the construction of public policy in the present generation. The increasing dominance of macro-economics as the foundation stone of national and international public policy over recent decades has led to perceptions of the economy as having an identity of its own which seems to transcend its constituent elements. Ironically this view could be seen to parallel the concept of the state as having an independent existence, a concept eschewed by the model of libertarian individualism which is central to modern economics. In some cases the reification of the economy in the media and elsewhere seems to extend almost to personalisation; we speak of economies as ‘strong’ or ‘weak’, ‘dynamic’ or ‘sluggish’, needing to be nursed when they are sick and requiring the administration of appropriate medicines to bring them back to health.

In considering these texts as providing a definition of the domain and methods of contemporary economics, we should bear in mind that they mostly reflect the dominant neoclassical paradigm which has held sway in economics for the better part of a century and which in the last few decades has been brought to a high level of theoretical and analytical refinement. This paradigm has provided a comprehensive and coherent framework for representing and analysing the behaviour of individuals, firms and markets, and it has yielded an array of testable hypotheses which have been subject to extensive empirical scrutiny. Moreover, the range of phenomena which it has embraced has been continually expanding; the model of rational utilitarian decision-making operating within competitive markets has in recent years been applied to an ever-widening array of areas of human behaviour, including marriage, crime, religion, family dynamics, divorce, philanthropy, politics and law, as well as production and consumption of the arts.

Yet despite its intellectual imperialism, neoclassical economics is in fact quite restrictive in its assumptions, highly constrained in its mechanics and ultimately limited in its explanatory power. It has been subject to a vigorous critique from both within and without the discipline. Furthermore, its supremacy can be challenged if a broader view of the discourse of economics is taken. In common with all great areas of intellectual endeavour, economics comprises not a single paradigm, but a number of schools of thought offering alternative or contestable ways of analysing the functioning of the economy or the actions of individual

economic agents. For present purposes, we are quite likely to find such alternative approaches useful in thinking about cultural phenomena.

But while defining economics and the economy may, for the time being, be disposed of relatively easily, defining culture is an altogether different story. Raymond Williams describes culture as 'one of the two or three most complicated words in the English language'.³ Robert Borofsky suggests that attempts to define culture are 'akin to trying to engage the wind';⁴ this picturesque metaphor captures the protean nature of culture and emphasises how hard it is to be precise about what the term means. The reasons are not difficult to find. 'Culture' is a word employed in a variety of senses in everyday use but without a tangible or generally agreed core meaning. At a scholarly level it relates in some way or another to concepts and ideas which occur throughout the humanities and social sciences, but it is often deployed without precise definition and in ways which differ both within and between different disciplines.⁵

As always, an etymological analysis can throw some light on the evolution of meaning. The original connotation of the word 'culture', of course, referred to the tillage of the soil. In the sixteenth century this literal meaning became transposed to the cultivation of the mind and the intellect. Such figurative usage is still in active service today: we refer to someone well versed in the arts and letters as a 'cultured' or 'cultivated' person, and the noun 'culture' is often used without qualification to denote what, under a more restrictive definition, would be referred to as the products and practices of the 'high' arts. But since the early nineteenth century the term 'culture' has been used in a broader sense to describe the intellectual and spiritual development of civilisation as a whole. In turn, this usage became focused onto these same characteristics when evidenced in particular societies, such as nation states. In due course this humanistic interpretation of culture was supplanted by a more all-encompassing concept whereby culture was seen to embrace not just intellectual endeavour but the entire way of life of a people or society.

All of these usages, and more, survive in various guises today. How, then, are we to make progress in defining culture in a manner that is analytically and operationally useful? Some usages are so narrow as to be restrictive of the range of phenomena that are our legitimate concern; others, such as the all-inclusive societal definition where culture is in effect everything, become analytically empty and operationally meaningless. Despite these difficulties, it is possible to refine the range of definitions down to two, and indeed these will be taken to be the dual sense in which the term 'culture' will be used throughout this book.

The first sense in which we shall use the word 'culture' is in a broadly

anthropological or sociological framework to describe a set of attitudes, beliefs, mores, customs, values and practices which are common to or shared by any group. The group may be defined in terms of politics, geography, religion, ethnicity or some other characteristic, making it possible to refer, for example, to Mexican culture, Basque culture, Jewish culture, Asian culture, feminist culture, corporate culture, youth culture and so on. The characteristics which define the group may be substantiated in the form of signs, symbols, texts, language, artefacts, oral and written tradition and by other means. One of the critical functions of these manifestations of the group's culture is to establish, or at least to contribute to establishing, the group's distinctive identity, and thereby to provide a means by which the members of the group can differentiate themselves from members of other groups. This interpretation of culture will be especially useful for present purposes in examining the role of cultural factors in economic performance and the relationship between culture and economic development.

The second definition of 'culture' has a more functional orientation, denoting certain activities that are undertaken by people, and the products of those activities, which have to do with the intellectual, moral and artistic aspects of human life. 'Culture' in this sense relates to activities drawing upon the enlightenment and education of the mind rather than the acquisition of purely technical or vocational skills. In such usage, the word is more likely to occur as an adjective than as a noun,⁶ as in 'cultural goods', 'cultural institutions', 'cultural industries' or the 'cultural sector of the economy'. To give this second definition more precision, let us propose that the connotation contained in this usage of the word 'culture' can be deemed to derive from certain more or less objectively definable characteristics of the activities concerned. Three such characteristics are suggested. They are:

- that the activities concerned involve some form of creativity in their production
- that they are concerned with the generation and communication of symbolic meaning, and
- that their output embodies, at least potentially, some form of intellectual property.

Of course, any such list presupposes a further set of definitions; words such as 'creativity', 'symbolic meaning' and even 'intellectual property' beg some further elaboration, to which in due course we shall return. For now, let us accept a standard interpretation of these terms to allow us to proceed with a working definition of culture in this functional sense.

Generally speaking possession of all three of these characteristics

could be regarded as a sufficient condition in order for this interpretation of culture to apply to a given activity. So, for example, the arts as traditionally defined – music, literature, poetry, dance, drama, visual art and so on – easily qualify. In addition, this sense of the word ‘culture’ would include activities such as film-making, story-telling, festivals, journalism, publishing, television and radio and some aspects of design, since in each case the required conditions are, to a greater or lesser degree, met. But an activity such as, say, scientific innovation would not be caught by this definition, because although it involves creativity and could lead to output capable of being copyrighted or patented, it is directed generally at a routine utilitarian end rather than at the communication of meaning.⁷ Similarly, road signs convey symbolic meaning in a literal sense but fail on the other criteria to qualify as cultural products. Organised sport occupies a somewhat ambiguous position. While sport possibly meets all of the three criteria, some people may still find difficulty accepting it as a cultural activity, especially if it is thought that it does not embody creativity but only technical skill. Nevertheless, there can be little doubt that sport is an element of culture in the first sense defined above, that is as a ritual or custom expressing shared values and as a means of affirming and consolidating group identity.⁸

While the three criteria listed above may be sufficient for providing a functional definition of culture and cultural activities, they may not be the full story when it comes to defining cultural goods and services as a distinct category of commodities for purposes of economic analysis. There has been some debate among cultural economists as to whether a class of goods exists, called ‘cultural goods’, which can be differentiated in some fundamental way from ‘ordinary economic goods’.⁹ The above criteria can be seen as a useful first step towards making such a distinction, and indeed they might on their own provide a sufficiently precise definition for some purposes. However, in other contexts a more rigorous specification may be necessary, requiring some appeal to questions of cultural value, a matter to which we return in chapter 2.

It should be noted that no universality can be claimed for these two definitions of culture. Some phenomena that some people may describe as culture will lie beyond their reach. Furthermore, the definitions are by no means mutually exclusive, but overlap in a number of important ways – the functioning of artistic practices in defining group identity, for example.¹⁰ In addition, counter-examples and anomalies can doubtless be suggested. But as a basis for proceeding, the definitions will serve our purpose.

Some qualifications

Three aspects of these definitions of culture require further elaboration. The first is the fact that, although the term 'culture' is used generally in a positive sense, implying virtuous and life-enhancing qualities, there is a spectre at the feast: culture, in the first of the connotations defined above, can also be deployed as an instrument of brutality and oppression. The Soviet state culture that was imposed on artists like Shostakovich, the cultural underpinnings of Nazism, religious wars, ethnic cleansing, the 'culture of corruption' that may exist in a police force or an organisation, the gang culture that rules on the streets of large cities, mafia culture and other such phenomena, are all examples of shared values and group identification that can indeed be construed as manifestations of culture, if it is defined as we have above.

One approach to the dark side of culture is to ignore it, to make no value judgement as to good or bad cultures, and simply to analyse all cultural phenomena at face value as they present themselves. An alternative that confronts this issue more directly is to admit the possibility of an ethical standard which would outlaw, by common consent, certain characteristics which were universally agreed to be unacceptable. Such a standard might incorporate notions such as fairness, democracy, human rights, free speech and freedom from violence, war and oppression, as basic human values. Acceptance of such a standard would disqualify all the negative examples listed above from consideration as culture, and would prevent certain barbaric and oppressive practices from being excused on the grounds that they were part of the cultural tradition of a particular group. It might be observed that a resolution of the problem of negative cultural manifestations in this way could itself be interpreted in cultural terms. Suppose a minimum ethical standard could be generally agreed upon which accepted as axiomatically desirable such concepts as individual rights, democracy, the protection of minorities, peaceful resolution of conflict and the promotion of civil society.¹¹ It could be argued in such a circumstance that the values enshrined as universal could be seen to comprise the defining symbols of civilised human existence, and as such could be interpreted as key elements of an overarching *human* culture which transcends other forms of cultural differentiation.

The second issue requiring some further elaboration is whether culture is a thing or a process. In the above definitions, we have emphasised the former, defining a set of characteristics which describe what culture is, rather than who makes it, or who decides how it is used. When the idea

of culture as process is entertained, questions are raised about power relationships between affected and affecting groups.¹² Culture may in these circumstances become a contested phenomenon rather than an area of agreement and harmony. So, for example, it becomes possible to speak of a dominant culture, imposed intentionally or otherwise by an elite group in society on an unwilling or unwitting populace. It also opens up the question of defining 'popular culture', an area seen in contemporary cultural studies as being oppositional to the hegemonic and restrictive practices of 'high culture'. Furthermore, concepts of culture as transactional emphasise the fact that culture is not homogeneous and static, but an evolving, shifting, diverse and many-faceted phenomenon. The effect of these considerations is not so much to undermine or replace the concept of culture as an inventory of objects or practices, but rather to suggest that the inventory becomes unstable and its content contestable when the dynamics of cultural processes and the power relationships they imply are brought into account.

The third aspect requiring clarification is the question of how far the definitions of culture as proposed above overlap with ideas about society which are the substance of sociological concern. It might be suggested that a definition of culture which relies on identifying distinguishing characteristics of groups might be seen to parallel a notion of such groups as societies or as social units within a society. Thus, for example, to say that traditions, customs, mores and beliefs comprise the culture of a group might simply describe a set of variables which, to a sociologist, define the basis for providing social cohesion and social identity to the group. Nevertheless, while there will inevitably be some blurring of the lines between cultural and social, and between culture and society, it can be argued that there is a sufficiently clear distinction to allow these domains to be separated, as indeed Raymond Williams was able to do in his influential work whose title, *Culture and Society*, crystallises such a distinction.¹³ If culture, in both of the senses defined above, embraces the intellectual and artistic functions of humankind (even if these are exercised unconsciously, as for example in the use of language), its source can be differentiated from those processes of social organisation, both deliberate and spontaneous, which go towards defining society.

Is economics culture-free? The cultural context of economics

The formal precision of modern economics, with its theoretical abstraction, its mathematical analytics and its reliance on disinterested scientific

method in testing hypotheses about how economic systems behave, might suggest that economics as a discipline does not have a cultural context, that it operates within a world that is not conditioned by, nor conditional upon, any cultural phenomena. But just as the radical critique of contemporary economics has argued that the sort of economics described above cannot be value-free, so also can it be suggested that economics as an intellectual endeavour cannot be culture-free.

To begin with, it is apparent that the many schools of thought that go to make up the full complement of economic science as it has evolved over at least two centuries themselves comprise a series of separate cultures or subcultures, each defined as a set of beliefs and practices which bind the school together. Just as shared values provide the basis for cultural identity of various sorts in the world at large, so also in the restricted domain of the intellectual discourse of economics we can interpret the coalescence of schools of thought, whether they be Marxist, Austrian, Keynesian, neoclassical, new classical, old institutional, new institutional or whatever, as a cultural process. However, the impact of culture on the thinking of economists goes further, because the cultural values they inherit or learn have a profound and often unacknowledged influence on their perceptions and attitudes. Of course, to argue that cultural considerations affect the way in which economists practise their trade is simply an extension of the well known argument that the ideological standpoint of the observer influences the way he or she perceives the world, and that objectivity in the social sciences generally is impossible since even the choice of which phenomena to study is itself a subjective process. Recognising this in the present context, we might ask, for example, whether the apparent acceptance by the great majority of contemporary Western economists of the dominant intellectual paradigm in their discipline – a belief in the efficacy of competitive markets, the foundation upon which the political system of capitalism is built – derives from a process of intellectual persuasion or simply from an unexamined cultural predisposition shaped by the values of their profession.

Furthermore the cultural context of economics as a discipline relates not only to the conditioning of its practitioners, but also to the methodology of its discourse. The processes by which economic ideas are generated, discussed, appraised and transmitted have been subject to analysis in terms which draw upon the work of theoreticians in literary and critical analysis such as Derrida and Foucault. Turning attention to the textual nature of economic knowledge and to the functioning of rhetoric in economic discourse has been seen by economists such as Deirdre McCloskey as opening up new ‘conversations’ in the philosophy

of economics and in the interpretation of the history of economic thought.¹⁴ Argument, persuasion and other processes involved in conversations among economists or between economists and others have clear cultural connotations, as indicated, for example, in Arjo Klamer's writings on the growth, communication and dissemination of economic knowledge;¹⁵ it is perhaps no coincidence that Klamer occupies the world's first chair in the economics of art and culture, at Erasmus University in Rotterdam.

Let us turn now from the cultural context of economics as a system of thought to the cultural context of the economy as a system of social organisation. The fact that economic agents live, breathe and make decisions within a cultural environment is readily observable. So, too, is the fact that this environment has some influence on shaping their preferences and regulating their behaviour, whether this behaviour is observed at the level of the individual consumer or firm or at the aggregated level of the macroeconomy. Yet in its formal analytics, mainstream economics has tended to disregard these influences, treating human behaviour as a manifestation of universal characteristics which can be fully captured within the individualistic, rational-choice, utility-maximising model, and seeing market equilibria as being relevant to all circumstances regardless of the historical, social or cultural context.¹⁶ Indeed, when neoclassical modelling does attempt to account for culture, it can do so only within its own terms. So, for example, Guido Cozzi interprets culture as a social asset that enters the production functions of labour efficiency units as a public-good input within an overlapping-generations model.¹⁷ While such efforts may capture some of the characteristics of culture in an abstract economy, they remain remote from an engagement with the wider issues of culture and real-world economic life.

At the same time it is important to note that there has long been an interest in examining the role of culture as a significant influence on the course of economic history, arising within several schools of economic thought. Perhaps the most celebrated contribution to the field has been Max Weber's analysis of the influence of the Protestant work ethic on the rise of capitalism.¹⁸ Here the cultural conditions in which economic activity occurs are linked very directly to economic outcomes. Many other specific illustrations of the historical influence of culture on economic performance can be cited. For example, the spirit of individualism inherent in Anglo-Saxon culture, first noted in Adam Smith's discussion of the division of labour, and developed further by the great nineteenth-century political economists, especially John Stuart Mill, can be seen to have provided the conditions for the spread of the industrial

revolution in Britain and almost concurrently in the United States.¹⁹ Closer to our own time, there has been much speculation on what it is that explains the 'Asian economic miracle' in the post-war years, beginning with the spectacular industrial dynamism of Japan, and followed by the phenomenal growth rates in South Korea, Taiwan, Hong Kong and Singapore. We shall return to these questions in chapter 4.

Culture as economy: the economic context of culture

In the same way as economic discourse and the operation of economic systems function within a cultural context, so also is the reverse true. Cultural relationships and processes can also be seen to exist within an economic environment and can themselves be interpreted in economic terms. Both of the conceptualisations of culture defined earlier – the broad anthropological definition and the more specific functional intention of culture – can be considered in this light. Let us deal with them in turn.

If culture can be thought of as a system of beliefs, values, customs, etc. shared by a group, then cultural interactions among members of the group or between them and members of other groups can be modelled as transactions or exchanges of symbolic or material goods within an economising framework. Anthropologists have characterised primitive and not-so-primitive societies in these terms, where ideas of markets, exchange value, currency, price and other such phenomena take on cultural meaning. One specific area of interest has been built around the proposition that all cultures are adapted to, and are explicable through, their material environment. Cultures may differ, but their evolution will be determined not by the ideas that they embody but by their success in dealing with the challenges of the material world in which they are situated. Such 'cultural materialism' has a clear counterpart in economics, especially in the 'old' school of institutional economics, where culture underpins all economic activity. Indeed William Jackson sees cultural materialism as providing the means of reintegrating culture into the same material, natural world as economics.²⁰

Furthermore, considerations of the role of culture in the economic development of the Third World place the cultural traditions and aspirations of poor people into an economic framework, as a means of identifying ways in which their material circumstances can be improved in a manner consistent with cultural integrity. In fact, as the UN World Commission on Culture and Development (1995) has made abundantly

clear, the concepts of culture and of development are inextricably intertwined in any society. Thus, for example, development projects in poor countries such as those financed by international agencies, NGOs, foreign aid programmes and so on, are likely to be effective in raising living standards in such countries only if they recognise that the culture of the target community is the fundamental expression of their being, and that this culture is placed within an economic context that determines the scope and extent of material progress that is possible. We consider these issues more fully in chapter 4.

Turning now to the interpretation of culture in functional terms, we can again identify the notion of culture as economy and the interpretation of culture as residing within an economic milieu. Perhaps the most obvious place to start is with the proposition that cultural production and consumption can be situated within an industrial framework, and that the goods and services produced and consumed can be regarded as commodities in the same terms as any other commodities produced within the economic system. The term 'cultural industry' was coined by Max Horkheimer and Theodor Adorno of the Frankfurt School in 1947 as a despairing indictment of the commodification inherent in mass culture. They saw culture as being transformed by the technology and ideology of monopoly capitalism; for them, an economic interpretation of cultural processes was an expression of disaster.²¹ Since then notions of cultural commodification have developed along several different paths indicating different contextualisations of culture within a broadly economic domain.

One such path, leading through to contemporary cultural studies, recognises the pervasiveness of cultural phenomena in everyday life, and investigates popular culture, largely but not exclusively from a left viewpoint, in terms of economic and social relationships in contemporary society.²² Another line of development might be traced to postmodern thinkers such as Jean Baudrillard who locate culture in a shifting universe of tangible and intangible social and economic phenomena. Steven Connor characterises Baudrillard as arguing that 'it is no longer possible to separate the economic or productive realm from the realms of ideology or culture, since cultural artefacts, images, representations, even feelings and psychic structures have become part of the world of the economic'.²³ There is a blurring of the boundary between image or 'simulation' and the reality it represents (a 'hyperreality'). Thus, for example, Baudrillard suggests that Disneyland is more real than the 'real' United States which it imitates.²⁴

Yet another line of development has been pursued within cultural economics. It concentrates on the production and consumption of

culture (mostly the arts) characterised as purely economic processes. The roots of the subdiscipline of cultural economics are firmly planted in economics, and it can now be seen to be established as a legitimate and distinctive area of specialisation within economics, with its own international association, congresses and scholarly journal (the *Journal of Cultural Economics*), and its own separate classification in that arbiter of the taxonomy of economic discourse, the *Journal of Economic Literature*. It traces its modern origins to John Kenneth Galbraith's first writings in economics and art,²⁵ though identifying its seminal work as Baumol and Bowen's book *Performing Arts: The Economic Dilemma* (1966). Since then a number of good specialised books have appeared, and there is an expanding theoretical and applied literature in cultural economics in academic journals²⁶ and elsewhere. Within this tradition, the cultural industries are interpreted using the conventional paraphernalia of economic analysis, albeit with some innovative twists and adaptations to account for the peculiarities of artistic demand and supply. So, for example, the work of artists is construed as occurring within a labour market whose operations can be analysed using concepts familiar to economists such as labour supply equations and earnings functions, but whose predictions of behaviour may diverge from the expected because of the idiosyncrasies of artists as a class of workers. When viewed in this way the cultural industries can easily be integrated into a wider model of an economy, such as an input–output model, where the relationships between culture and other industries can be spelled out. The commodification of culture involved in this approach does not crowd out other constructions of cultural production, including the view that art can be rationalised only in self-referential terms. Rather, this economic view of culture simply accepts as a descriptive fact that the activities of producing and consuming cultural goods and services within an economic system do generally involve economic transactions, that these activities can be encircled in some way and that what is contained within the circle can be called an industry and analysed accordingly. We shall return to this interpretation of culture as an industry in chapter 7.

Individualism and collectivism

Our overview of the domain of this book in this introductory chapter has referred to the fact that economic thought as it has evolved over two centuries is founded on individualism,²⁷ whereas the notion of culture, at least in the senses defined above, is a manifestation of group or collective

behaviour. It is useful, in concluding this introduction, to codify this distinction between economics and culture, as a basis for our further consideration of the interrelationships between them. We do this by putting forward the following proposition: *the economic impulse is individualistic, the cultural impulse is collective.*

This proposition asserts, first, that there is behaviour which can be termed 'economic' which reflects individual goals and which is portrayed in the standard model of an economy comprising self-interested individual consumers seeking to maximise their utility and self-interested producers seeking to maximise their profits. The first part of the proposition remains true in an economy where large corporations dominate the production sector, since they represent simply the means whereby their owners and managers can pursue their own economic self-interest more effectively. In the standard neoclassical model of the economy, markets exist to enable mutually beneficial exchange to occur, and according to the theory of general equilibrium such markets will lead under certain assumptions to the maximisation of social welfare, defined only in terms of the individuals who comprise the economy, and given the initial distribution of income.

Of course in this economy collective action may occur. If markets fail or do not exist, voluntary or coercive collective action may be required in order for optimal social outcomes to be achieved. For example, public goods such as national defence or law and order, which cannot be financed directly through individual demand, must be supplied through the state or via voluntary cooperation. Other forms of cooperative behaviour will spring up in an individualistic economy. But all these manifestations of collective action are traceable back to individual demand and, within the economic model, to the self-interest of the economic agents involved. Even altruism is identifiable in this model as an expression of individual utility maximisation.

The above proposition asserts secondly that there is behaviour, distinguishable from the economic behaviour described in the previous paragraphs, which can be termed 'cultural'; such behaviour reflects collective as distinct from individualistic goals, and derives from the nature of culture as expressing the beliefs, aspirations and identification of a *group* as defined above. Thus the cultural impulse can be seen as a desire for group experience or for collective production or consumption that cannot be fully factored out to the individuals comprising the group. These desires range over many types of activities, but we might use the arts as illustration. On the production side, many artistic goods and services are produced by group activity where the outcome is a collective effort acknowledged by the participants as having a value or meaning

beyond that which could simply be attributed to the totality of the inputs of the individuals involved.²⁸ Similarly consumption of the arts – for example, in theatres and concert halls – is frequently a collective activity moved by a sense that the group experience transcends that of the sum of the individual consumer responses. Of course again seemingly contrary cases can be cited. Much art is produced as an individual, even lonely activity, and a person reading a novel or listening to music in the privacy of their own home is engaged in solely individualistic consumption. Nevertheless, artists working alone are generally doing so in the expectation that their work will communicate with others; similarly, lone consumers of the arts are likely to be making some wider human connection. Thus, whatever the artistic products produced and consumed, the processes of producing and consuming them can be seen not only as individual enterprise, but also as expressions of a collective will which transcends that of the individual participants involved.

To sum up, we are suggesting that the economic impulse as specified in the above proposition can be seen as expressing the individual desires of members of society on their own behalf, and the cultural impulse can be seen as gathering together the collective desires of the group or groups within a given society for the sorts of cultural expression referred to in the definitions of culture put forward earlier. This proposition will provide a useful basis for distinguishing the economic and the cultural throughout our subsequent discussion in this book.

Outline of the book

It can be suggested that at some fundamental level, the conceptual foundations upon which both economics and culture rest have to do with notions of value. Certainly theories of value have been central to the development of economic thought since Adam Smith, and whatever the disciplinary starting point for a consideration of culture, whether it be aesthetics or contemporary cultural studies, questions of value are fundamental there, too. Chapter 2 of this volume therefore lays the theoretical basis for the remainder of our work, by considering notions of value in economics and in culture, how they are codified and how they are assessed. The next step then is to propose a means of representing culture in terms which may be capable of bridging whatever divide exists between it and economics, that is to propose a way of conceptualising culture in a form which captures its essential characteristics but which is also amenable to economic manipulation and analysis. This step is taken

in chapter 3, where the notion of ‘cultural capital’ is put forward, as a means of representing both tangible and intangible manifestations of culture. The definition of cultural capital depends on our earlier consideration of economic and cultural value, and allows the characterisation of cultural goods and services, cultural activities and other phenomena in a way which recognises both their economic and their cultural importance. Given the long time-frames within which in practical terms culture needs to be evaluated, we go on to consider the intertemporal characteristics of cultural capital: how it is received as a bequest from the past, how it is dealt with in the present and how it is handed on to the future. Such an agenda can be brought together under the ubiquitous rubric of ‘sustainability’, in a manner which parallels the treatment of natural capital in an environmental and ecological context.

Chapters 4 and 5 then take up two specific aspects building on the discussion of value and of cultural capital and sustainability. In chapter 4 we consider culture in economic development, looking first at cultural determinants of economic performance, and then broadening our consideration to the role of culture as the means of representing the whole gamut of human development in both developing and industrialised countries. Sustainability questions are important here, not just for the importance of a long-term perspective on economic development, but also because of the need to maintain cultural systems as integrating elements in the development process. Chapter 5 looks specifically at the economics of cultural heritage, perhaps the most obvious manifestation of cultural capital and one where sustainability principles can be most clearly articulated and applied.

In chapter 6 we turn our attention to the process of creativity as a mainspring of cultural growth and development. Economists have long been interested in creativity as a motivating force in innovation and technological change, but have rarely been concerned to venture beneath the surface to speculate about the origins of the creative drive and about the ways in which economic incentives and constraints influence its expression among individual creators, apart from the somewhat sweeping observation that the principal incentive to innovation is the prospect of profit. Again, issues of value are central to our argument; in characterising the work of creative artists, we are able to identify the production of both economic and cultural value in the generation and disposition of their work.

We return in chapter 7 to the notion of the cultural industries as a means of representing cultural activity in economic terms. The approach which has developed as the core of cultural economics over the past thirty years is reviewed and discussed in the context of construing the

creative arts as an industry. We then widen the focus to consider the cultural industries more generally, with attention to culture in urban development, tourism and trade. We also discuss the potential for the cultural industries to contribute to economic development in the developing world, using the music industry as a case study.

If cultural activity in the economy is interpreted in an industrial framework, and if the cultural industries so designated lead to economic output and generate employment, governments which may be unconcerned about culture *per se* will begin to take an interest. This leads us directly into chapter 8 where we take up the more general issue of how the state might intervene to affect culture in some way or another. The means of such intervention is cultural policy, an area of government involvement which has emerged as a specific policy arena only in very recent times. Given that in the contemporary world much of public policy is concerned with economic phenomena, it is not surprising that cultural policy raises very directly the relationship between economics and culture. Cultural policy also has significant political ramifications. In our discussion we focus attention on the complementarities and conflicts between cultural and economic policy: again, questions of economic and cultural value emerge as decisive in mapping the territory and in guiding decision-making.

Finally, in the concluding chapter 9, some effort is made to draw the threads together and to point the way ahead. In a contemporary world where we can see juxtaposed the oppositional dynamics of economic globalisation and cultural differentiation, can the twin subjects of this volume, economics and culture, be seen as two organising principles for contemporary society, defining both the scope and limitations for civilised progress into the third millennium?

Notes

- 1 Quotation is from Canto IV, stanza I, lines 1–2; see Byron (1986, V, p. 203).
- 2 See Blackmore (1869, p. 82).
- 3 Williams (1976, p. 76).
- 4 Borofsky (1998, p. 64).
- 5 For considerations of the changing concept of culture within anthropology, a discipline where culture is at its very core, see Marcus and Fischer (1986), the appendix to Ruttan (1988), Appadurai (1996, ch. 3), and the further references contained in notes 1 and 2 of Borofsky (1998). For theories of culture in sociology see Di Maggio (1994) and in psychology see Cooper and Denner (1998).
- 6 Williams (1976, p. 81) notes that the adjectival form dates only from the late nineteenth century.
- 7 Except insofar as basic scientific research – pure rather than applied – may be

aimed at a general advancement of knowledge and understanding, and as such could be seen as bearing some similarities with art.

- 8 For a review of the relationships between the economics of sport and of the arts, see Seaman (1999).
- 9 This debate has focused almost entirely on the demand side, with cultural goods being distinguished by the peculiar nature of tastes for them, a matter to which we return on pp. 114ff. below; see also the delineation of 'creative goods' in Caves (2000).
- 10 A good illustration is pop music; see Dolfsma (1999).
- 11 Such a system of 'global ethics' has been proposed by the World Commission on Culture and Development (1995, pp. 33–51); nevertheless, despite the apparent persuasiveness of such proposals, reaching agreement on universal ethical standards remains, both theoretically and practically, a matter of considerable controversy.
- 12 For discussion of these issues, see Wright (1998).
- 13 Williams (1958); for a consideration of the society–culture relationship, see Peterson (1976).
- 14 See McCloskey (1985, 1994); Amariglio (1988).
- 15 See, for example, Klamer's comparison between the shared values of baseball fans in conditioning their discussions (a cultural phenomenon), and the skills required of participants in economic discourse (Klamer 1988, pp. 260–2).
- 16 Economists outside the mainstream, however, are less narrowly focused. Institutional economists, for example, take culture as the foundation of economic processes and treat 'all human behaviour [as] cultural behaviour' (Mayhew 1994, p. 117); see also North (1990), Stanfield (1995). For a penetrating appraisal of economics as culture from an anthropological viewpoint, see Escobar (1995, ch. 3).
- 17 Cozzi (1998).
- 18 First published in 1904–5; for an English translation see Weber (1930). See further in O'Neil (1995); Armour (1996).
- 19 See Landes (1969); Temin (1997).
- 20 Jackson (1996); for the origins of cultural materialism, see Harris (1979).
- 21 See Adorno and Horkheimer (1947); Adorno (1991).
- 22 Storey, (1993, pp.6–18).
- 23 Connor (1997, p. 51).
- 24 Baudrillard (1994, pp. 12–14); see also Best and Kellner (1991, pp. 111–45), Storey (1993, pp. 162–5).
- 25 Of which the first appears to be Galbraith (1960, Ch. 3).
- 26 For reviews of the scope and content of cultural economics, see Throsby (1994b); Hutter (1996); Towse (1997a, vol. I, pp. xiii–xxi); Blaug (1999). Some significant books in the field include Peacock and Weir (1975); Blaug (1976); Netzer (1978); Throsby and Withers (1979); Hendon, Shanahan and MacDonald (1980); Feld, O'Hare and Schuster (1983); Hendon and Shanahan (1983); Kurabayashi and Matsuda (1988); Frey and Pommerehne (1989); Grampp (1989); Feldstein (1991); Moulin (1992); Towse and Khakee

(1992); Heilbrun and Gray (1993); Mossetto (1993); Peacock (1993); Towse (1993); Trimarchi (1993); Farchy and Sagot-Duvauroux (1994); Peacock and Rizzo (1994); Ginsburgh and Menger (1996); Klamer (1996); Hutter and Rizzo (1997); Cowen (1998); O'Hagan (1998); Benhamou (2000); Frey (2000); and many others. Towse (1997a) reprints a large number of important journal articles in this field.

- 27 For an account of the place of methodological individualism in the history of economic thought, see Infantino (1998); for a discussion relating specifically to the economics of the arts, see Rushton (1999).
- 28 For a view of the sociological significance of artistic production as collective action, see Becker (1974).