

Master of Arts Thesis  
Erasmus University Rotterdam  
The Netherlands  
2006 – 2007  
June 22, 2007



## **CULTURAL ECONOMICS DEBATES:**

*A Construction of the Fundamental Tension in Cultural Economics and the Creative Economy*

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By: K. Elena Bird

### ***Abstract***

What is cultural economics and what can an understanding of it add to the discussion of the creative economy?

From neo-liberal policies to expand the market and reduce government intervention the creative economy gained ground within the swell of new capitalism in the 1990's. It was as much a rhetorical concept that re-positioned cultural policy from a spending 'frill' as it was an economic response to the Post-Fordist economy. With a focus on arts, cities and people the creative economy is primarily concerned with the economic aspects of creativity.

This thesis makes a link between cultural economics and the creative economy through a theoretical approach that constructs a new model for understanding cultural economics and then applies it to the notion of the creative economy. New questions arise from this and point to how the creative economy can benefit from further links to cultural economics in tapping into other conversations such as the cultural benefit of government subsidies or the tensions between the private and public aspects of the creative economy. The constructed model represents these different sides of the conversation through the framing of: Dualism, Positivism, and Moralism. The aim of the thesis is to advance the cultural economics discussion by contemporizing its debates and to push the creative economy discussion towards an enhanced criticality apart from political or economic ambitions.

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## Forward

Upon working in the cultural sector for several years I entered the study of cultural economics with the expectation that a better understanding of economics would allow me to skillfully advocate for the arts. Admittedly acquiring an economic knowledge of product and price were secondary to my greater desire to harness the *powerful* and *persuasive* instrument of economic arguments. Through the course of my studies I was interested to find that cultural economics meant so much more than a direct application of economic theories to the arts. Instead the texts we read showed an engaging debate between cultural economists of how to approach the study of culture goods in the economy. The major question that stood out was should the economic study of culture goods formulate the same approach as non-culture goods? Are culture goods and non-culture goods the same, different or somewhere in between?

This thesis stands as a unique opportunity to assess the fundamental tension of different values in cultural economics within the context of an increasing formalization of cultural policy and the recent emergence of the conversation of the creative city. To this end this thesis addresses policy makers, managers, scholars and artists interested in reflecting on the discussion of cultural economics. Its aim is to change the conversation by way of a theoretical critique, with the long-range hope of better understanding its link to cultural policy. As a preliminary step it is foremost an opportunity for cultural economics to become aware of its own conversation within the context of the creative economy through a different way of mapping.

In the thesis writing process I appreciate three classmates in particular who took this extraordinary learning experience to a sincere degree: Arzu Uraz for her patience and interest in my many changing ideas; Carlien Schrijvershof for her careful reading and reviews; and Marianne van de Velde for her thoughtful questions observations and positive outlook along the way. I also had the pleasure of attending several seminars through the Erasmus Institute for the Philosophy of Economics this year. It was here that I got to know Thomas Wells who is undertaking his PhD through the EIPE program. I offer my heartfelt thanks to Thomas for his encouragement, keen eye for structure and tireless emphasis on the argument. It is due to the kindness of these friends that this thesis is a representative reflection of a deep and rich conversation in the field of cultural economics at this level.

## **1. Introduction**

In his preface to *Economics and Culture* David Throsby (Throsby, D. 2001) conceived that if economics took a human form it would be male, somewhat overweight and lacking in personal freshness. Art would be female, smart, unpredictable and somewhat intriguing. Throsby wonders if they met would they be interested in each other, and asks what kind of relationship might ensue.

Today it continues where thinking on culture and economics is approached as an intellectual affair or a scholar's passing transgression. Only in the past couple of years has a notion that 'cultural economics' might be an entity itself has come through pedagogical programs and institutional recognition. Meanwhile teaching cultural economics comes at a time when a notion that creativity in the economy dominates, nevertheless cultural economics remains largely on the margins. Perhaps there is little cause for attention as cultural economics is admittedly a young field and open to debate, or perhaps it needs a bit of prodding?

The first chapter provides an overview of the concepts and the terms employed in the thesis including the introduction of the central research question, methodology, assessment of research accountability and expanded thesis outline. It also gives four definitions used throughout the thesis and includes a clear and relevant formulation of the central research question to be argued on the basis of the research conducted for the thesis. The chapter sets the background for the following chapter's discussion on the changing meaning of the term 'culture' within the context of the changing nature of the market, asking what a consideration of today's market reflects on a contemporary notion of culture in the economy.

### **1.1 Scholarly Significance: New Ground**

Entwined in the idea of the creative economy is the notion that arts production and consumption will enhance the social and economic vitality of the city. Through a focus on arts, cities and people the creative economy is primarily concerned with the economic aspects of creativity. Creativity has become synonymous with economic resource.

On the other side cultural economics tries to understand the way creativity as an economic resource fits, or sometimes doesn't fit into the typical economic transactions. This thesis tries to make a link between the discussion of the creative economy and cultural economics as a way of pushing the discussion of the creative economy to ask new questions by way of understanding it through the approach and models of cultural economics. It forces those within the creative economy to critically reflect not only on contested grounds of economic impact studies and measurements, but it also delves into the realm of understanding what is the creative economy, how is it different from an economy where culture goods and services are traded, and what are the particular tensions that come out of this. Just as the definition of culture has evolved over time, a notion of culture in the economy has undergone several framings and this thesis looks back at the history of economic writing on arts and culture to inform this contemporary debate. Through an inclusion of historical interpretations this thesis also tries to move the direction of the cultural economics discussion forward by showing that cultural economics is more than a straight application of economic theories to the arts, and in fact has one major struggle that it deals with through three different conversations.

This thesis deals with this major struggle I call the Fundamental Tensions and define it as the tension between the cultural and transactional value of cultural goods in the economy. This is a model that I construct in this thesis and test through the application of the creative economy. As a model for cultural economics, the Fundamental Tensions could be addressed to other subject areas of cultural economics such as media, broadcasting or topic of study such as taste formation. The reason for choosing the creative economy for this study was on the one hand to demonstrate that the Fundamental Tensions model is marginally different from the current approach to defining cultural economics that I present in that it can address more recent areas of inquiry such as the creative economy. Another reason for choosing the creative economy is that it is a subject area that has largely been addressed by urban planning studies rather than cultural economics. This is an attempt to bring the discussion of the creative economy into cultural economics and visa versa through a new model of cultural economics that this thesis argues helps make this link. Finally the creative economy is a topic widely discussed by policy makers, culturalists and businesses leaders alike. It is a topic that has gained a lot of media attention and has been the focus of many cities' strategies for growth. By choosing to analyze the creative economy this thesis attempts to show how cultural economics can inform the discussion of the creative economy and benefit from the wide exposure and agency it has. Cultural economics can have an application that reaches beyond the field of economics and into the realm of culture.

## 1.2 Central Research Question

*What is cultural economics and what can an understanding of it add to the discussion of the creative economy?*

The formulation of the central research question is based on an understanding that cultural economics is foremost a study of tensions between cultural value and transactional value of cultural goods in the economy. The first question of what is cultural economics is addressed through an analysis I call the Current Approach of defining cultural economics that I argue establishes the field as a sound academic field of inquiry through demonstrating: record of scientific literature; common units of analysis; and a list of analytical topics. The benefits and weaknesses of this current approach are discussed. The main critique against this approach is that it lacks a the foundation for a constructive formulation of the connections between these three points, as well as a more up-to-date conception of that the field does address, or should begin to address. To buttress this weakness I construct a better way for defining the field of cultural economics through a three-part model that conveys the fundamental tension between cultural and transactional value found in the cultural economics debates. The Fundamental Tensions model is identified by three distinct conversations I call Dualism, Positivism and Moralism that are explored in detail. The first conversation, ‘Dualism’, reflects a notion that the arts can have a value basis in *both* the economic and cultural realm, and where a cultural value can exist separately and distinctly from economic value. The second conversation, ‘Positivism’ is one where cultural goods are treated like *any* non-cultural good. The same economic theories and models apply. The third conversation, ‘Moralism’, reflects the idea of morality within the debate asking those within the discussion to look at art through a moral perspective that goes *beyond* a social or economic perspective.

The second part of the central research question is addressed through two parts. In the first part I make an outline of the creative economy through focus on arts, cities and people. I position the creative economy as a sub-component of new capitalism based on the idea that it grew from expansion of neo-liberal policies and policy makers’ strategy of policy attachment to social and economic goals of governments. I establish the parameters of the creative economy then used as a test case for the Fundamental Tensions model. Through this new questions are asked.

### **1.3 Methodology, Literature Scope and Choice**

In formulating the central research question I apply a constructivist approach to the use of the literature and textual evidence gathered paying particular attention to what Seale calls the *silences* in literature (Seale, C. 2004):(379). Through a move towards critical theory about cultural economics the scope is determined by the direction of the argument, covering the role theoretical concepts in cultural economics play in the practical world of cultural policy, and the focus of cultural policy on social and economic aims to the detriment of other potentially values such as those found within the unique realm of cultural production and consumption itself.

While this thesis refers to government texts from the policy world it positions itself within a cross-disciplinary approach, drawing ideas from management theory, business strategy, cultural studies and philosophy of science, and largely focuses on the interplay of ideas between Throsby's *Economics and Culture* (Throsby, D. 2001), Sennett's *The Culture of the New Capitalism* (Sennett, R. 2006), and Heath and Potter's *The Rebel Sell: Why the Culture Can't be Jammed* (Heath, J., and Potter, A. 2004) in the third chapter. In asking what is the creative economy this thesis assumes the point of Throsby (2001) in cultural economics, and tries to take a different look at this scientific boilerplate and understand it in the context of new forms of work and economic ordering (Sennett) and the larger social and market picture of contemporary culture (Heath and Potter). In dealing with the interrelationships between these different voices the thesis builds on first-steps in cultural economic theoretical critique through the writings of Towse's (Towse, R. 1997); (Towse, R. 2003) in her introductions to Handbooks, and Blaug (2001) and Throsby's (reprinted in Towse (1997) [1994]) literature reviews of cultural economics. While this literature makes no claims to a formal theoretical critique, it provides a basis for reflection and evaluation of the field of cultural economics. Through Craufurd Goodwin (2006) this thesis offers an historic look on the subject of culture in economic writing and employs this research for an overview of the debates on cultural economics over time.

### **1.4 Accountability and Research Analysis**

An underlying factor that binds disciplines is methodology. Within the social science this is understood through the categorization of approaches into 'empirical' 'interpretive' and



‘constructive’. Each has a corresponding typical data set and gathering method such as observable facts, qualitative interviews, and semiotic analysis (Seale, C. 2004):(8, 9, 14, 180, 272). Questions of what or who will be investigated, units of analysis, and approach for processing the data are the methods of assuring scientific responsibility. It is social science’s means of calculating truths.

The research analysis of this thesis is firmly based within a method that gathers textual ‘evidence’ analyzed by way of a three step process of: (1) identifying key themes and arguments, (2) looking for variations in the text (3) and, as stated previously, paying attention to silences (Seale, C. 2004):(378-380).

In positioning this thesis within the realm of the constructivist methodology, the accountability of the methodological choice lies in sufficient and in-depth analysis of the literature. Conceivably, as cultural economics is a sub-discipline of economics, the methodological choice of this thesis may in fact speak from a position outside of the cultural economics discussion and more in the realm of humanities or the arts. In this way accountability and effectiveness are measured through reflection. The texts this thesis enters into a conversation with, though not only (Blaug, M. 2001); (Goodwin, C. 2006); (Heath, J., and Potter, A. 2004); (Sennett, R. 2006); (Throsby, D. 1997). To the extent that this thesis makes the central research question operational within this conversation, based on a sound and close reading, is the measure of truth that this thesis can be held accountable.

Other methods, such as empirical or interpretive were considered in the beginning stages. Further analysis on the creative economy in terms of statistical or interpretive methodologies could be an important tool for further understanding the economic side of the creative economy. An economic model of the creative economy through empirical data could be made to propose an analysis of the fashion or music industry, or interviews with marketing professionals could be made on their technique for predicting fads are other examples of empirical and interpretive approaches. However as this thesis aims to add to the critical theory of the creative economy and cultural economics at the macro-level a coherently constructed argument was chosen. A model was constructed and further more tested by way of the case of the ‘creative economy’ and additional questions through reflection.

## 1.5 Thesis Outline

With a notion of ‘culture’ so deeply entrenched in forms of work, notions of identity, social interactions and political action intertwined with the market through time, where does a discipline such as cultural economics begin?

The second chapter addresses the first central research question of what is cultural economics. It does this through an analysis of the current method of defining the field through a three part model I call the Current Approach. The Current Approach is used in the current introductions to cultural economic texts and is based on demonstrating that cultural economics has a: (1) record of scientific literature; (2) common units of analysis; and (3) list of analytical topics. The thesis argues that the Current Approach lacks a critical reflection. Developing internal links between these three points is difficult or next to impossible and has meant that cultural economics is not making the effort to connect to the broader and more practical discussion or reflect back on its own discussion outside of theoretical or empirical advancement. In the second part of the chapter a construction of a better model for mapping the discussion is presented through the idea that cultural economics is primarily about a debate on the Fundamental Tensions between cultural value and transactional value. The Fundamental Tensions model I have constructed is identified by three conversations I call: Dualism; Positivism; and Moralism.

The third chapter addresses the second part of the central research question by defining the creative economy. It does so through a definition of the creative economy derived by government statistics and government policy documents. It then moves to a theoretical discussion of the creative economy showing that the notion of the creative economy is one that is based on rhetoric and changes in technology. These are the main factors that distinguish the creative economy from simply an economy where cultural goods are bought and sold. The chapter then addresses several aspects of the creative economy including the broader economic and policy changes that took place in the 1970’s that brought about a new economic structure called new capitalism of which the creative economy is a sub-component. It then argues that the creative economy is primarily about people, arts and experiences.

In the fourth chapter is an initial attempt at applying the Fundamental Tensions model to the creative economy. From this application it can be seen that each conversation brings a new understanding of the creative economy but does not address the creative economy entirely.

Dualism is most closely tied to government cost-benefit analysis studies and arguments however it requires further thinking in regards to the stresses between individual and social methods of valuation. Positivism is also widely used by governments, though in a limited way. More could be done in cultural economics to address how Positivism can be understood at a policy level for instance in communicating the psychic benefits of the arts. Finally in Moralism the exceptional nature of the arts means that the arts lie outside the economy and therefore this approach may not adequately address the creative economy specifically, or in other words it may not adequately address all aspects of the creative economy including those found primarily within the market realm. For instance could there be a Moralism involved in the film industry or Moralism in design, and if yes is cultural economics the best place to address these questions?

## **2. Cultural Economics**

### **2.1 A Question of Values**

In economic theory the value of a good or service is the price a consumer is willing and able to pay. In the arts this is not solely the case because many times art is consumed outside of the marketplace. For example with public art a pedestrian may consume art when she sees a sculpture or installation on the street. Artists can also display their art outside the gallery without government support. Artists such as the Guerilla Girls produce posters, billboards, and stickers displayed in the public realm and an artist such as Jenny Holtzer makes texts on electronic billboards. Some artists randomly plant flowers or install secret swings between buildings or make free performance on trams and subways. When art blends into the fabric of the urban environment it is difficult to distinguish the public good utility and the private consumer good utility, especially if that art that is a secret and not meant to be overt.

In the case of the value of visiting an art gallery it is difficult to conceive that the ticket price represents the total value of the experience, though some may argue this is true. Scratch behind the surface and it is revealed that in the arts sector the method of financing the arts means that someone else is covering part of the costs. Mechanisms for financing the arts include the government, the market and the Third Sphere (such as private patrons). These streams are not equal and non-profit arts organizations generally receive a mix of subsidies either by way of the government or through private patrons. These organizations collect the funds and pool their resources in order to offer the best quality programming at the lowest possible cost to the consumer in addition to offering opportunities to attend exhibition openings or special visiting hours for free. The arts require a market to support the organization's capital cost of running the building and storing the art pieces. Labor costs are also considered and the gallery is obliged to generate funds to cover the total costs. The price of the ticket then is not the true cost, and neither the true value. The value of visiting the gallery on the part of the individual consumer does not entirely relate to the market price of the ticket.

This chapter introduces the study of cultural economics and argues that the Current Approach of defining is helpful for distinguishing cultural economics from other fields of economic studies, but lacks a critical dimension of identifying its fundamental tensions. It argues that cultural

economics is a field of study that currently delves into this discussion of the tension between transactional and cultural values and constructs a better model for mapping cultural economics through three different conversations in the debate.

## **2.1 Definitions**

Narrowly defined cultural economics is a sub-discipline of economics that applies economic theories to the arts. This definition is based on texts from cultural economics. First cultural economics begins with a definition as the study of ‘...art within the context of received economic theory’ (Throsby, D. 1997):(52), second that ‘...cultural economics means the economics of the performing visual and literary arts’ (Blaug, M. 2001):(123) and third that cultural economics ‘... is the application of economics to the production, distribution and consumption of all cultural goods and services’ (Towse, R. 1997):(1). In using the terms ‘received’, ‘economics of’ and ‘application’ cultural economics is conceived as a subject where economic theory is applied to the arts like paint is applied to a vase. The issue with paint and a vase is that the paint changes the look of the object but it does not change its fundamental form or shape. The relationship lies on the surface.

While clear, this definition might actually be harmful as it can misrepresent cultural economics, is outdated and one-dimensional. Recently cultural economists have found an overlap in anthropology and sociology, for instance embracing anthropology in the texts of Klammer (1996) and Throsby (1999) on the ‘economics of culture’ (Blaug, M. 2001):(123) and sociology in the texts of Olav Velthuis (Velthuis, O. 2004);(Velthuis, O. 2005). The extent to which the field encompasses different areas is also continually being redrawn as the list of ‘latest topics’ expands both with technological innovations such as the Internet and shifts in industry structure due to changes in the economy as in the case of trade agreements. Changes and expansion in the unit of analysis and the environment in which it is exercised have fostered new discussions in the realm of the economics of copyright, international trade in cultural goods and culturally sustainable development (Blaug, M. 2001):(123, 133). In addition cultural changes mean an ever-changing notion of what art is and presents another issue cultural economics must address. Thus friction between the boundaries of the sub-discipline of economics and the notion that cultural economics is a growing and dynamic field requires that a continual re-investment in the definition of cultural economics be made.

## 2.2 Current Approach

The Current Approach to defining cultural economics comes from the introduction to handbooks and writings in the field. It is a framework that is repeated in the work of Throsby (1997), Towse (1997), Blaug (2001), Towse (2003), and Throsby (2006) and is as much for newcomers as it is for those entrenched in the field. The Current Approach is based on demonstrating that cultural economics has a:

- (1) Record of scientific literature;
- (2) Common units of analysis; and
- (3) List of analytical topics.

This framework marks where the discussion in cultural economics takes place and helps to define its boundaries. It attempts to demonstrate that cultural economics is a field of serious scientific inquiry. This section outlines the Current Approach to defining cultural economics in further detail.

Defining cultural economics first begins with the establishment of a record of scientific literature. Writing on arts and culture in the economy in western economic history, though sparse, can be traced as far back to the writings of the political philosophers and economists Jean Bodin (b. French: 1530-1596), Bernard Mandeville (b. Dutch: 1670-1733) and Ferdinando Galiani (b. Italian: 1728-1787) who first speculated about the determinants of the prices of art works. They argued that the price of luxury goods was socially determined whereas the price of commodities was cost-determined (Goodwin, C. 2006):(31). An application of economic concepts to the arts continued in the writings of some economists who also enjoyed music and the fine arts in their personal lives. For example this was the case of William Stanley Jevons (b. English: 1835-1882) who wrote on taste formation and the museum economy in the nineteenth century who also had a passion for music. Or in the early twentieth century, this was the case with the Bloomsbury Group, a group of English artists who also were friends with John Maynard Keynes (b. English: 1883-1946) and who wrote on the limitations and problems of thinking about the arts in the economy (Goodwin, C. 2006):(55,56,61). The existence of this pre-war literature is an important foundation for the study of cultural economics and illustrates how there is an essential interest among economists and culturalists in understanding the particularities of the arts in the market.

It is generally accepted that the modern study of cultural economics began in mid-1960 with the publication of William Baumol and William Bowen's book *Performing Arts: The Economic Dilemma* (1966). A couple of years later the field planted its scientific roots with the establishment of the first scholarly journal initiated by William Hendon and colleagues at the University of Akron called the *Journal of Cultural Economics* (1977) (Throsby, D. 2006):(4) and the development of the Association of Cultural Economics International in 1979 (Alpers, N. 2007). Several books have been published on the subject since<sup>1</sup> including several field surveys that have been written such as (Throsby, D. 1997); (Blaug, M. 2001) and handbooks (Towse, R. 1997); (Towse, R. 2003); (Throsby, D. 2006). A record of these publications helps to demonstrate scientific credibility however it is difficult to define cultural economics by a paper trail as inevitably it is a narrow approach and important topics may be overlooked. This is particularly the case when cultural economics bridges neighboring fields such as the subject of arts and economics found in urban sociology, urban planning and history journals, not to mention other cultural and economic journals as well. These publications provide an indication of the type of discussion that is taking place in cultural economics however it alone does not bind it, and while Baumol and Bowen may have founded the field its scope of inquiry has expanded significantly since then.

Since the field is growing can cultural economics be bound by one characteristic? The question of what binds this discipline is addressed by Towse's introduction of *Cultural Economics* (1997) who writes that cultural economics is not held together by one overlying factor. As Blaug writes, Towse '...has noted [that] cultural economics lacks a single dominant paradigm or overarching intellectual theme...' (Blaug, M. 2001):(124). Could the arts be the theme that holds it together because accepting that cultural economics is a study of economic theory applied to the arts means that some concept of what the arts is required. However as much as this notion is shared, cultural economic texts generally leave this idea open by questioning the very notion of what is art is. For example when Throsby quotes both an artist and an economist (Louis Armstrong and John Galbraith) on their own struggle with defining the art (Throsby, D. 1997):(52). Thus cultural economics while sharing a common unity of analysis is not quite sure what unites it. Throsby does generate a list of characteristics that define cultural goods as those activities that: involve some kind of creativity in their production, generate or communicate symbolic meaning and whose output embodies, at least potentially, some form of intellectual property (Throsby, D. 2001):(4). Other cultural economists question the appropriateness of using the term 'arts' as it is

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<sup>1</sup> For a complete list of these, as well as seminal journal articles from field refer to Blaug (2001)'s reference list and second footnote.

thought to be associated with the 'high arts'. They feel that because cultural economics also encompasses the realm of cultural industries such as film, television, publishing and music that defining the field by the 'arts' does not represent this side of artistic production and consumption. This however brings up another issue of the use of term 'culture' because this term then gives rise to the issue of whether cultural economics is the study of *the culture of economics* or *the economics of culture*. Recently efforts to look at the culture of economics (Klamer, A. 2006); (McCloskey, D. 1998 [1985]); (Du Guy, P., Pryke, M. 2002) show that cultural economics units of analysis can expand as wide as to include a cultural analysis of the economy and a cultural analysis of economics. Coming back to the economics of culture Towse offers that cultural economics is as study where at the underlying level the unit of analysis has some public good characteristic that cannot be fully accounted for in its price (Towse, R. 2003):(2) and that requires an experience or time to develop a taste for (Towse, R. 1997):(xv). A cultural economist might ask how culture goods different from non-culture goods or what the influence of education is on consumption preferences for the arts. In the end perhaps a dilemma in defining the study of cultural economics by one overarching intellectual theme is due to the variety and heterogeneity of very unit it chooses to analyze.

As the unit of analysis is difficult to pin down the third part of the Current Approach is to demonstrate a list of common analytical topics (Blaug, M. 2001); (Throsby, D. 2006); (Towse, R. 1997); (Towse, R. 2003). In looking at the analytical topics offered by Throsby (1997) and Blaug (2001) there is a similarity between the two that reveals a core list of: taste formation; the art market; artist labor markets; Baumol's cost disease and public policy. Using topics to define cultural economics is useful in illustrating the discussion breadth and how the field covers a diverse mix of areas of inquiry. However as the field grows the links between the topics is difficult to determine and when, as in the *Handbook of Cultural Economics* (2003), the study becomes defined not by an overlying theme but by as many different topics as articles published what is the relevance of this defining point because not only is the field growing in the number of topic areas it covers, it is also growing due to a '... widening domain of artistic phenomena...' (Blaug, M. 2001):(124). However as another topic is added to the list how does it enhance a sense of what is essential about cultural economics or dilute it? In creating a topic list does it undermine or underestimate the need for connection and interconnection between these topics? Presumably cultural economics will continue to grow. For it to remain relevant it needs to construct a better model for mapping its relevance.



## 2.3 Fundamental Tensions

The Fundamental Tensions model is a construction based on a notion that cultural economics studies the tension between cultural value and transaction value, and demonstrates this tension through the different positions engaged in the debate. In the model this debate is presented through three conversations:

- (1) Dualism;
- (2) Positivism; and
- (3) Moralism.

The difference between the Fundamental Tensions model and the Current Approach is that Fundamental Tensions is not about placing the arts within a received theory or context of economics but in revealing a discussion described by Barbara H. Smith as a double discourse of aesthetics/creation/appreciation and money/commerce/technology (Van den Braembussche, A. 1996):(34). The model is based on the idea that economics is not a body of knowledge or a mirror of the real world but rather as a discussion between those within the field (Klamer, A. 2006). On the one side of the discussion cultural value are thought to be those values that are socially constructed such as an historic value or an aesthetic value, and those values that are intrinsic to the cultural good or service such as its formal shape and color. A cultural value can also be intrinsic to the person consuming the product such as the pleasure and inspiration drawn from the experience of going to a play or looking at a painting. On the other side of the discussion transaction value is a term that reflects the economics of the market and relates to the buying and selling of goods and services. Transaction values relate to the measurement of a market exchange.

The Fundamental Tension is then understood to have three positions: Dualism; Positivism; and Moralism. In Dualism cultural goods have a value that has significance both in the economic *and* cultural realms. In Positivism cultural goods are treated *like any* non-cultural good and the same economic theories and concepts apply. In Moralism the cultural value goes *beyond* an economic perspective. Does this mean that every study under the category 'cultural economics' deals with this conflict? The answer is no, however, taking a wider view each article does contribute to this discussion, furthering the debate on one side or another. This conflict is the underlying momentum for the discussion to continue, pushing either side to refine their arguments or set conclusions.

**Table 1: Fundamental Tensions, Descriptions and Strengths**

<b>Conversation</b>	<b>Description and Strengths</b>
<b>(1) Dualism</b>	(i) Cultural goods have both cultural and transactional value (ii) Balanced approach
<b>(2) Positivism</b>	(i) Cultural goods are treated <i>like any</i> other economic good (ii) Cultural goods are comparable and measurable against other goods in the economy
<b>(3) Moralism</b>	(i) Cultural goods have a value that goes <i>beyond</i> any market value (ii) Cultural goods have a transcendental quality (iii) Cultural goods are exceptional

The following text outlines the different conceptions of the Fundamental Tensions debates summarized in *Table 1: Fundamental Tensions, Description and Strengths*, and applies some of the cultural economic theories to these concepts.

## **2.4 Dualism**

Dualism is about balance; cultural goods are acknowledged to have both a cultural value and a transactional value. While one might say that any model that addresses a cultural good will encompass both these values to a certain degree, Dualism is one that acknowledges these two values with a certain balance and considers that they are equally significant to the conversation. This is particularly illustrative in the case of cultural goods that encompass a kind of social custom around it today and since antiquity. For example trade in luxury goods in early times was used not only to display wealth in the homes of the elite but also played an important role in the exchange of diplomatic gifts. In India trade in textiles dates back to the ninth to seventeenth centuries and played a central role in the ceremonial and ritual life of most Asian societies. These textiles embodied a signifying rank and social messages that lay at the heart of the economic exchange system at the time (Guy, J. 1998):(7-8, 39). In this case the value of the goods was not

simply based on cost of production but also on the cultural value attached to them. The objects, values and experiences described as arts and culture were intertwined in the practice of economic transactions. Moreover an observed result of these kinds of transactions can be seen in the establishment of a sophisticated taste and appreciation of art since at least the fourteenth and fifteenth century that economically supported trade routes that were multi-directional and ranged in goods from Venetian glass, Spanish lusterware, Turkish carpets and Chinese porcelain (Mack, E. 2002). In Dualism a difference between mere consumption and a discriminating taste is taken into account. From an economic point of view it allows for the idea that the transaction value of a good does not capture the entire value of the good and that additional value can be attached to the good and these additional values are understood by Throsby as cultural values.

Throsby outlines six cultural values that exist in addition to the purely economic value (Throsby, D. 2001):(158). He writes that cultural value is an irreducible principle that represents a positive rather than a negative principle, and has ‘...an orientation to what is good rather than bad, better rather than worse’ (Throsby, D. 2001):(27). In accounting for the reality that value is various and shifting, he describes six theoretical characteristics of cultural value that are: *aesthetic* such as beauty and harmony; *spiritual* such as enlightenment and insight; *social* such as connection to others and sense of identity and place; *historic*; *symbolic* such as meaning; and *authenticity* as in unique and original (Ibid):(29). This development of a list of cultural values shows that the arts can have a variety of cultural values that range from a social, historic and aesthetic significance. Cultural values can also exist between friends who attend a concert, discuss a recent film, or recommend an interesting book. This is how cultural values are shared. Moreover it can be seen that Dualism brings ideas into the economic debate that are not common within the realm of economic theory, but with a cultural or humanist conversation. A comparison of cultural value and transactional value is presented in *Table 2: Dualism – Comparison of Values*.

**Table 2: Dualism – Comparison of Values**

<u>Cultural Value</u>	<u>Transactional Value</u>
Aesthetic	Price
Spiritual	Economic Impact
Social	Trade – Import & Exports
Historic	

Symbolic Authenticity	
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Governments use the idea that art has both a transactional and cultural value to help communicate the benefits for the arts and buttresses their two-pronged strategy for economic renewal and social improvements through the arts. On the economic side the need for tracking and evaluating the economic aspects of the cultural sector has grown over the years as the size and responsibility for governance of these funds has grown. Over the years policy makers looked for ways to measure the results of arts investments. In the 1970's economic impact studies first developed for local colleges and universities were adapted for the arts (Radich, A. J. 1989):(12) and widespread interest in this topic was spurred by seminal conferences in Baltimore in 1977 and Cornell University 1981 (Ibid); (Hillman-Chartrand, H. 1986). The establishment of the Association for Cultural Economics in those years and books, *Economic Policy for the Arts* (1980) and *Economics of Cultural Decisions* (1983), both by W.S. Hendon and J.L. Shanahan, helped shape the discussion of culture in the economy after a decade or so of growth in arts council funding<sup>2</sup>. In 1988 John Myerscough published *The Economic Importance of the Arts in Britain*, a study that is widely regarded as the cornerstone of establishing the arts in Britain as a significant and growing value-added sector with a turnover rate of 10 billion pounds and employment of 500,000 people at that time (Reeves, M. 2002):(7). Ten years later in Britain the election of the New Labor party in 1997 brought forth a resurgence of an interest in the arts by way the third-way political governance that emphasized a mix of market and interventionist policies. In rejecting top-down redistribution on the one hand and laissez-fair politics on the other the party stressed a competitive mechanism within the context of social consciousness. On the cultural side modest public expenditure for the arts has meant that policy makers looked to the cultural value of the arts to attach themselves to stronger policy areas such as urban regeneration and social programs such as health (Belfore, E. 2006). Because of the central role of inclusion strategies in third-way politics the transformative power of the arts was pressed in order to argue that the arts could reach across educational, class, gender and racial lines (Ibid). The idea that the arts brought forth both an economic impact is one that fit well with this updated political ideology. Economic impact

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<sup>2</sup> Governments in Western European countries after the Second World War, including those with no history of extensive state patronage, for example Denmark and the Netherlands, began funding the arts O'Hagan, J.W. 1998. *The State of the Arts: An Analysis of Key Economic Policy Issues in Europe and the United States*. Cheltenham: Edward Elgar. In North America the establishment of the Canada Council for the Arts took place in 1957 and the National Endowment for the Arts in 1965.

studies justified public expenditures in the arts from an economic point of view while policy makers made the link to social renewal.

The problem with Dualism is not so much the notion that a cultural good has a transactional value and a cultural value, but rather that the rhetoric of publicly funded arts and culture presents a notion that the two are causally linked. Investment in the arts by governments is made with not merely an implication, but an expectation that art will regenerate economies while building communities and including marginalized groups (Appleton, J. 2006):(53). It is the expectation that the presence of the cultural value of arts will spark public engagement and humanize public space. However the use of measurement studies to quantify these diverse aims results in a difficult task of trying to squeeze the creative task of the arts into some kind of comparable, or at least orderly, framework. Apart from the complexities in measurement an additional issue lies in the assumption that the same type of impacts will be generated for different types of cultural values. Further problems with these implied links is the lack of internal validity (lack of concept indicator links), ambiguous question wording that may induce a social desirability bias in survey questions along with a whole list of caveats such as: lack of control groups; lack of before/after comparisons; lack of longitudinal perspective for life experiences; lack of any opportunity cost analysis and finally a failed convincing causal link. The misconception is that Dualism while balanced are causal or linked. Throsby warns against this type of thinking writing ‘... the *origins* of value in the cultural sphere are quite different from those in the economic and the means for representing value in cultural terms are therefore likely to be different from those used in economics’ [my emphasis] (Throsby, D. 2001):(26). In some cases a cultural value may be higher than a transactional value and vice versa. A lack of consistency and comparability in representing these different values means that the persuasive skills of the politician or bureaucrat fill in the spaces leading to conclusions that all the lines point up, which is not always the case. Even the cultural community is starting to resist the rhetorical claims of the benefits of arts investments and is asking for a critical deconstruction of the notion of evidence, calling for more earnest and thorough attempts to measure and collection of robust data (Belfore, E. 2006). With no clear measurement it is impossible to compare these two sides. But even if a clear measurement of cultural value was possible, because cultural value and transactional value have different origins could cultural value ever be commensurable with transactional value? Perhaps it is because of the present incommensurability between these two sides that this view lends itself so easily to the persuasive skills of the political rhetorician.

Is Dualism less subject to the dangers of a false causal link in the private sphere rather than the public sphere? Because private patrons can choose to finance the arts without public justification they do not need to be accountable to anyone but their own tastes and have the option to keep an intrinsic and extrinsic valuation method separate. This may also be true for arts organizations working within the private sphere, for instance as in the case of the commercial gallery. Financial isolation from society means that the private patron can make financing choices outside the realm of political ideologies or measurement-based thinking and thus may do so according to their own aesthetic criteria apart from a market value. Nevertheless while it does not have to be publicly justified, links between cultural value and transactional value are observable in the private realm as in the case of antiques or collectors items, or in the rise of real estate prices due arts renewal programs. Moreover social customs and fashion may also play a role in the private realm. Thus even within the private sphere use of rhetoric to imply a causal link between the relationship between cultural and transactional value could be investigated further.

The significance of Dualism is its unique view of a cultural good that can have both a transactional and cultural value, and while these two sides cannot be compared they are given equal legitimacy for their distinct perspectives. Thus Dualism understands that discussions about the value of art and culture can come from different perspectives, relates it to the formation of taste, but does not necessarily equate cultural value and transactional value as the same.

## **2.5 Positivism**

Positivism treats cultural goods like other non-cultural goods and does this through empirical evidence. It is a view that lies with a methodology founded in the nineteenth century when a search for rigorous rules to establish scientific procedure took place. Many economists chose to disregard an exceptional good such as art in an effort to form ‘generalizable models of explanation’ and ‘prediction’ (Goodwin, C. 2006):(42). Particularities of art such as quality or intrinsic value were thought of as a part of the measure of transaction. By focusing analysis on measurable items such as price economists felt that they were taking an approach that was unbiased or un-judging of people’s preferences or tastes. Jevons wrote in 1905, “In the science of Economics we treat men not as they ought to be, but as they are” (Ibid: 57). Another classical example of a positive view comes from Jeremy Bentham (b. English: 1748-1832) who around the 1820’s proposed that the utility of the arts is proportional to the pleasure it yields (Ibid: 43). He

argued that if a game of pushpin was more pleasurable than poetry than it is more valuable, writing “Prejudice apart, the game of push-pin is of equal value with the arts and sciences of music and poetry” (Ibid: 43). Positivism in its simplicity removes value judgments from the equation and in treating cultural goods like any other good does not judge the consumer who prefers poetry or to the consumer who prefers board games. Positivism is culture value free.

Policy makers and cultural economists use Positivism similarly. In the realm of cultural policy as cultural industries become a bigger part of the economy efforts to quantify their impact reinforce their projected sense of growth. The numbers can be impressive. Statements such as those produced by the World Bank help equate the arts with other industries. For example the World Bank recently estimated that more than 50% of consumer spending in G7 countries is now on output from creative industries, and creative industries account for 7% of the world GDP (Ryan, P. 2003). These numbers are meant to place the arts in direct comparison with other industries such as automotive or forestry and meant to show the strength of the cultural sector. The ability for these numbers to track and compare results is used to lend a sense of authority and legitimacy to invest in the arts. Measurements such as employment figures and number of visitors are a tool used by cultural policy makers to define the boundaries of the creative sector and advocate for further resources and funding.

In the theoretical realm cultural economists use positivism to better understand the economic nature of the arts. As Blaug describes a cultural economist assumes that consumers use the same decision making process for cultural goods as non-cultural goods that is based on “... self-interested individual action constrained by costs, incomes and the norms of economic institutions” (Blaug, M. 2001):(124). Other examples of a positive view in cultural economics includes Hans Abbing (Abbing, H. 2002) who looks at the artist labor market and argues that artists maximize their own utility by preferring non-economic rewards to economic rewards and as such should not receive government grants to compensate them for this work preference. Abbing also states that artists work in a veiled economy – taking intangible values of consciousness and relationships and understanding them through a veiled market of exchange (Abbing, H. 1996). Towse who studies copyright and patent laws approaches the value of creativity through an observable empirical statistic like copyright and the laws that help regulate this creative activity. She points to how cultural economics has made many advances through applying economic concepts and models to the field of arts and culture and feels that by equating price with value the cultural economist upholds the consumer’s legitimacy in exercising their own

preferences for what is desired. Through this approach methods of empirically measuring cultural values are attempted through studies such as Contingent Valuation Method (CVM) whereby the public is asked what their willingness to pay for a cultural good that does not have an individual consumer price. For instance CVM is used to quantify the cultural value of say a heritage building. Finally a central cultural economics theory developed in the positive view is Baumol's cost disease. The theory explains that rising expenses in the performing the arts are due to high labor costs in relation to low technological innovation in comparison to other sectors. In using economic theories cultural economists employ the reasoning that the arts can be subject to the same principles or seen in the same context with other sectors of the economy.

Positivism is a success to those wishing to rid art of its exceptional and elitist nature. As Towse writes a non-market definition of art wrongly leaves the arts subject to the judgments of artists and cultural theorists, leading the way to 'paternalism' and 'snobbery' (Towse, R. 1996):(97). Positivism argues that the market is the only level playing-field both in terms of production of cultural goods and consumption of cultural goods (Cowen, T. 1998). Positivism sees the arts not as they should be, but as they are and claims to be. It speaks the language of the market and in doing so allows everyone to participate, at the very least as passive consumer walking down the street and enjoying the positive externalities of a beautiful sculpture, or the active consumer who purchases a work of art.

But just as Dualism requires a cautionary note for its implied links through rhetoric, Positivism also requires some caution as to its ability to illustrate all the aspects of the cultural sector. One example in particular relates to the reasons why the arts sector is characterized by a variety of funding mechanisms. In its culture-free approach Positivism does not explain why someone would restore an old building or donate their earnings to a museum's expansion, or why governments subsidize major institutions in their community. Positivism may not support market intervention by government in principle however in reality government support continues and is increasing! Even in Britain's third-way politics the results of a balance in market and government interests has seen an increase in cultural budgets and funding. Recently the New Labor party announced the single biggest support increase of 100 million pounds over three years on top of a 237 million pound base, along with other increase support for programs to individual artists, arts education and the initiation of free admission to galleries and museums (Munira, M. 2006):(13). Much of the reasoning for this investment is the implied economic and cultural impacts subsidization of the arts will bring to a community. Private patrons will also make donations to



arts organizations in order to ensure that these organizations continue to create works of art and benefit the community. While some cultural economists may say that these patrons are willing to pay a higher price for the arts, some altruistic benefits may factor into this, not to mention a sense that if left to the market the arts would not survive. What's more Positivism does not account for art forms that are not exchanged through a price mechanism. In *The Creative Economy: How People Make Money From Ideas* Howkins writes that creativity is not necessarily an economic activity until the process or experience becomes a tradable commodity (Howkins, J. 2001) but many artists produce art that is not traded. Intangible art forms, such as singing and dance are difficult to track in terms of the price mechanism if they are not 'sold' through tickets. Unprofessional or hobby artists often make their work and do not sell it in the marketplace, but keep it or give it away. In treating art like any other good Positivism does not account for the reasons why these types of activities take place, nor does it explain the motivations or intrinsic reasons why people pay for someone else's enjoyment of the arts. Neither does Positivism address the two price extremes present in the arts: that of the 'free' cultural good and that of the 'price-less' cultural good. Positivism puts forward the idea that the arts should be treated like any non-cultural good however values in the arts such as passion and inspiration that are arguably impossible to trade in economic terms and are left unaccounted for.

## **2.6 Moralism**

'Moralism' describes a view where a cultural good or experience can stand for something more than the object or experience itself without consideration of social or economic returns. This is a space where the arts transcend concepts of historical importance or aesthetic significance and crosses into the space beyond symbols and into the realm of the inspirational and passion. The foundation of Moralism takes its place in the cultural values that lay outside the market and government spheres. While it does not consider a social return, a notion that cultural consumption is a social process adopted in a Moralism approach. Klamer in *Accounting for Social and Cultural Values* (Klamer, A. 2002) discusses how a value's influence will (1) increase when it is shared and (2) when it is communally owned. Klamer looks to the example of a conversation to make his point, arguing that a "conversation is a communal thing and continues to be valuable as long as it maintains its status of a *res nullius*, a thing belonging to no one" (Ibid: 468). He criticizes economists' attempts to objectify and democratize the valuation of cultural goods through surveys or cost-benefit analyses, and counter proposes a cultural-economic method of considering "the discursive context wherein values of cultural goods evolve" (Klamer, A. 2004):(5). In terms of

financing Klammer describes this space as the “Third Sphere” distinct from the market or government and where the value of what is transacted cannot be measured by price (Klammer, A. 1998). Typical examples include friendship or family bonds.

Historically an approach to Moralism in the arts can be found in the humanist writings in nineteenth century writings of Matthew Arnold (b. English: 1822-1888) a poet and essayist, John Ruskin (b. English: 1819-1900) an artist, critic and art historian who wrote on the labor movement in Britain and America, and William Morris (b. English: 1834-1896) leader of the arts and crafts movement. These thinkers felt that economic efficiency should not go unquestioned and counter-proposed that the economy ought to be a moral subject. Goodwin writes that Ruskin believed that a consumer would not be simply happier if he had more goods. He felt that it was a moral imperative to train ‘...him to appreciate more those goods that he could afford’ (Goodwin, C. 2006):(51). The value of arts and culture, through education, museums and artists was to help the consumer become a discerning ‘critic’. Market interactions could not be studied without attention to a cultural context or an acknowledgement that a consumer’s utility functions is not stable and can change (Goodwin, C. 2006):(50). Moralism continued in the writings of Keynes and the Bloomsbury Group that included artists Roger Fry (b. English: 1866-1934), Clive Bell (b. English: 1881-1964) and novelists Virginia Woolf (b. English 1882-1941). This group looked to cultural texts such as the *Old Testament*, mythology and art to find the ways that the arts could inform society and economics. Through an article about aesthetics written by Fry in 1909, and extended by Clive in 1914, the Bloomsbury group argued that a utility model might be appropriate when trying to understand biological need, but not in understanding “imaginative life’. As Goodwin writes, “Indeed, many of the Bloomsburys concluded that the simple application of Benthamite principles to the arts had impeded the development of a richer and more truly enlightening body of theory”<sup>3</sup> (Goodwin, C. 2006):(62). These early writers point to how a notion that the arts can transcend economic and social impacts has been on the minds of economists and culturalists alike for over a century.

One of the central arguments of ‘Moralism’ is that the presence of transaction values can crowd out cultural values. It is not just the presence of money, its ease of measurability, or its frequency of use, but its method of interacting that the market model requires that crowds out cultural values. Frey, in *Not Just for the Money* (1997) describes how if a child is paid a sum to mow the

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<sup>3</sup> Bentham was an early advocate of the utility model which states that the moral worth of an action is determined by its overall contribution to utility.

lawn, it will discourage the child from voluntarily or charitably mowing the lawn in the future. As Frey writes, “The money offer crowds-out the citizens’ motivation to do anything for the common good” (Frey, B. 1997):(11). The dominance of the market model and the values associated with this crowd out the good aspects of the Third Sphere such as respect, trust and generosity. In terms of art Van den Braembussche describes the interplay of market and moral values as the tension between an understanding of art as a commodity, and art as a something beyond measure (Van den Braembussche, A. 1996):(32). He writes that the idea that culture has an immeasurable value outside of the economy is intuitive in that a person can value art “...*in spite of* the fact...” that he owns it (Ibid: 33). Moralists are aware that transaction values can overtake cultural values and therefore argue that the intrinsic nature of the arts can be undermined by their extrinsic capacities.

The idea that the arts are exception has translated into the policy realm through the recent UNESCO convention on cultural properties which adopts a Moralist approach. It argues for the exceptional nature of cultural goods stating that cultural goods. It states “... cultural activities, goods and services have both an economics and a cultural nature, because they convey identities, values and meanings, and must therefore not be treated as solely having commercial value” (UNESCO 2005):(2). In other policy debates public subsidies for the arts are often described in moral terms. For example Frey and Pommerehne describe how government subsidies for the arts show a value for the *option* to attend, the continued *existence* of the arts, as a *bequest* to future generations, in the *prestige* in the positive image for a regional or national community in producing it, and as a vehicle for fostering a creative dialogue on aesthetic and cultural significance through *education* (Frey, B., Pommerehne, W. 1989):(19). It is a moral imperative to fund the arts to ensure that it continues to exist. Policy makers use the idea that the arts are an exception to negotiate different terms for cultural goods than non-cultural goods in trade agreements. The Moralist view taps into the traditional arguments that the arts can be a civilizing element in society and into contemporary notions that the arts can bring beauty to an urban landscape or can translate meaningful values held by a community.

The caution against a Moralist approach is that in its exceptional nature these values can on the one hand be utilized within the government and commercial realm to impose views, and on the other hand that because the arts lay outside the workings of the market it is not an economic generator. Cultural values have the potential to be imposed through nations or organizations, as is the case of Nazi Germany or at the firm level when leaders that approach management as self-

elected change agents who engineer values (Morgan, G. 1997). More recently critics have said that funding for culture has increased due to its policy attachment techniques to other areas such as social inclusion (Belfore, E. 2006). The idea that art can transcend social and economic goals seems at first affirmative, tapping into the intrinsic reasons people make art or attend a performance (McCarthy, K., et. al. 2004), however it also means that the tools for assessing whether that process comes from the individual or society is difficult to determine. Is looking at a painting a socially determined event, or is there something essentially human about it? Does one's appreciation of art increase from education and upbringing? And by and large the other studies for the arts have shown that the profile of the arts patron is pretty stable as generally well educated and have high income. Therefore economic and social factors do play a role in attending and appreciating the arts and therefore caution must be taken with all the claims a Moralistic approach can make. A further danger in the Moralistic view is that in pursuing a notion that the arts are an exception beyond measure their economic productiveness can't be accounted for. While in the eighteenth century economists' felt that the price of unproductiveness (or waste) was starvation and death (Goodwin, C. 2006):(29) this extreme theory is echoed in today's political ideology that the arts are a frill or non-essential item can be seen in many policy documents and arguments against arts spending. In arguing that the arts are an exception the Moralistic view does not account for the negative values that can arise such as the imposition of values by governments or firms and undermines the art sector's capacity to add value and jobs to the economy.

## **2.7 Critique and Testing**

An understanding of the Fundamental Tensions in the debate of cultural economics does not come without its problems and is only meaningful if it can be critiqued and tested. The critique of each view was discussed in the previous sections and is summarized in *Table 3: Fundamental Tensions, Critique*. The tension comes into play when dealing with methods of financing for cultural goods as discussed in terms of why the arts are often funded by third parties, or outside the market, as well as whether the arts are a good investment because of their ability to transcend daily life, or because of their potential for economic and social regeneration. In calling upon a cultural value idea that the arts can have a historical or spiritual value means that it can be valued for reasons other than its price or market value. Understanding the problems of each view demonstrates that each has its own internal struggle and therefore requires further investigation. In regards to problems with the models though there may be many and this section anticipates three possible concerns by way of three sub-questions: Is there a difference between cultural

value and a public good characteristic? Is the Fundamental Tensions applicable to all cultural economic studies? Are the three views distinct in the debate and can they be identified? The final question is tested through the application of the Fundamental Tensions model to an overview of writing on art and culture in the history of economic thought (Goodwin, C. 2006).

**Table 3: Fundamental Tensions, Critique**

<b>Conversation</b>	<b>Description and Strengths</b>	<b>Critique</b>
<b>(1) Dualism</b>	<ul style="list-style-type: none"> <li>(i) Cultural goods have both cultural and transactional value</li> <li>(ii) Balanced approach</li> </ul>	<ul style="list-style-type: none"> <li>(i) Use of rhetoric to create false causal link between two sides</li> <li>(ii) Possible incommensurability between two sides</li> </ul>
<b>(2) Positivism</b>	<ul style="list-style-type: none"> <li>(i) Cultural goods are treated <i>like any</i> other economic good</li> <li>(ii) Cultural goods are comparable and measurable against other goods in the economy</li> </ul>	<ul style="list-style-type: none"> <li>(i) Unable to explain price extremes such as free cultural goods and priceless cultural goods.</li> <li>(ii) Unable to explain why third party financing exist</li> </ul>
<b>(3) Moralism</b>	<ul style="list-style-type: none"> <li>(i) Cultural goods have a value that goes <i>beyond</i> any market value</li> <li>(ii) Cultural goods have a transcendental quality</li> <li>(iii) Cultural goods are exceptional</li> </ul>	<ul style="list-style-type: none"> <li>(i) Values can be imposed by the government or managers</li> <li>(ii) As an exception, art is unproductive and is not considered for its ability to have an economic impact</li> </ul>

In the Fundamental Tensions model is base on the premise is that there is a tension between a cultural value and transactional value. However the issue is that economists have developed a concept for this. It is called a public good characteristic meaning that the economic good displays a beneficial quality to society or the economy that exists outside of the pricing mechanism. This is sometimes called positive externalities. For example a beautiful sunset has a positive externality because it can bring pleasure to someone outside of the market transaction. The sunset is also a public good because one person’s consumption of the sunset does not reduce the availability of the good for another person. In the case of the arts, most economists working in the field of cultural economics understand that cultural goods exhibit some kind of public good characteristic and use it in the definition of what is understood as cultural good as opposed to a

non-cultural good. As Towse writes ‘... most cultural economists believe that cultural goods and services have an element of public good characteristics about them that markets cannot fully take into account through price’ (Towse, R. 2003):(2). But is cultural value equally to a public good characteristic? If we take two examples from Throsby’s list, say historic and authenticity value, can they be understood by way of public good theorem? While on the one hand in the case of a historic cultural value of say a heritage building public good characteristics do apply because the enjoyment of looking at a historic building does not reduce the enjoyment for another person. In the case of an authenticity value the public good characteristics of the good may be more difficult to apply. Perhaps in the case of money an authenticity value has a positive externality in giving confidence in the banking system and guarding against free riders taking advantage of the system by way of fraudulent behaviour. But what is the case for an authenticity value of a painting? Can the authenticity of a painting be said to be a public good or have a positive externality? Because it is unclear the exact nature between cultural value and positive externalities could be further examined to determine what the distinction between these concepts. Are cultural economists using different terms to describe the same thing or is there something essential about a notion of cultural value not found within the main body of economic theory that cultural economists address in this debate?

Is the Fundamental Tensions applicable to all cultural economic studies? This question arises from the notion that the Fundamental Tensions model may in fact have its own internal biases and in particular lean towards the Dualist view rather than either the Moralistic or Positive view. For example any extreme study that deals with cultural goods in a merely Positive manner does not represent a debate of a Fundamental Tension, it simply illustrates a transaction value. This goes the same for the Moralistic view where writing will only show the cultural value of the cultural good. This problem points to the need for a further investigation into how the Fundamental Tensions model might be applied at the level of the article or should the model only be understood as a method for tracking conversations of the entire field. Moreover how can the two sides of the tension be represented when, for instance, a researcher is only looking at the texts of one author or one methodological approach? Perhaps more can be done to write specifically about the Fundamental Tension of cultural value versus transactional value in the context of the cultural economics debate in order for researchers to better apply this understanding in the studies they read themselves. In the cultural policy field connections to this Fundamental Tensions may be made and helped with better understanding the different debates for and against cultural investments.

Finally, are the three views distinct in the debate and can they be identified? On a conceptual level the three views are distinct in terms of representing different aspects of the debate however in the throws of the debate can these views be identified? One way to identify these views is to attach them to different cultural economists. A first attempt to do this was made through referencing certain authors in the description of each view. Generally under the Dualism is represented by the work of David Throsby, while Mark Blaug and Ruth Towse represent a Positive view while Arjo Klamer and Bruno Frey represent a Moralistic view. But do these authors stay within one view? It is difficult to say, even because it likely depends on the subject they are tackling and their own methodological approach and is subject to the kinds of concerns dealt with in the previous question. For example Towse may feel that categorizing her by a Positive view is short-sighted as she acknowledges what is understood as a cultural value through a notion of public good characteristics. Or for instance some cultural economists such as William Baumol may feel that he is actually describing cultural value using transactional methodology and language that lies somewhere between.

To test whether these views are in the debates a review of Goodwin's article *Art and Culture in the History of Economic Thought* (2006) through the Fundamental Tension model categorized each historical period through their different views. From Table 4: *Demonstration of Fundamental Tensions in History of Economic Thought* it can be seen that economists have had different views on the art in the economy. From a Positive view in the early eighteenth century that investment in the arts was a waste to a more Moralistic view in the early nineteenth century that the arts was a moral subject the different views of the debates are visible. This initial attempt to test if the different views of the debate can be identified does not present a full-picture as the modern debates of Blaug, Throsby, Towse and Klamer are not included in this article.

**Table 4: Demonstration of Fundamental Tensions in History of Economic Thought**

<p><b>18<sup>th</sup> Century</b></p>	<p>Any waste of economic resources meant starvation or death. (Jones; Mandeville; Bodin; Galiani)</p> <p>Rejected that all ‘luxury’ was necessarily wasteful and argued that it depended on what form the luxury took. Felt that waste and corruption were a possibility in the fine arts but not any more than in other activities. (Hume; Turgot; Smith)</p>
<p><b>19<sup>th</sup> Century</b></p>	<p>Economy was separated from society and politics. Art was thought of as unproductive. Classical political economy where one can study market interactions without attention to cultural context. (Bentham; Mill; Maitland; Ricardo – Economists)</p> <p>Felt that economic efficiency was not simple and that the economy should be thought of as a moral subject. The market for art and culture exceptional. (Arnold; Ruskin; Morris – Humanists)</p> <p>1870 saw the construction of general laws and universal principles of human behavior rooted in utility calculations. The search for exceptions in the arts, as in other areas, came into direct conflict with the search for generality. (Marshall; Jevons; Robbins – Marginal Revolution)</p> <p>Revolt against Marginal Revolution. Proposed more complex system and argued that human behavior and its objectives heterogeneous and not easily understood. Studied different economic agents such as the farmer and housewife but dismissive of the arts. (Veblen – American Institutionalism)</p>
<p><b>20<sup>th</sup> Century</b></p>	<p>Fascinated with the ways in which arts and culture throughout history can be useful in informing and interpreting not only society and politics but also economics. (Keynes; Fry; Clive Bell – Keynes and Bloomsbury Group)</p>

Interesting questions come out of this such as whether the early American Institutionalists are categorized under a Positive view or a Moralist view? For instance the early American Institutionalists felt that the economy was a moral subject and that the human behaviour was more complex than the marginalist allowed for. They looked at other economic actors such as the farmer and the housewife, as well as union leader, however they were dismissive of the arts and did not consider them in their studies. In regards to identifying the different views within the debates further studies into this are required and reference to the original text would be necessary to bring about a more refined understanding of these concepts. Nevertheless it does provide some indication that the views are distinct and identifying. Furthermore *Table 4* presents an initial first step in using the Fundamental Tensions model for mapping cultural economic debates.

In looking back Chapter two shows that the Current Approach to define cultural economics is by a demonstrating a 40-year history of scientific literature with roots back to the eighteenth century, a common unit of analysis defined by a theoretical outline and a core set of analytical topics. The strength of the first Current Approach is its ability to distinguish cultural economics from other economic studies. The weakness of the first approach is its lack of critical reflection on the fundamental tensions that is dealt with in these discussions. The views described by the Fundamental Tensions model points to an idea that there is an underlying friction between cultural economists working in this field as to the significance of cultural value versus transaction



value found with the production and consumption of cultural goods. This thesis argues that the Fundamental Tension of culture value versus transaction value play itself out in the writings within cultural economics and is a better way of mapping the discussion of cultural economics than the Current Approach. Perhaps the Fundamental Tensions model is best described as a method for charting debates - something it brings to the field of cultural economics not covered by the record of scientific publications tracked until now.

Apart from its application to historical periods or an analysis of the various debates can the Fundamental Tensions model be applied to any subject area that deals with cultural goods in the context of the economy? In Chapter three an outline of the creative economy is made in order to define the boundaries of the creative economy and discuss how it is different from other economics. In Chapter four a first application of the Fundamental Tensions model is endeavoured.

### **3. Creative Economy**

The creative economy is a tent. It is collapsible and expandable. Sometimes it can include a core set of occupations such as artist, musician and dancer, however increasingly it encompasses everything from the software engineering to the adverting designer. The creative economy is not a physical tent but the tent that people conceive. In this way the image of the tent continues to represent the creative economy in a discrete separation of what is inside and outside. On the one hand the conception of the tent differentiates what is inside from the elements outside but on the other hand, like the creative economy, the psychic tent can leak and tear. Hold the creative economy up to more robust testing through evidence or debate and it will inevitably call for the needle and thread to pull itself back together. Perhaps it may even look to fundamental arguments that the creative economy is good because it is good. The way that the creative economy is not a tent is the sense that it is much more than a structure or frame and or a three-dimensional envelope. More and more the creative economy is seen as an experience in consumption not only for the consumer but also the producer. The creative economy is a strategy for urban regeneration and economic growth. The creative economy can travel and change shape. While it can find its place in rural areas it is primarily about a city experience based on density and interaction with many people. The creative economy is about the people that see it and the people that conceive; it has both a physical and psychic boundary.

This third chapter begins by defining the creative economy developing a notion that the term 'culture' has a shifting meaning that is reflective of the economic structure of the time. The chapter concludes with an outline of the emergence of the creative economy and some writings on the various aspects of this economy on the topics of rhetoric and labor, and arts, people and cities.

#### **3.1 Definition**

In policy terms the creative economy is a mixed economy that spans production, distribution and consumption of cultural goods and services. In a general sense the creative economy is one where a product output addresses an aesthetic factor on top of a utilitarian factor. It is an economy based on a good that is valued both for what it *is* or *means*, as well as for what it can *do* (Scott, A. J.

2000). The term 'creative economy' is often used interchangeably with other frameworks such as creative industries or knowledge economy. Government documents tend to stiffen the plasticity of conceptions of this economy by listing the occupations or industry sectors that are included in their calculations. For instance in *Imagine A Toronto* (Gertler, M. 2006) creative industries is categorized by a dozen industry classifications ranging from Independent Artist to Pay TV Distribution to Performing Arts Companies and also includes: Independent Artists; Writers and Performers; Performing Arts Companies; Motion Picture and Video Production; Sound Recording; Radio and TV Broadcasting; Architecture and Related Services; Specialized Design (Graphic, Industrial, Interior, Fashion, Other); Advertising and Related Services; Newspaper, Periodical, Book and Database Publishers; Software and New Media Publishers (Ibid: 8). Statistics Canada developed a framework for cultural statistics that includes a listing of all of the occupations included in the creative economy, all of the goods and services considered to be traded within the creative economy and all of the industry codes in the creative economy (Program, Culture Statistics 2004b). Though perhaps instead of a full listing a definition of culture used in the report may help to define the boundaries of the creative economy. The definition of culture used is: 'creative activity and the goods and services produced by it, and the preservation of human heritage'. It outlines a framework for cultural statistics where a creative good is something that would warrant intellectual property rights, be a good or service that would support the preservation and presentation of cultural goods, as well human heritage and education (Program, Culture Statistics 2004a):(8-10). This definition is similar to Throsby's definition of a cultural good and will be used for this thesis (Throsby, D. 2001).

### **3.2 Rhetoric and Labour**

The rhetorical use of the term creative economy has meant a new way of understanding the economy that has had both a social and economic impact. Within the space of little more than two decades the idea of culture-led urban regeneration and the creative city have come to occupy a central position in economic development schemes. It has actually changed the way business is conducted and the way people conceive of themselves as workers and consumers in the creative economy. When the thesis argues that the creative economy is part rhetorical it is based on the fact that the very idea of what culture means has changed. The transformation in the use and meaning of the term 'culture' in society is traced through Raymond Williams' book *Culture and Society 1780-1950*, first published in 1958. The main five main shifts of the use of the term

'culture' can be traced through: (1) the cultivation of land; (2) cultivation of mind; (3) social development; (4) meanings, values and way of life; and (5) practices that produce meaning (Miles, S., Paddison, R. 2005). While there is no tested link between the use and meaning of the term 'culture' and economic structure Williams writes that 'culture' reflects not just a response to industry but a whole set of complex and uneven personal and social developments (Williams, R. 1979):(17). Just as notions of 'culture' have changed, so have the idea of how the arts function in the economy has changed. This then lead to questions such as if the creative economy encompasses both the experience of working in the economy and shopping in the economy, what came first the cultural good or the creative economy? Could the isolated trade of a cultural good be understood as an indication of the creative economy? How is a notion of the creative economy different than what has happened before? Could the trade of antiquities be included in the history of creative economies? Or what about the artistic clusters that grew around the time of Impressionist painters in Paris before the First World War or the American Abstract Painters in New York after the Second World War. To address these questions the following text takes a theoretical approach to understanding the creative economy by discussing the changing ideas of how cultural goods functioned in the marketplace. It makes the link between the social meanings of the term 'culture' with the economic structure of the time and analyzes the creative economy by way of two factors: rhetoric and labor.

Beginning in the early eighteenth century culture was not thought of as a social good but rather as a by-product of envious rivalry. At that time spending on cultural goods was seen as wasteful activity and a misdirection of scarce economic resources. The idea that the economy was driven by creativity had not yet been conceived in economic terms. Rather capitalisms' competitive nature and the desire of consumers for social distinction through a display of wealth was a conversational concern. Buying extravagant clothes, extravagant means of transportation or extravagant cuisine were all methods of the wealthy to exert their wealth in both economic and social spheres. This also translated into the market for luxury goods within the realm of culture as Mandeville wrote how 'envy' and 'emulation' especially through trades and crafts accelerated art markets. In economic terms Mandeville described this through the notion that ownership of a scarce property would increase the productiveness of the economy because of jealous sentiments. He wrote "Divide the land, tho' there be never so much to spare, and their possessions will make them covetous: rouse them, tho' but in jest, from their idleness with praises, and pride will set them to work in earnest" (Goodwin, C. 2006):(30). The envious rivalry of particularly rich consumers was thought to drive the cultural goods markets.

Is today's creative economy so different? Today cultural goods in the marketplace are generally consumed by the rich, or well off. Much of the external factors for the rise of the creative economy can be said to come from an increase in overall wealth in western countries and leisure time. Therefore more consumers are moving into an economy based on envious rivalry of luxury goods rather than efficient allocation of commodity goods. The way that it is different however the notion of what people are competing for has changed. Sacco says that in today's economy because consumers are not concerned with getting food on a daily basis (rather they are concerned with getting too much!) there is a whole generation that has never experienced commodity scarcity. He says that while he grew up with a grandmother who endured starvation periods during the war, that young people today are so far removed from this that the notion of scarcity is a pure abstraction (Sacco, P. L. 2006). Sacco says that consumers are now engaged not in a form of envious rivalry, they are engaged in a complex form of consumption that is linked to identity. Instead of consumers suffering from a scarcity of some kind of commodity such as food, consumers suffer from a scarcity of identity. This means that they then engaged in a competition for compensatory consumption to address their suffering. How is it possible to have a scarcity of identity? Sacco argues because society is in a time so dominated by media that consumers are seeking their fifteen minutes of fame. Celebrity culture spurs a sense of scarcity of the experience of being identified. The experience of being identified occurs for example when someone makes it onto television. In today's creative economy a display of wealth comes from the possibility to access experiences that can reinforce a sense of identity.

Because cultural goods are value-laden they play a major role in the creative economy in reinforcing a sense of identity. While generally thought to exist outside or subvert market forces both in terms of financing and production (think of conceptual of art in the 1970's) Heath and Potter argue instead that the increased notoriety of the particular values embodied in cultural goods has actually fuelled modern consumerism (Heath, J., and Potter, A. 2004). They argue that the seeds of the 1960's counterculture that grew in the 1970's fuelled competitive consumption experienced today. Heath and Potter argue that competitive consumption based on meaning drive the cost of products up like an arm's race because everyone is doing it. Furthermore, similar to Sacco's idea that the economy is driven by a scarcity of identity the competitive consumption idea that Heath and Potter put forward is reinforced by limiting the availability of products, or in a more aggressive stance by keeping people out. They use the example that real estate prices of nice houses in leafy neighborhoods are so expensive because

there are not enough for everyone. Furthermore it could be argued that the amount of people engaged in this kind of spending has increase due to increased social and cultural communication through technology and the media. The way that this relates to the arts is that cultural goods by their nature have the potential for some kind of intellectual property rights (Throsby, D. 2001), and because of this can be thought to have some kind of meaning that is unique to other goods. In trying to be counter to the dominant culture, the cultural field increases consumerism by creating more unique products that generates further suffering because it increases the amount of experiences consumers cannot access. Independent clothing designers or small and innovative musical bands are the very root of increased consumerism and the hallmark of what typifies the creative economy sector. Therefore while spending on cultural goods was seen as envious and wasteful at one time it is now seen being a part of an economy that addresses the identity and access to experiences. This thesis argues that it is a rhetorical shift that distinguishes the creative economy from an idea of the trade of cultural goods spurred by envious rivalry. The connection between the rhetorical shift and changes in technology could be further examined.

On the side of labor economists in the eighteenth century saw the arts as labor intensive and therefore highly unproductive, a claim that has been overturned by a notion of the creative economy. Primarily these thoughts came by way of the writings of Adam Smith who grouped artists with a whole list of unproductive professional and service industry jobs such as the military, lawyers and musicians (Goodwin, C. 2006):(39). While Smith saw a legitimate value in the contribution of these labor categories the intangible nature of their economic product was such that he felt that arts activities did not lead to direct capital accumulation or growth (Ibid: 39). What came out of this was a labor hierarchy of economic contribution. There were a couple of different labor hierarchy charts. For example the manufacturer was at the top of Smith's chart, while for farmer was at the top of the Physiocrats<sup>4</sup> charts. That was crucial in regards to the discussion of the arts was that the artist labor was at the bottom and that these kinds of hierarchy charts. This had a broader effect in reinforcing scientific biases regarding what kinds of labor could add or could not add to the overall economic wealth of a region or country. As Goodwin writes readers of Smith evolving classical political economics were "...well-advised to direct their attention and study away from the arts to "productive" activities such as manufacturing, agriculture, and international trade" (Ibid: 45). This is a certainly a different view from today's economy where 'harnessing the creative skills of workers' is meant to replace lost employment in agricultural and manufacturing (Miller, T. 2004):(60). Today creativity is seen as the answer to

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<sup>4</sup> The Physiocrats were a group of economists also working in the eighteenth century focused on the farmer.

the decline of capital-intensive industries and ideas on what constitutes valuable labor have changed.

It is generally thought that the measurement of transactional value is equal to the production or labor costs. Some economists made a leap beyond this in the case of the arts hypothesizing that the value of the arts must be more than simply the cost of the materials and cost of labor. For instance in the early nineteenth century James Maitland (8<sup>th</sup> Earl of Lauderdale) (b. Scottish: 1759-1839) said that “it is impossible to believe that a painter, whose works have sold for thousands of pounds, and the value of which has been known to have increased for a century after his death, added nothing more to the value of the canvas than the value of his sustenance and an equivalent for the expense of his education.” (Goodwin, C. 2006):(45). A conflict took place between the cultural value of the arts or what the arts could contribute to a society, in contrast with calculating the transactional value of a commodity based on production costs alone. While alternate terms may have been used a notion of a tension between a cultural value and transactional value was already taking place. In the creative economy some aspect of the market value of the good or service is influenced by other factors such as a cultural value or public good characteristic. In the creative economy the cost-of-production might never represent the final worth of a cultural good because notions of consumption have changed and are more based on social/cultural values than on the cost-of-production. David Ricardo (b. English 1772-1823) offered the view that because the product could not be truly reproduced the arts were exceptional and their value was demand-driven (Ibid: 46). Because no amount of labor could increase the quantity of such goods and the value of the good was independent of the labor necessary to produce the good. Ricardo wrote that the value of these goods “... is wholly independent of the quantity of labor originally necessary to produce them and varies with the varying wealth and inclinations of those who are desirous to possess them” (Ibid: 47). Other factors such as cultural value or Third Sphere activity may increase the demand-driven aspects of a cultural good and therefore there may be little relationship between the value of a cultural good and its relative labor cost. Is this a case where when there is little response between labor and output where the importance of social conversations will increase in influencing the cost of transactions? It is this the case than what was seen once as a morally suspicious (envious rivalry) in the eighteenth century has now become an important mechanism for economic growth and intensification of the sign and symbol of commodities. The creative economy is demand-driven and where labor and output are not necessarily linked. This leads to a greater emphasis on social conversations leading to a critical area for new forms of consumption based on conceptual scarcity such as

compensatory consumption (Sacco, P. L. 2006) and competitive consumption based on meaning (Heath, J., and Potter, A. 2004) previously discussed.

Therefore in the use of rhetoric and in the discussion of arts labor it is difficult to say exactly how the creative economy is different from an economy where the arts are simply a good like any other good in the marketplace. While both economies have the notion that cultural goods can stimulate competitive competition in the creative economy this happens in a way that is tied to compensating for the scarcity of identity, or the competition for meaning. Whereas in the economy that trades cultural goods competitive consumption occurs by way of envious rivalry. The similarity of these two concepts however weakens the distinction between the two. Perhaps other factors than theoretical conceptions of cultural goods in the market place may help to better define these differences. Because of the emphasis on rhetoric and the notion that the arts are demand-driven may be different due to major changes in information technologies (IT) and global media structures. IT and media can have a huge impact on transmitting communication about the value of a good and therefore whereas on a theoretical level the creative economy may be very similar to an economy in which cultural goods are traded the use of IT and media means that in practice they are different. Changes in technology and industry structure since the Second World War had a major impact on the economy spurring a new economic structure called new capitalism.

### **3.3 Rhetoric, Technology and Trade**

While many believe the major rhetorical influence in defining the creative economy comes from the widespread adoption of Richard Florida's idea of the creative class (Florida, R. 2002) the true beginnings of the creative class may lay somewhere in the changes and technology and trade agreements some thirty years earlier. This economic transition meant that people started thinking about the economy not in terms of physical output but in terms of mental output. To define this transition economists have used a number of terms. This thesis will use the term new capitalism from Sennett (2006) even where other authors have used alternate titles, conceiving that the creative economy is sub-component of new capitalism.

Richard Sennett in *The Culture of the New Capitalism* (2006) attributes the start of new capitalism to an economic transition from industrial manufacturing to financial markets upon the



breakdown of the Bretton Woods agreements. The Bretton Woods agreements were established in 1940's post-war era as a 'middle way' between classical international liberalism and interventionist economics of the 1930's supported by Harry Dexter White and John Maynard Keynes. At the time of their conception the agreements consisted of regulating markets through an integrated multilateral financial order. The goal of the agreements were to support stable national currencies world-wide and proved instrumental in industrial as well as international development policies (Helleiner, E. 2006):(944). The agreements fell through in 1971 when the Nixon government backed down from its position of ensuring the convertibility of dollars into gold (Gray, W.G. 2007):(296). This meant that currency did not have to be tied to gold reserves and became a purely conceptual tradable commodity. Miller places the shift to new capitalism a little later in 1989 and 1990 with the initiation of the Washington Consensus, a new policy that expanded market forces and constricted government influence. It was shift to policy of open trade, comparative advantage, deregulation of financial markets tied to ideas of neo-liberalism. (Miller, T. 2004):(57).

The key point is that the combined outcome of these policy changes meant a turning point for the economy where wealth that had been restricted to local or national companies, or store in state banks could be invested around the globe (Sennett, R. 2006):(40). This first led to a flood of nationally bound capital into the foreign investment markets followed by giant pension funds and small private investors in the 1980s and 1990s. Miller writes that this was enhanced by speculation on the financial markets that brought greater returns than traditional economies of selling cars or building houses (Miller, T. 2004):(57). Not only did this have an affect on the structure of the economy, it had a cultural impact too. Suddenly managers who wanted to succeed in the new environment had to adjust to a shift in power and redefined notions of corporate achievement. Shareholders, large groups and mostly 'foreign', destabilized the traditional firm's vertical chain-of-command and demanded short-term rather than long-term outcomes, thus share prices, rather than corporate dividends, were the new 'measure of results' (Sennett, R. 2006):(40). Technological advances de-localized business and corporate decision-making. Sennett cites how American pension-fund stock turnover rates had reduced from an average of 46 months in 1965 to an average 3.8 months in 2000 (Ibid). Business was called upon to adopt a mantra of individual freedom, market-place allocation of resources and minimal involvement by government (Miller, T. 2004):(57). Businesses needed to keep up with what Bennett Harrison calls "impatient capital" by constantly changing and appealing to the impatient investor.

### **3.4 Capitalism, Arts and Cities**

With new capitalism and the neo-liberalism movement governments began to restructure bureaucratic institutions, dismantling social welfare programs such as health and social security, and selling-off long holds of the public realm such as transportation, water, and electricity (Sennett, R. 2006). In Europe, the welfare state expansion that gained momentum since the 1960's ended with the oil crisis in 1974 and 1979. Since the late 1970's there has been a decline in public social expenditure until the early 1990's (Gilbert, N. 2002):(23). This was further amplified by increasing criticism of social welfare policies and the counter culture's motto of politics-through-purchase, undermining democratically elected governments and driving the public voice from Capital Hill to Wall Street, to the new commercial playgrounds of mushrooming shopping districts in the trendy new metropolis (Heath, J., and Potter, A. 2004). Upon the end of the Fordist mode of production that was founded on cost advantages regulated through national government, there has been a recent turn to the creative industries for generating wealth (Rantisi, N., Leslie, D., Christopherson, S. 2006):(1789).

One of the strategies for addressing this new economic reality was through the 'tool' of culture. This happened in the context of Glasgow's turnaround at the beginning of the 1990's through the government-funded European City of Culture program. Glasgow's success was promoted through the media as a way for economic restructuring through culture and subsequently became an emblematic model of urban regeneration that was cited as a 'template' or 'benchmark' and continues to be copied by other cities today (Reason, M., Garcia, B. 2007):(306).

Where traditional factors such as geographical location or physical infrastructure were influential in growing economies before new capitalism the affects of the economic shift on cities has created a urban competition race based on soft infrastructure and the enhancement of city image (Aspa, G. 2006):(311); (Cardinal, D. 2001):(24). The arts found a new discussion in the creative economy through the semi-scientific literature of Charles Landry and Richard Florida (Landry, C. 2000); (Florida, R. 2002); (Baca, M. 2006); (Cambridge, MIT Institute 2005). The lexicon of 'talent', 'tolerance' and 'technology' conceived by Florida brought creativity to the forefront of economic regeneration plans (London, Development Agency 2005); (Michigan, State of 2005); (New England, Council 2001); (Toronto, City of 2003). 'Creativity' was tip-of-tongue. In a policy rush city officials looked across oceans and in their own backyards to the culturally rich cities of Barcelona, Berlin, London, New York and Toronto in search of models and best

practices to attract tourists and investors with a fervor described by Toronto's Poet Laureate as '*Chasing Buzz*' (Di Cicco, G. 2005).

Cities embraced a notion of arts as a vehicle for economic growth through focusing their attention on people. Thus harnessing the arts was a mechanism to attract and connect people. This is exemplified by the focus on the new workforce of 'bohemians' where a broader notion of the arts was used was not thought to be confined to one sector of the economy. For example the creative class is a diverse group and includes scientists, engineers and managers, grouped for their high educational attainment and their work with ideas. In the *Rise of the Creative Class* (2002), Florida describes this new group of labor who ascended with the turn to the new economic order of new capitalism of which the creative economy is a sub-component. The creative class are inventive, interpretive and significantly the entrepreneurial. They benefited financially from the economic shift to new capitalism and in turn reflected and refracted a new understanding of the arts within the new economy and society where it was hip to go to small art gallery openings or live in artists' lofts. The arts were embraced as the new image of the market because they represented flexibility, creativity, cutting-edge and intellectual values. This was important to the realm of business looking for a way to adapt to the shift to new capitalism where firm *stability* was a sign of weakness (Sennett, R. 2006):(41). For example, Do-It-Yourself, the hallmark of young designers and film-makers was a notion that not only began as a revolt against rising mass production and common notions of mass society, it also resonated with the creative class start-up businesses in bio-tech and internet, typified by Silicon Valley's heydays in the 1990s.

To implement cultural strategies an approach called policy attachment was used. This is a strategy where a weak policy area with limited political influence connects with other concerns that are more prominent in the political discourse at the time (Belfore, E. 2006):(21). According to Christopher government policy-makers used the language of mapping the creative economy is one that is 'framed' by government policy makers to leverage political attention and administrative power (Christophers, B. 2007). An example of this is funding the arts through urban regeneration programs and cultural programs to fight social exclusion. In regards to urban regeneration 'Art as Regeneration' has become one of the key aspects of cultural policy since the 1970's 1980's (Appleton, J. 2006). Art such as murals on buildings and public sculptures was invested in through the state for the purposes of fostering identity and sparking economic development. Some critics such as Appleton believe that the policy of arts as regenerator actually veiled the real social and economic issues with a soft public image of the arts. Appleton writes

“In the post-industrial cities of the 1980’s in the wasteland former docklands and manufacturing districts, public art was promoted as a cheap way of papering over the cracks” (Appleton, J. 2006):(63). But public art has always worked for political purposes. Appleton outlines this in a history of public art programs. It seems that in the early 19<sup>th</sup> and 20<sup>th</sup> century art was used as propaganda for the rich. Statues of the royalty, local philanthropists and military figures were placed in the public realm to enhance their image and ensure their continued existence in the public memory. After the Second World War art was used for beautification. The arts were a source of aesthetic development and a sign of economic wealth and reflected society’s sense of pleasure. It was in the 1970’s and 1980’s that the arts came to express political views and economic self-confidence. Art was invested in with the power to foster community identity and spark economic development. In the 1990’s and 2000 art is seen as a way to re-engage the public at a time when there is a growing disengagement from political life and politics. Since the 1970’s cultural policy undertook attachment strategies to economic and social foci. This was quite different from the use of the arts for enhancing the public image of the rich or aesthetic amelioration of public space, and meant that the arts were challenged to think in new terms of economic and social measurements. On the one hand this was empowering for local communities because it was not a top-down approach of ‘high-arts’ management, but rather a bottom-up public employment of the community’s cultural resources. The use of policy attachment meant that the arts needed to think of the whole-system rather than the previous silos of the patron or the artists.

### **3.5 Beyond the Commodity**

Another way of thinking of a creative economy is one where development of the experience has a greater economic price than the value of the commodity itself. This is not only true of a typical shopping experience such as purchasing bread in a store, but it has translated to the realm of the arts and particularly in the creative economy.

Pine and Gilmore in *The Experience Economy* (1999) write how there has been a shift from an economy based on commodities to an economy based on experiences. They describe how resources in the economy can be understood in four main concepts of: commodities, good, service and experience. Commodities are non-distinguishable resources extracted from the natural world that can be sold in large quantities, for example animal, mineral or vegetable. While agriculture was a major economy in the eighteenth century, today in the United States less than 3 percent of the population works on farms (Pine II J., Gilmore, L. 1999):(7). At the next level goods are

tangible products that require inventory and benefit from economies of scale through standardized production process of raw materials. Examples of goods include soft drinks, computers and automobiles. At the third level are services, purchases of intangible activities carried out on the customer's behalf. Services are generally customized. Pine and Gilmore describe how in 1950's more than half of the U.S. population employment was in the service economy. This has grown significantly. Today more than 80% of the United States population works in the service industry (Ibid: 8). The issue with the service industry however that Pine and Gilmore offer is that it peaked and many services are experiencing a split into a downgrade to the commodity or getting traded-up for the experience. The fourth and final level of the value range is experiences. The experience economy is based on one where customer engagement is memorable and individual. These economic events are highly specialized and may use commodities and services as props. As individual economic events, the experience economy taps into emotional, physical, intellectual or even spiritual values that no two people will experience in the same way (Ibid: 12). An important additional consideration of the experience economy is time. Not only does the experience economy tap into an individual's values, it also makes a link between the experience of the event and the consumer's prior state of mind and being. As an event there is not tangible product involved. Therefore the experience event can have a long 'shelf-life' and continue to be valued long after the experience is over through the conversations and memories people share with each other. For instance Pine and Gilmore use the example that family vacations that are valued for years after through family stories and conversations. Today businesses use the experience economy in specializing their product and differentiating it from another company. This is why services are facing a choice now to either focus on the experience of the product or on the concrete aspects of their product. Pine and Gilmore write how transforming a service into an experience requires a business to focus on enhancing the experience environment through a layering of sensations at every step of the purchasing process. This is a process called 'experientialize'. Some of the examples outlined by Pine and Gilmore include limiting 'hot' items, forming goods clubs such as selling private memberships, and staging goods events such as auctions or bazaars (Ibid: 20).

In the creative economy there is also a shift to the focus on the experience. This already happened in the traditional case of attending a musical performance or going to the theatre as an experience. But more and more the focus of the consumer experience has translated into the arts through a focus on the physical space of not only the cultural institution but also the city. Entwined in the idea of the creative economy is the notion that arts production and consumption will enhance the

experience of the city. This will have an economic benefit in terms of fostering community pride, but also in attracting tourists. The reason people go to Paris is not to visit the Eiffel Tower but to experience the city of which one experience includes visiting the Eiffel Tower. Other examples of the experience economy in the arts are festivals and museums. From music festivals to street festivals these multi-cultural offerings focus on the element of surprise to make the event memorable. While surprise can happen in many ways it has to do with the space between what a customer gets and what a customer expects (Ibid: 96). There is a high element of surprise in the experience economy of the arts because artists and are continually trying to move the artistic discussion forward and they do this by challenging consumer expectations. Surprise can be both positive and negative and can be both conceptual and physical. In terms of a physical surprise an example where this has taken place is through massive cultural renovation projects. Museums are also a major arts area that has chosen to focus on the experience of the museum over than the commodity or service of the museum. The Royal Ontario Museum took on the challenge of reinvigorating the experience of their museum and recently re-opened their doors to a \$270 million<sup>5</sup> expansion and renovation designed by architect Daniel Libeskind (Arts, CBC 2007). While the renovation has expanded the building by 56,000 square feet, the anticipated purpose is to entice the public to a building that was first built in 1914. In the realm of the arts, arguably a model for the experience economy, it is not enough to exhibit a work of art or curate a show. The way to attract and attract audiences also requires a focus on the experience rather than the commodity.

### **3.6 Creating Wealth**

The creative economy means a focus on people and art. It is a concept used to describe a rise in productivity between 1995-2001 that exceed the post Second-World War boom that took place within a technology gap (between the United States and Japan) (Miller, T. 2004):(56). It was also used as a strategy for regional competition with the backdrop of the demise of the Fordist mode of production. Miller in *A View from a Fossil* states that the creative economy, as a sub-component of new capitalism. Thus along with notions of the importance of people (Florida, R. 2002) and the arts the creative economy was born from expansion of neo-liberalism policies of the market and private consumption and the reduction of government intervention (Rantisi, N., Leslie, D., Christopherson, S. 2006):(1789). This also meant that the arts had to become more

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<sup>5</sup> All figures are in Canadian dollars unless otherwise noted.

entrepreneurial and this took place in the political realm through the strategy of policy attachment and in the business realm of adopting the image of the arts to business. Purchasing cultural goods was not seen as a form of envy or wasted economic resources. Instead purchasing cultural goods was a form of exercising one's identity and obtaining an experience they wanted. Instead of governments saying that the arts were meant for beauty or civil improvement, governments promoted the idea that the arts could stimulate economic activity for the sake of stimulating economic activity. While government ministers are not necessarily claiming that 'greed is good' governments no longer frowned upon wealth creation (Oakley, K. 2004):(69). In the creative economy this means it was no longer frowned upon to generate wealth through the arts. It is not that not-for-profit organizations suddenly became commercialized, or at least not in the sense that they changed their business status. Instead the shift was broader where cities began to understand that they were competing in the market of experiences and people and the arts were one way of achieving this.

Not everyone has benefited from the creative economy however. *The Culture of the New Capitalism* by Richard Sennett describes the people on the outer edges of the creative economy (those not talked about by Florida for instance) arguing where old industry allowed for non-skilled people to have a life-time job, coherence and status in a community, today's economy of rotating CEO's, temporary work groups, in-house competition, and you're only good as you're last sale attitude means that the culture of the new capitalism also has its downsides. Sennett describes three ways of working around this. He argues that people should focus on: (1) building narrative – of what will happen, this means finding stability and being able to plan ahead for things like mortgages and family, (2) usefulness – finding meaning and purpose in what one does, (3) craftsmanship – doing something well for the sake of doing it well. This is important as it means that people need to stay in jobs longer so that they can hone their skills, and become experts instead of 'transitory' innovators. The significance of Sennett's point is that it demonstrates how there is a difference between the culture of the creative economy and the culture of other economies. The question is whether the creative economy is truly a sub-component of new capitalism or are they one in the same and culture is one of the defining factors? Has the culture of new capitalism permeated all sectors of the economy or has the culture of the creative economy influenced other sectors? In many ways the image of the business/entrepreneur/artist has even found its way into more stable sectors such as government or those remaining manufacturing sectors enhancing the potential reach of the capacities of the creative economy and possibly adding more pressure to the creative economy to succeed.

While harnessing culture is increasingly acknowledged as a key factor in successful business and economic growth, understanding the value of cultural value or the culture of the creative economy is not a straightforward assignment. Just as the definitions of 'culture' have evolved over time, a notion of culture within the economy has undergone several framings, cycling through extremes of 'art as luxury good' to 'art as social transformation'. The differing concepts are a reflection of divergent perspectives of the character of culture as private consumption versus public good. In identifying these alterations the significance of this chapter is to draw out the fractures and sometimes contradicting notions of cultural value in various spheres to better conceive how cultural is dynamic and shifting based on the economic, business, political and cultural life of a community.



## 4. Application

It is night and a bit cold. We can almost see our breath. The opening of the event is about to take place and there is an atmosphere of expectation in the air. The group thickens. It is almost like we are around a campfire but instead of being drawn by the crackle of wood we enclose an amplified stage. Perhaps the small points of pulsing green light give a clue? This is Museum Night an annual arts festival in Rotterdam. For one night all of the museums participate in opening their doors to crowds of people. Part spectacle, part experience the festival has come to mean more than a marketing tool for the city's museums as it brings people into the heart of the cultural district to share in the magic of entering a museum on the fringe. The experience is transcendental in the sense that it inspires people to see the museum in a new way and to see art on different terms. The event is also economic as expense of tickets and additional spending on food and drink in local cafés generates added revenue. There is also the possibility that Museum Night attracts people from other cities bringing in an economic impact to the city not generated otherwise. Furthermore in terms of the cultural community it may have attracted new visitors that will then return another time, therefore increasing their audience size and revenues. The value of the event can be seen both in terms of having a cultural value in the sense that it offers a way for people to learn about contemporary art, or connect with the story of a city or enjoy the beauty of a building, and has transactional value in sense that all participants were required to purchase a ticket.

But where does the tension lie? If cultural economics is about the tension between a cultural value and a transactional value than what can the study of cultural economics apply to a notion such as the creative economy? What does it capture and what does it leave out? This final chapter applies the Fundamental Tensions model to the creative economy, analyzing in detail the notion of the creative economy in terms of the different view of the Fundamental Tensions model of: Dualism; Positivism and Moralism. Following the outline of the creative economy in the third chapter the following discussion provides a first attempt and demonstrating how the main concepts of the Fundamental Tension debates can be used. When policy plans require an outline of strategies and outcomes, where does the space for creativity and inspiration come in? Can the arts be valued for their cultural value? What options are available to the policy maker? On the other side where have cultural economists failed? In studying the realm of the arts have they managed to tap into what it means to actually have an economy that is not just about the exchange of a culture good as

an isolated incident, but an entire business culture based on the values of creativity? In looking to social and discursive practices that affect the economy, and an understanding of how cultural values can be highlighted or diminished depending on the conversation. This chapter fits into the primary thesis question of where cultural economics discussion on cultural value lies in the context of larger debates of culture in the economy.

## **4.1 Dualism**

Dualism highlights the tension between the cultural value and a transactional value of a cultural good. This section looks at how the conversation of Dualism might address the creative economy through two issues: the tension between private and public aspects of the creative economy and the tension between the individual and social nature of the creative economy.

In the creative economy the tension between cultural value and transactional value that can be exemplified by the tension between private and public aspects of the creative economy, for example in the case when arts organizations such as a museum that receives funding from different funding streams and needs to balance the cultural value of their institution and the transactional value of the financing mechanisms. To expand on this point an example of a major museum in Toronto is used. The Art Gallery of Ontario is currently undergoing a major expansion at a cost of \$254 million. The expansion will mean an additional 97,000 square feet of viewing space, in other words an increase of 47%. Financing for the project came 1/3 from government sources and the rest from private donors. The major private donor was Ken Thomson who made a donation of \$64 million. Not only did he make a money contribution he also donated his private collection of over 2000 works of valued and an estimated \$320 million (CBC 2002;CBC, News Online 2006). The tension between the private and the public aspects of the creative economy mean that the interests of the private sphere need to be balanced with the public sphere. While the expansion is a significant benefit for the cultural community in Ontario and Canada by way of enhanced reach and capacity of the art gallery's programming and exhibitions, little additional exposure of the public collection currently owned by the gallery but in storage will be made because after the renovations most of the new gallery space will be filled by Mr. Thomson's private collection. While Mr. Thomson has donated his private works of art to the gallery his interests in displaying his private idea of what art should be preserved could be said to overshadow the museums' or public idea of what should be on view for future generations. It

might be said that because Mr. Thomson donated his collection to the gallery it now is on a level of public significance with the other works of art the gallery currently holds. However Mr. Thomson donated the works of art on the condition that will be displayed in gallery space separate from the current collections. The separate gallery space will be named after Mr. Thomson. While the expansion would not have taken place if it were not for Mr. Thomson's \$64 million donation, it is difficult to say if the public realm's interests are being represented. The tension between the public interests and the private interests are fierce when it comes to public galleries and private benefactors. Who wins? Is it a balanced approach? In terms of the policy implications should government ask that there be cultural benefits as well as economic benefits? Perhaps the government should ask for 1/3 of the new floor space to be dedicated to the public collection currently in storage, or does that undermine the role of the gallery to make these decisions?

In another case tension between the individual and social nature of the creative economy can be discussed in the example where a consumer purchases a CD. The cultural good is purchased with the private money of the consumer. The tension between the cultural value and the transaction value comes from the way the consumer values the cultural meaning or significance of the music against the price of the CD. While it may first seem that the example lies only in the private realm, the issue becomes larger when the consumer also values the fact that other people in her social group also know the musical artist. In this situation the consumer values the public aspect of the cultural good and is willing to choose a musical group that more people know than less because it will give her the opportunity to share her experience with other people. Therefore when thinking about the private purchase of cultural goods there is a tension between the cultural value and the transactional value in term of how the consumer evaluates their own cultural values in relation to the price of the good. This is an issue that also crosses into the public realm for instance when social connection and interaction relate to a private decision to purchase a good or not. Policy makers may want to think about the tension between a cultural value and transactional value not only in terms of the gross expenditures of the record industry, or consumer spending on entertainment, but also when people value cultural goods both in terms of their own personal preferences and because of the social connectedness they can gain from sharing and talking about it with friends.

These examples show that in creative economy Dualism highlights the tension between balancing a cultural value and a transactional value. Cultural policy makers may want to see Dualism not

only in terms of cost-benefit analysis of investments, but also understand a Dualist approach in terms of ensuring that the cultural value of the project is in balance with the transactional value of the project. Is simply giving money to a museum for their renovations enough or should there be a requirement that the museum demonstrate not only that more jobs will be created and that the government will get its money back in taxes, but that there will be a cultural benefit too and that cultural impact will benefit the public. The problem however is that government involvement in evaluating the arts has largely had a negative connotation and that the separation of politics from aesthetics has been mutually condoned as politicians do not want to be held accountable for artistic decisions and the artist does not want politicians to be judging their work. In the examples used the tension of a cultural value and a transactional values found its stress on the difference between the individual and the social, the private and the public. Can Dualism address the larger issues of the creative economy such as the emergence of cities, the focus on people and arts and the shift to a market of experiences rather than commodities without going into the realm of the individual and the social? Perhaps while highlighting the tension of the cultural versus transactional value Dualism has a weakness in holding its structure in the face of sociological examples of this tension. Can cultural policy address the individual and social, the private and public, and if not can the discussion of Dualism ever find a place in cultural policy of the creative economy outside the cost-benefit analysis?

## **4.2 Positivism**

What is the relevance of Positivism? It is the most dominant method used in cultural economics for evaluating the arts as cultural economics applies economic theory to the realm of arts and culture. The Current Approach to defining cultural economics is fabricated on upholding the Positive view. But just because it is dominant method and framework for defining the field does not account for its relevance. Positivism is based primarily on accounting for the transactional value of a cultural good, though how does this relate to the transactional value of the creative economy? In the way that it relates to the creative economy is that it translates the value of the cultural goods into economic terms and makes the exchange of cultural goods comparable to the exchange of other goods.

Translating the value of cultural goods into economic terms has been an important mechanism in increasing financial resources for the arts sector. The very notion that politicians and cultural

leaders can speak about a creative economy is one that is framed by at least by some Positive thinking. By emphasizing the economic return on arts subsidies policy makers demonstrate that the arts can be a good investment separate from their cultural value. This can be beneficial for the arts particularly if there are political biases against the arts. For instance if politicians think that the content of the art is not valuable, then at least they can justify subsidies for the arts based on the economic value of the arts. Examples of the economic impact of the arts include calculating number of jobs and returns to government through tax revenue. For instance the Americans for the Arts produced a study in 2002 that showed that the American not-for-profit sector generated \$134 billion (US) in economic activity each year and supported the equivalent of 4.85 million full-time jobs (Arts, Americans for the 2002). Returns to government in terms of tax dollars was over \$24 billion (US) at the local, state and federal levels (Ibid). The problem with this kind of impact study is while it attempts to compare the cultural sector to other economic sectors, it focuses on the not-for-profit cultural sector but does not address the impact of the entire creative economy. Because the creative economy is a mixture of not-for-profit and for-profit industries it means that calculating the entire impact of the industry is difficult. Moreover justifying calculating the economic impact of an industry that does not receive government subsidies alongside an industry that does seems needs to rationalize. This said some for-profit organizations also receive some kind of government support either through tax breaks or policy incentives. Therefore in terms of the creative economy Positivism seems to work on two levels: that of calculating the economic impact of government supported not-for-profit cultural organizations; and that of allowing the market to function as a market system. Because of this split the Positivism seems to have difficulty in actually representing the entire scope of the creative economy and requires other mechanisms such as definition boundaries through financing or through classifying of goods to become relevant. Therefore within Positivism the tension between a cultural value and a transactional value relates to the creative economy in questions on how to represent the creative industry. Is measurement the only mechanism for Positivism to address the creative economy?

Positivism can also address the creative economy through the application of economic theories. For example Positivism can help museum directors with calculating the affect of a price change on admission on attendance. This can be helpful as the cultural value reasons for implementing a price change may not be achieved through the market mechanism or for instance in thinking of the cultural value of a cultural product through the idea of public externality or private psychic benefit. By understanding the cultural value through these terms a positive view allow something

like a cultural value to be talked about in economic terms and allow some kind of ranking or at least preference ordering methods to be applied.

### **4.3 Moralism**

Is the creative economy a moral subject? Perhaps it can be seen as a moral subject in the way that attending a concert can tap into someone's sense of what the proper way to spend a Saturday evening is. More typically it can relate to someone's experience of seeing a painting in a museum. What about purchasing a book? Is this a moral act and can it even be thought of as part of the creative economy? Where Moralism finds its way into the discussion of the creative economy may relate to the experiential aspect of the creative economy rather than the commodity aspect of the creative economy.

In the experience economy (Pine II J., Gilmore, L. 1999) in the experience economy the customer may engage at different levels. For instance consumer can engage in the economy through either a passive or active consumption. In a passive consumption the consumer does not directly influence the performance of say a musical piece, but she can feel sympathy or fear based on the performance. Alternatively the consumer can also be active in the experience, for instance in the case of where a consumer is actively affected by the performance. Pine and Gilmore use the example of skiing. An example from the arts might come from Abbing (1996) who proposes that artists may be active consumers because they derive pleasure from spending their time in making art. Other aspects of the experience economy include absorption (occupying one's attention), immersion (becoming physically or virtually part of the experience) and aesthetic (privileging the moment). Because the experience economy relates to intangible aspects such as memory and engagement it has a natural link to Moralism and the culture value of the creative economy rather than a transaction value. Therefore questions that may be asked from a Moralism perspective in regards to the creative economy include are we: allocating the resources to the right kind of cultural production; supporting the unique values the cultural sector produces; allowing for difference, change and flexibility in the advancement of the art production? Moralism demands that policy makers apply a normative evaluation scheme as to ethical and cultural effectiveness of their decisions.

On the one hand this is a good thing as it allows policy makers and government a space to be critical of their policies without necessarily overtaking the cultural sector's place for making decisions about their own future. It also allows policy makers a chance to reflect on the value of cultural values outside the logic of the government and the logic of the market. But this idea of a reflection may be idealistic as policy makers may always (at the very least) the logic of the government in mind when making decisions. Therefore Moralism may require other advocates outside government such as artists themselves or the public. This has been the case in the past when for instance the Bloomsbury group, who saw the economy as a moral subject, was largely comprised of artists. Does that mean that to think in Moralism terms that it requires pre-contact with the arts, or an innate understanding of the capacity of art for inspiration and transcendence? In arguing for the exceptional nature of the arts, must the advocate in fact have experienced this exception herself? What if the advocate hasn't experienced this, will Moralism fail to get the attention it needs? Moreover because each experience is different how is possible to communicate the exceptional nature to someone who has not experienced that exception or has a different conception of what that exception means.

The way that Moralism can connect to the creative economy then is by understanding that the creative economy does have a Moralism side, a transcendental side and an exceptional quality. Understanding the transcendental quality of the creative economy is also important as may shift the goals of why to foster the creative economy. But Moralism may also be limited when applied to an entire economy as market transactions take place, and these need to be valued too. Not to mention that Moralism may be compromised by the values of the market and government sphere. Therefore Moralism as it relates to the creative economy may have to come from enlightened policy makers or from advocates outside the government and market realm. Moreover Moralism if it is truly applied to the creative economy will have to address the Moral aspects of the creative industries and not just the not-for-profit organizations or the individual artist. Can film or broadcasting be understood in Moralism terms?

#### **4.4 New Directions?**

Can the application of cultural economics to the creative economy go beyond economic impact studies and cost-benefit analysis? In applying the Fundamental Tensions model this thesis makes a first attempt at understanding different conversations found within cultural economics as a means of applying it to the creative economy. It can be seen through this first attempt that the

Fundamental Tensions model shows that each conversation has its own possibilities and own limitations. However what is important is that the Fundamental Tensions model be understood as a different approach to cultural policy analysis and presents different options for the policy maker to make their arguments. It also points to how some conversations may be better suited to different realms of thinking. For instance the Dualism conversation may be better to today's government logic because in its balance of cultural and transactional value it fits in with third-way politics because it balances market forces with social responsibility. It advocates entrepreneurship while fostering public engagement in political life through the arts. However in the Dualism the issue of the Fundamental Tension between a cultural value and a transactional value in the creative economy is limited by the inclusion of the aspect of the individual in relation to society. It is the difference between how one person forms or evaluates a sense of a cultural value versus a transactional value and how that takes shape at a societal level. If the two are different, does Dualism need to be understood through different levels? Dualism benefits from rhetorical persuasion of the benefits of a cultural value on a transactional value, but causality between the two sides is unproven, moreover there is a danger that a causal link will be implied, making the arts accountable for an economic downturn, as well as an economic return.

In terms of Positivism more can be done to make links between the scientific literature found in cultural economics and the kinds of Positive arguments made for the arts on behalf of policy makers. Perhaps Positivism can delve into the conversation of the creative economy by trying to show its links not only explaining some of the intangible aspects of the creative economy such as psychic benefits, but also in explaining (rather than tabulating) the transactional value of the cultural sector for instance through elastic studies or market studies. Considering that policy makers are already keen to talk about the Positive aspects of the creative economy this may be an entry into the conversation for cultural economics and ensure its continued relevance.

Finally Moralism is tied to experience. It advocates using a different logic in addressing the arts that sits outside the government and market realm. It says that arts have a value with out considering the social or economic returns. Except that in its argument for exceptional status application of the Moralism view may be limited. It requires advocates outside of the government and market realms and this may fall to the arts community or the private patron in the third-sphere. If Moralism wishes to address the creative economy its challenge is to take on the moral aspects of the creative economy that are entirely market driven. Staying within the not-for-profit side limits the impact of the Moralist point of view and further marginalizes it. Moralism must



address the creative industries, commercial art galleries, the distribution channels of the creative economies and market transactions involved. Moralism could also address the technological and size factors found in the creative economy, and that are different from an economy where cultural goods are bought and sold. Moralism could do more to address the critique of Positivism in explaining why some cultural goods and some cultural goods are priceless, though this discussion would need to be then related back to the creative economy and possibly show how the industry characteristics aspect of the creative economy including the focus on people, the emergence of cities and agglomeration affects allow for an enhancement of the Moral aspects of the creative economy to emerge, further elevating the tension between the cultural and transactional value of the arts.

## 5. Conclusion

From creative workers, creative industry to creative economy, the sector that works with ideas is growing. In the United States bohemian jobs from software designers to artists comprise 12 percent of the workforce, up from 5 percent a century ago (Dreher, C. 2002). Not only does the story go that the total workforce in the creative sector has grown, it is growing faster than other industries. In Toronto between 1991 and 2004 the creative industries grew at an annual rate of 3.1 percent, compared to 2.3 percent for the entire labor force of the city (Gertler, M. 2006):(17). While there is an emphasis on measuring the creative economy an understanding of how cultural economics can add a new dimension to approaching the subject. The issue is that a question of value is everywhere. It is hard to distinguish between the cultural value of visiting a museum and the transactional value of visiting a museum. For this discussion to gain ground it needs to construct a better model for mapping its relevance.

An analysis of the Current Approach of defining cultural economics was made in chapter two. It discussed how writing on arts and culture in the economy in western economic history is small but can be traced as far back to the writings of the political philosophers and economists from the sixteenth to eighteenth century. It is generally accepted that the modern study of cultural economics began in mid-1960 with the publication of William Baumol and William Bowen's book *Performing Arts: The Economic Dilemma* (1966). While cultural economic texts generally leave the definition of art open this thesis references Throsby's (2001) attempt to offer a definition of art based on creativity in its production, some symbolic meaning and the potential for intellectual property rights. In looking at the analytical topics the core list includes: taste formation; the art market; artist labor markets; Baumol's cost disease and public policy. Using topics to define cultural economics is useful in illustrating the discussion breadth and how the field covers a diverse mix of areas of inquiry.

The Fundamental Tensions model is a construction based on a notion that cultural economics studies the tension between cultural value and transaction value. The difference between the Fundamental Tensions model and the Current Approach is that Fundamental Tensions is not about placing the arts within a received theory or context of economics but in revealing a discussion described by a double discourse. In the Fundamental Tensions model this debate is

presented through three conversations: Dualism; Positivism; and Moralism. Dualism is about balance; cultural goods are acknowledged to have both a cultural value and a transactional value. Positivism treats cultural goods like other non-cultural goods and does this through empirical evidence and 'Moralism' describes a view where a cultural good or experience can stand for something more than the object or experience itself without consideration of social or economic returns.

The problem with Dualism is not so much the notion that a cultural good has a transactional value and a cultural value, but rather that the rhetoric of publicly funded arts and culture presents a notion that the two are causally linked. The significance of Dualism is its unique view of a cultural good that can have both a transactional and cultural value, and while these two sides cannot be compared they are given equal legitimacy for their distinct perspectives. Positivism is a success to those wishing to rid art of its exceptional and elitist nature, but it requires a caution in its capacity to illustrate all the unique aspects of the cultural sector. The idea that the arts are exception has translated into the policy realm through the recent UNESCO convention on cultural properties which adopts a Moralistic approach. The caution against a Moralistic approach is that in its exceptional nature it is limited in its applicability.

An understanding of the Fundamental Tensions in the debate of cultural economics does not come without its problems. Problems include whether cultural good equals public good and does the model particularly lean towards the Dualist view rather than either the Moralistic or Positive view. Finally to test whether these views are separable and identifiable in the debates a review of Goodwin's article *Art and Culture in the History of Economic Thought* (2006) was made. However a full picture as the modern debates of Blaug, Throsby, Towse and Klammer are not included in this article.

The creative economy is based on the idea that the value of the cultural good is not on its price alone. In the creative economy the cost-of-production might never represent the final worth of a cultural good because notions of consumption have changed and are more based on social/cultural values than on the cost-of-production. Another way of thinking of a creative economy is one where the experience has a greater economic price than the value of the commodity itself and it places a large focus on people, art and cities. The creative economy is understood as a sub-component of new capitalism

Sennett attributes the start of new capitalism to an economic transition from industrial manufacturing to financial markets upon the breakdown of the Bretton Woods agreements. The affect of these policy changes meant a turning point for the economy where wealth that had been restricted could be invested around the globe. Traditional factors such as geographic location or physical infrastructure were not as influential in growing economies before new capitalism. Cities embraced a notion of arts as a vehicle for economic growth through focusing their attention on people. To implement cultural strategies an approach called policy attachment was used. This is a strategy where a weak policy area with limited political influence connects with other concerns that are more prominent in the political discourse at the time.

In the fourth chapter the application of the Fundamental Tensions model is made. It is shown that Dualism highlights the tension of a cultural value and transaction value but wonders if it will ever find a place in cultural policy outside a cost-benefit analysis? Within Positivism the question remains whether measurement is the only mechanism for Positivism to address the creative economy or can the application of economic theories be increased or enhanced? Where Moralism finds its way into the discussion of the creative economy may relate to the experiential aspect of the creative economy rather than the commodity aspect of the creative economy. Moralism demands that policy makers apply a normative evaluation scheme as to ethical and cultural effectiveness of their decisions but Moralism may also be limited when applied to an entire economy as market transactions take place, and these need to be valued too.

Through the thesis it has been show that the current approach to defining cultural economic lacks a recognition of the current debate taking place within cultural economics in regards to the tensions between a cultural value and a transactional value. This thesis constructed this additional component, developed it, tested it and applied it to the creative economy. Cultural economics can address the notion of the creative economy through the idea of a Fundamental Tension and this gives policy makers further options for making their arguments. It also points to areas where cultural economics can do more to address the questions of the creative economy such as whether a cultural value is included in a public good characteristic and whether Moralism can address cultural industries that exist purely within the market realm. In constructing a model of the Fundamental Tension this thesis adds a new way of mapping the cultural economics debates and further testing and use of different topic areas such as taste formation or art markets could be next steps.

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