CULTURAL ECONOMICS, COPYRIGHT AND THE CULTURAL INDUSTRIES*

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Introduction

The last hundred years has seen the growth of cultural industries delivering information, mass entertainment, 'low' and 'high' culture to a global market. Their development was made possible by successive technical discoveries of sound recording, film, radio, television, photocopying, laser printing, digitalisation and the Internet. They have transformed the production and consumption worldwide of the arts, entertainment, education – cultural goods and services – as well as altering other economic behaviours, fundamentally changing social and political life. These new media have had an enormous impact on the production and consumption of culture and have necessitated the adaptation of copyright law. The backbone of the cultural industries, like the arts, is the labour of creative men and women, artists of all kinds – writers, composers, visual artists, actors, musicians, craftspeople and the rest. They produce cultural content that embodies some spark of creativity, talent, or novelty; this content is delivered to audiences, art-lovers, consumers - the public - by the firms in the cultural industries. Both content and delivery are protected by copyright. Most firms in the cultural industries are for-profit, market-based firms, some huge multi-national corporations, some small-time enterprises; some are subsidised or regulated by governments. They all want the state to protect their property rights by copyright and other intellectual property law. Thus copyright becomes part of cultural policy through the cultural industries. That is now stated policy in the UK and copyright features in the cultural policy of other countries, for example, the USA, Japan and Australia.

Interest in the economics of cultural industries has recently sprung to

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life; even a few years ago, this was not a well established area of cultural economics, nor even a widely accepted one. That may have reflected the lack of interest in them, indeed their negative image, in cultural policy (Bennett, 1991, and O'Connor and Wynne, 1992). The British government, with its virtual obsession with them, has chosen the term the 'creative industries' to encompass the 'traditional' arts in an even wider definition of cultural industries than has been adopted elsewhere. The Department of Culture, Media and Sport's *1998 Mapping Document* (DCMS, 1998) of UK creative industries covers advertising, architecture, the art and antiques market, crafts, design, designer fashion, film, interactive leisure software, music, the performing arts (i.e. theatre, opera, dance, live music, mime, circus), publishing, software and television and radio (broadcasting). In this paper, I discuss the development of this interest, the question of definitions, the economic analysis of these industries, policy on cultural industries and review work on them over the last few years in the UK and in the Netherlands.

Defining the cultural industries

The first champion of the cultural industries as part of cultural policy was Girard, a senior figure in French cultural administration (Girard, 1981). As is well-known, the term 'cultural industry' was introduced by Horkheimer and Adorno in *Dialektik der Aufklärung* in 1947 in a pejorative way to suggest the erosion of the arts by mass culture. Girard took a more pragmatic stance, arguing the case for inclusion of the cultural industries in cultural policy-making in a 1972 paper for UNESCO (Girard, 1972). However, this plea was still being repeated in 1981 in the *Journal of Cultural Economics.* As he memorably wrote:

"those responsible for cultural policies have persistently turned a blind eye to the growing importance of these industries in people's leisure time……. The conclusion that inevitably springs from this observation is that far more is being done to democratize and decentralize culture with the industrial products on the market than with the 'products' subsidised by the public authorities". (Girard, 1981, p.25).

Girard's list of French cultural industries was broadcasting, publishing, music ('records') and films; he considered whether newspapers and magazines should be included as ‘cultural’ products and also the inclusion of advertising; thus his list was the same as that of the UK Ministry thirty years later, minus the ‘high’ arts. His primary concern was that of the cultural policy-maker, that, on the one hand these industries were already increasingly satisfying people’s demand for the arts and entertainment through the ‘democratization of the market’ - for many with a higher quality product than could be obtained in live performance outside major cities - and, on the other hand, they are private enterprise, market-orientated industries whose purpose is to sell copies rather than to worry about cultural content, which, of course, cultural policy could not determine. (The significant exception to this at the time was broadcasting, since radio and TV were under some form of state ownership throughout Europe). Girard identified a range of financial, fiscal and regulatory measures available to policy-makers for achieving public policy objectives in the cultural industries as in the arts, that is, he proposed an integrated cultural policy. These measures included quotas on foreign (usually American and English-language) TV and film imports, the latter eventually to cause major problems for France and Canada in the Uruguay Round of GATT in the 1990’s (see Acheson and Maule, 1999).

In the 1980’s, cultural accounting, that is, the collection of statistics on a wide range of arts and cultural industries, began to be done, stimulated initially by UNESCO and supported in Western Europe by the Council of Europe. From the diversity of data that emerged from this process, it became obvious that one country’s ‘cultural industry’ was another’s ‘subsidised art’ sector. Every attempt to compile internationally comparable statistics required expert knowledge of each participating country’s cultural perceptions and policies; so, for instance, the newspaper industry was subsidised in France, while the ‘freedom of the press’ in the UK required it to be totally independent of government. Different countries took different views about how much and for which reasons they subsidised their cultural industries, if at all. The French concern with its distinctive culture and language and the desire to fend off Americanisation and the spread of English, had defence of its language as a prime motive for subsidy of film, publishing and broadcasting. So do many other countries. Figures for the Netherlands are instance of this: the Dutch language share of book titles was held to around two-thirds from 1970 to 1988, while broadcast product in Dutch was around 70 per cent, due to the assistance of the Development Fund for Dutch Cultural Broadcasting

Productions, which in 1993 had a budget of Nfl.30 million (Myerscough, 1994). Even in the UK, with its huge advantage of the English language and the economies of scale in publishing, film and TV production etc that that allows, some aspects of publishing, for example, poetry, are subsided, as are Welsh and Gaelic language TV.

Thus the question of how to define cultural industries cannot be answered independently of the specific issues and objectives of cultural policy. Attempts to solve the problem by recourse to using state subsidy as a guide are doomed to failure; it simply is not possible to draw a line based on what cultural products are subsidised and view one side of the line as 'art' and the other as 'mass entertainment' supplied by cultural industries. That approach somewhat dogged UNESCO's and the Council of Europe's early efforts at cultural accounting. Those efforts have been rewarded, however, by vastly improved (though still far from perfect) cultural statistics in European countries as witnessed by the Council of Europe's national reports on France, Sweden and the Netherlands and by individual national government's own attempts to estimate the value of the arts and cultural industries in Gross National Product.

Measuring the value of the cultural sector

Two related motives underlay what could be dubbed the move from cultural accounting to National Income accounting for the cultural industries in the 1980's. One was the understanding prompted by international comparative work on cultural accounting, not only, as argued above, that perceptions and practice vary in different countries, but also that the subsidised arts and the cultural industries are heavily intertwined on both the production and consumption sides. Studies of artists' labour markets and of the use of artists' time were particularly instrumental in demonstrating this. This was, for example one of the findings of my enquiry into the market for classically-trained singers (Towse,1993). The second motive was what could be called 'facts for advocacy' - the, to an economist, curious belief that policy can be influenced by the presentation of facts about that for which support is sought. This belief (which, one has to say, seems to have been vindicated in the UK, at least by its results) rests on the notion that 'size counts' – the bigger the item under investigation, the more it counts politically. The cultural industries, initially sneered at by the 'pure' arts lobby, conveniently boosted the figures and added weight to the size and value of the cultural sector. Thus they gained a sort of back door admission to a newly conceived integrated cultural sector. And the exercise subtly changed from being a positive one of fact-finding to normative study of the economic importance and impact of the arts, broadly defined now to include the arts aspects of the cultural industries (Myerscough, 1989).

Where does economics come into this picture? Indeed, where did *economists* come in?

As one who was partially involved, these are interesting issues to review with the benefit of hindsight. One problem was that the pioneers of economic impact or economic importance of the arts studies were often non-economists who did not (or chose not to) fully understand the hazards of double counting and the aggregation problem in national income accounting. What they did choose to understand, however, was the multiplier effect, which was wonderful: not just was the sector large, it could be increased by the application of a proper economic idea! But even when economists were responsible and able to control measurement, they often found their results hijacked and blown up out of all proportion (van Puffelen, 1996). The size of the cultural sector was increased by including the cultural industries and by ascribing tourism to the presence of arts and heritage facilities. When economists criticised economic impact and other such studies as contravening basic economic logic and Ministries of Finance, such as the UK Treasury, dismissed them as unsound and anyway inappropriate as advocacy, arts lobbyists were both shocked and angry as they believed they had done the right thing by taking economists on board.

An example of this type of advocacy was Myerscough's study of the economic importance of the arts in Britain (Myerscough, 1988). This was in fact a concoction of nationally available data and three local studies. The local studies followed a well established pattern of economic impact studies in the late 1970's and the early 1980's in the USA, where the National Endowment for the Arts sponsored surveys of several US cities and, most successful of all, the New York-New Jersey metropolitan region study published in 1983 (see Heilbrun and Gray 1993, Chapter 15 for a convenient summary and references). The proliferation of these studies had already prompted economists to question both procedures and the economics utilised in them (Seaman, 1987). However, Myerscough went even further than these studies by attempting to aggregate the local results over the whole of Great Britain, oblivious of the fact that the supposedly marginal nature of the analysis makes it untenable at the national level - that one locality's exports must be another's imports. Moreover, as one is looking for value-*added*, and not value, additionality must be established since consumers and producers have alternative uses for their resources - put at its simplest, that people would eat anyway even if they did not go to the theatre and have supper nearby!

Notwithstanding the problems of this and other economic importance or impact studies, they stimulated an interest in gathering data on the arts and on the cultural industries and on employment in the cultural sector as a whole. However, it took the supercharged context of advocacy to knee-jerk widespread interest in fact-finding exercises of this kind.

The facts that were summarised in the Myerscough *Economic Importance* volume showed that in 1985 in the UK, of the total of £3,992 million ascribed to the so-called arts sector, £3,057 million came from what we would now call the cultural industries, i.e. broadcasting, film, video and cinemas, publishing, the art trade, the music business (recording) and crafts (the last named contributing £77m.). Thus the cultural industries by far dominated the cultural sector as a whole, a fact much remarked on at the time by critics of the study on one (or both) of two counts, that they were not 'high culture' and that they grossly inflated the 'true' figure. The benefits to trade bodies and the like of data-as-advocacy have now been established and we see the different cultural industries displaying themselves in the hope of political favours. In the late 1990's we saw exactly the same process of data-for-advocacy taking place with the cultural industries as happened a decade before with the subsidised arts. The difference was that the subsidised arts sought government financial support whereas the cultural industries seek government protection through copyright law.

Another difference between the subsidised sector and the cultural industries is the availability of statistics about them: while the subsidised arts are publicly accountable, the cultural industries are not and, short of some juridical intervention, such as an enquiry by the anti-monopoly authorities, or other regulatory process it is difficult to obtain verifiable data unless firms in the industry agree to provide them. They have the incentive to do this only when they believe something is to be gained thereby. At the end of the day, it is really only governments that have sufficient resources and powers to do proper National Income accounting in the cultural sector and that is what the UK *Creative Industries 1998 Mapping Document* is. However, this is not yet part of the regular process of national data collection and, so far, was a one-off exercise undertaken under the supervision of the DCMS (Department of Culture, Media and Sport) rather than by the Office of National Statistics. Moreover, the publication is not one of dry data but is loaded with normative comments and observations, while it lacks standard statistical conventions, such as the year to which the data relate (DCMS, 1998). Despite these shortcomings, this represents the most reliable source of statistics to date on value-added in the arts and cultural industries in the UK. Definitional issues still need to be ironed out and primary data collection needs improving, though, especially of employment and self employment when the exercise is repeated. Table 1 summarises the key statistics on the UK Creative Industries.

Table 1

UK Creative Industries: Revenue, Exports and Employment (1997) [1]

	Estimated Revenues £m	Exports £m	Employment
Advertising	>4,000	565	96,000
Architecture	1,500	250	30,000
Arts & Antiques Market	2,200	1,300	39,700
Crafts	400	40	25,000
Design	12,000	350	23,000
Designer Fashion	600	350	11,500
Film	900	522	33,000
Interactive Leisure Software	1,200	417	27,000
Music	3,600	1,500	160,000
Performing Arts	900	>75	60,000
Publishing	16,300	1,900	125,000
Software[2]	7,500	n.a.	272,000
Television & Radio	6,400	234	63,500
Total	>£57bn	£7.5bn	c. 1m

Source: *Creative Industries 1998 Mapping Document* (DCMS, 1998)

Notes: 1) I assume the year is 1997 in the absence of that information
2) No figures available for exports

It will be noted that the large total figure (size counts to the DCMS too) is revenue not value-added. In 1995, value-added in creative industries was £25 billion, four per cent of UK Gross Domestic Product - bigger, as is stated, than any manufacturing industry! For even this official government exercise is tainted with the motive of propaganda. The opening pages of the publication state:

"The creative industries occupy an increasingly important place within the national economy. However their importance is not yet widely recognised. Nor has there traditionally been any formal co-ordination across Government of policies designed to promote them, which are the responsibility of several government departments. The Creative Industries Task Force was established in June 1997, with the aim of providing a forum in which Government Ministers could come together with a few senior industry figures to assess the value of the creative industries, analyse their needs in terms of Government policies and identify ways of maximising their economic impact." (DCMS, 1998; 3).

What is the value of these studies and mapping exercises and do they contribute anything to the study of cultural economics? The Myerscough study was self-confessedly concerned to establish the importance of subsidy to the arts and cultural industries. However, most of the cultural industries, as noted by Girard long ago, are independent private enterprises. There is a fundamental confusion at the base of the attempt to demonstrate the economic importance (i.e. measured size) of an art form or cultural industry. If it is so big and important and therefore, according to this way of thinking successful, it should not need subsidy! If it needs subsidy, it must be a lame duck industry. That is a matter for industrial rather than cultural policy. We subsidise the arts and culture for their cultural not their economic significance; why, then, make the case on the basis of size and economic success?

Where size does matter to an economist is in respect of firm size within an industry; the industrial structure (microeconomics) is more significant than macro share of GDP. The question of regulation, particularly of global media corporations depends far more on the size of firms within the industry than on the size of the industry per se. And that is an important problem for cultural economics.

International trade, globalisation and the cultural industries

Despite a very promising start by Seaman (Seaman 1992), the study of international trade in cultural goods has been a relatively neglected area in cultural economics until recently (see Mas-Colell 1999, Schulze 1999). Specific commodities for which trade is restricted, such as the export of art and artefacts and cultural content restrictions in imports of film and TV have attracted interest (Giardina and Rizzo, 1994, Acheson and Maule, 1999). But there are few general restrictions, other than those connected to copyright, in the trade of goods produced by the cultural industries, though immigration laws often restrict work permits for performers' services (usually at the behest of national trade unions, such as Actors' Equity). Most cultural products and many artists serve global markets and globalisation is widely believed to be a feature of the Information Age. However, that is not easy to test as evidence is inadequate; this is another area of cultural economics that calls for basic data collection and analysis. Schulze (1999) provides a useful summary of International Monetary Fund (IMF) trade statistics for standard industrial classifications of the art trade, sound recordings and publishing; the total (for 154 countries) was US$3,587 billion averaged over the years 1990-94. Schulze also looked at import:export ratios and, for sound recordings (51 percent of total trade), identified ten countries that were net exporters. Surprisingly, this did not include the UK or Sweden (though it included The Netherlands), countries that have made much of the importance of their music businesses as a source of foreign exchange earnings as net exporters. In 1997, according to the DCMS *Mapping Document*, the UK had seven percent of world sales, in fourth place to the US, Japan and Germany (Netherlands had 1.6 percent and Sweden one percent); in 1993, UK had net earnings of £324 million from sound recording (and £571m including all music business items, i.e. music publishing and instruments (the latter a net import), performance income and musical theatre (DCMS, 1998). This difference between these results demonstrates yet again that cultural statistics are still too poor for accurate comparison.

Employment in the cultural industries

There has been a great deal of interest in artists' labour markets in cultural economics over the last twenty years. Apart from the US, where the large population allows detailed census classification, enabling analysis to be done from published official statistics, most of the work on artists and craftspeople in other countries has been based on surveys. Problems of defining and identifying artists (as well as the perpetual problem of low response rates to questionnaires) have been a feature of this work. Concern about unemployment and changing labour market institutions in many sections of the economy and the ascending importance of information based industries have combined to stimulate official interest in employment in the cultural industries and arts in several individual European countries and on the part of the European Commission. Table 2 summarises the picture for the European Union as a whole.

Table 2

Number of persons* directly employed in the cultural sector in the European Union (1995)

Country	Total	Performing Arts	Heritage and Education	Cinema and Audio-visual	Publishing and Recording	Press	Crafts
Germany	1,00,760	100,000	80,000	200,760	170,000	-	450,000
Austria	3,681			3,681		-	
Belgium	57,653	12,400	10,970	20,889	6,485	-	6,909
Denmark	17,599		2,900	14,699		-	
Spain[1]	257,113	42,400	21,930[2]	88,523	32,260	-	72,000
Finland	33,566	9,060	8,560	7,025	1,971	-	6,950
France[3]	745,158	160,000	96,400	177,108	95,180	66,470	150,000
Greece	10,134			10,134		-	
Ireland	31,536	6,150	1,500	6,086	1,800	-	16,000
Italy[3]	495,583	104,000	36,413[2]	144,023	64,201	63,946	83,000
Luxembourg	2,320			2,320		-	
Netherlands	151,647	35,000	15,961	57,186	22,500	-	21,000
Portugal	35,918	12,000	4,000	8,918	2,500	-	8,500
United Kingdom[3]	511,743	90,000	71,600	198,543	25,400	101,100	25,000
Sweden	60,907	33,000	3,500	10,907	3,500	-	10,000
Total	3,415,318	604,111	353,734	950,802	425,797	231,516	849,359

Notes:

1) To this total the Spanish add the graphic arts and related activities, audiovisual equipment, manufacture of musical instruments, photographic and cinema laboratories

2) Excluding art teaching but including architecture.

3) Including the press

* The figures given are estimates derived from diverse sources. They relate to the number of people working in the cultural sector regardless of status (full-time or part-time).

Source: European Commission (1998)

Comparison between Table 1 and Table 2 for the UK shows a considerable disparity; the European Commission figure is half that of the Creative Industries Taskforce's *Mapping Document* and the gap cannot be explained just by the difference in year. A different definition of cultural industries has been used; for example, the EU document does not include the art market. On the other side, the DCMS document does not include the heritage, which is a large employer (depending, of course on what is included in heritage). There is, of course, no correct way to define these industries, as we saw earlier. It is just a matter of arbitrary decision and adopting a standard for the whole of Europe and internationally.

The other problem with the figures in Table 2 is that they relate to persons not jobs and include part-time as well as full-time workers. They seem to include self-employed workers in the cultural industries, who dominate crafts and visual art production and are increasingly to be found in the performing arts (where in several countries the performer can choose her employment status) and in film and television programme production. Again, this is a matter of adopting a standard definition. Whether artists and cultural workers are employed regularly, on full- or part-time, on short-term contracts, occasionally etc. depends upon both industrial structure and finance as well as institutional labour market regulations in individual countries.

Finally in this section, we can compare these figures from Great Britain with those of France in the performing arts and the audio-visual industries, in Benhamou (1999). The growth of employment (employees only) in the French cultural industries was 73 percent from 1982-1990 and 36 per cent for equivalent industries in Britain. For occupations, the figures were France 48 per cent, Britain 25 per cent, reflecting, among other things the considerable difference in the economic climate of the arts under Mitterand and Thatcher. These selected figures give a flavour of the problems to be solved before confident statements can be made about employment at any one time in the cultural industries and about the growth of the employment they provide, however defined.

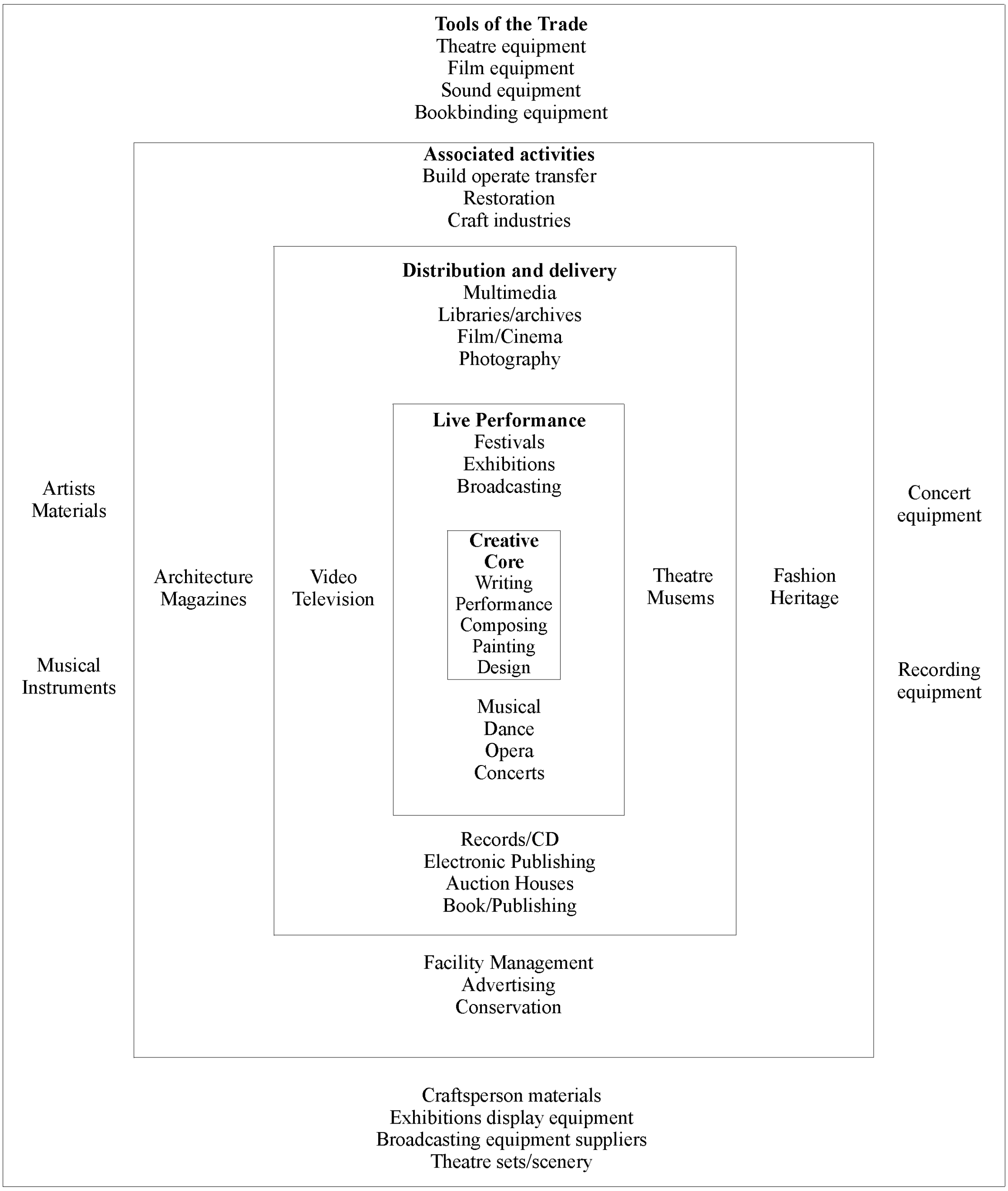
Copyright as the basis for defining the cultural industries

A unifying feature of the cultural industries is that at their core is creativity protected by copyright. This has been explicitly recognised in the UK where copyright is now viewed as the organising principle of the creative industries. The Creative Industries A unifying feature of the cultural industries is that at their core is creativity protected by Task Force set up to review cultural policy took as its definition:
"those activities which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property" (DCMS, 1998).

The centrality of the individual creator is captured in Figure 1, a figure that was used by the Task Force. All but the outside layer 'Tools of the Trade' are activities that are protected by intellectual property law.

Figure 1

Creative Industries Task Force



Given this broader approach to cultural policy, it is appropriate that the Department for Culture, Media and Sport rather than the Department of Trade and Industry (DTI), previously responsible for policy in relation to some of these industries, should have the creative industries under its remit; copyright, however, is still dealt with by the Patent Office under the DTI. In Australia, matters have been taken further with the formation of the Department of Communications, Information Technology and the Arts, which is responsible for IP as well as cultural policy[i]. By contrast, cultural industries in the Netherlands are not perceived as part of cultural policy. Though it is clear from policy statements of the Ministry of Education, Culture and Science (1998) in the Netherlands that copyright is important for cultural policy, and even though media policy is administered by the same Ministry, the two are viewed as separate entities. There is not the same emphasis on the cultural industries having common cause with the traditional subsidised arts nor an appreciation that copyright is a binding force; copyright policy seems to be divorced from cultural policy and is handled by the Ministry of Justice.

Nevertheless, there have been three successive studies done by SEO, the Foundation for Economic Research of the University of Amsterdam, which demonstrate the growth of these industries in the Netherlands between 1982 and 1994, reported here in Table 2.3 (Booij, 1993; van Asselt, Hakfoort and Minkman, 1997). It can be seen from Table 3 that the list for the Netherlands is similar to but not the same as that of the UK Task Force list in Table1. The Dutch figures include engineering consultants and researchers, most of whom are academics; a novelty is that only that part of advertising is included (40 per cent) that is deemed to be creative work. Value-added by all cultural industries was 4.5 percent of GDP in 1989 and that had grown to 5.23 percent in 1994, a growth rate of 6.4 percent, which much exceeded the growth of GDP in the Netherlands over that period. The fastest growing industries are multimedia, software and broadcasting – ‘Information Age’ industries. The growth of value-added is mirrored in the growth of employment in these sectors (and that is true also of the decline of the visual arts).

Other countries have made estimates of the economic importance of copyright. How accurate they are depends upon the breakdown of National Income accounts as well as on the definition of the industries themselves. Some caution has to be exercised in making comparisons between countries in case they have different copyright coverage (for example, performers have fewer economic rights in the US than in the UK and the UK does not have a blank tape levy as does the Netherlands). The same reasons advise caution in making intertemporal comparisons, at least over long periods, because copyright law is forever being extended and that could affect the measured size of the protected industries.

A final point is that, like the studies of the economic importance of the arts, the true cultural value of copyright cannot be fully captured by measuring value-added in the cultural industries however accurate those measures are because there are external benefits that are not priced through the marketplace; the national culture, a creative environment and freedom of expression are examples of non-appropriable benefits. Copyright law, however, embodies the power to alter the balance between what is private and public, what must be paid for and what is freely available. The working of markets is framed and regulated by copyright law and there is a constant tension between economic realties and legal doctrine that is played out in the arena of the cultural industries. This becomes more important in the Information Age with all the uncertainties about the effects of digitalisation on copyright and markets. The interaction between culture, copyright and the economy in the creative industries should be at the heart of the cultural economists' approach to cultural policy.

Economics of copyright

Copyright has evolved into a dominant feature of the creative industries in the Information Age with considerable implications for incentives to artists. Copyright law was first enacted in England in 1709 with the Statute of Anne. It gives the right to authors (those who create works of art) to exclude others from copying their work without permission, thus creating intellectual property rights for literary and artistic works which overcome some of the public good aspects of information goods by preventing free-riding. It therefore provides an incentive to creative work. As techniques for reproducing and copying creative work have developed and the hardware for applying them has become cheaper, making it possible for the average household to own several copying devices (aural and video tape recorders, photocopiers, computers), the scope and degree of protection of copyright law has increased. In addition, changes in social attitudes to creativity and to the status of artists have led to different forms of protection under copyright law, such as *droit de suite* for visual artists and performers' rights.

The acknowledged economic role of copyright law is to provide incentives to create and disseminate the expression of ideas. Unlike patents, which have the same economic purpose, copyright law does not protect ideas, only their expression of the work in fixed form (the fixation); copyright belongs initially to the author, the creator of the first fixation and is automatic in some countries. Copyright applies to a wide range of literary, dramatic, musical and artistic works in various media, such as broadcasts, films, recordings, computer software and the like. Whereas patent law requires proof of novelty, copyright law does not require any proven artistic merit, and accepts authorship on the basis of creative effort, not on creative achievement by any artistic standard; thus arrangements, compilations, listings, databases, etc. are protected by copyright separately from the original material embodied in them.

The basic right conferred on the author, a term used throughout for the first owner of rights in a work (and note that rights apply work by work, so that the author of several works is a 'multiple-monopolist') is that of controlling or restricting the acts of copying, i.e. reproducing the work, issuing copies to the public, performing the work in public, broadcasting it by wire or satellite and including the work in a cable programme, playing and showing the work in public and renting or lending it to the public. The author may license, assign or sell these rights outright or in part or transfer them to an agent. All such transactions are made through contracts. Only the author's moral right in the work may not be sold or transferred. Typically, copyright for sales and other kinds of what may be called primary use is administered by the publisher; secondary use, such as photocopying and public performance of recorded works, is licensed by co-operative collecting societies.

The economic literature on copyright may be summarised briefly as follows: early writers, Plant (1934), Hurt and Schuchman (1966) and Breyer (1970) questioned the case for having copyright at all; the focus of their argument was the dynamic incentive copyright provides in stimulating *author's* supply. Later writers, Novos and

Waldman (1984), Johnson (1985) and Landes and Posner (1989) adopted a general welfare approach, using a comparative static model to consider the theoretical effect on *markets* of changes to copyright law. The merit of this approach is that it throws the emphasis on to the relation between the fixed costs of expression (writing the book, making the master tape) and the marginal cost of making copies, whether legal or pirated ones. The drawback is that these models simply assume that incentives to author and publisher work harmoniously and somehow produce the socially desired outcome. Indeed Landes and Posner, whose analysis of the law and economics of all aspects of intellectual property law has come to be regarded as definitive, not only do not question the case for copyright, they regard the basis of all legal doctrines as being a sort of modern invisible hand that overcomes market failure and promotes private economic efficiency and social welfare.

The third approach of economists writing on copyright is to consider the implementation of copyright. There has been some theoretical work, for example, by Smith (1986) and by Besen, Kirkby and Salop (1992) on the economics of copyright collectives; another aspect of the literature is empirical work by Peacock and Weir (1975), Peacock (1979), MacQueen and Peacock (1995) and Taylor and Towse (1998, see Chapter 5) that investigates the complex institutional arrangements for the administration of copyright mainly in the music industry, where collection societies have been established longest. Finally, we come, as it were, full circle with a recent literature on the economic effects of digitalization, which provides a new spin on the old question of how markets for information goods will fare under changing technology. This is now a dominating question in the economics of copyright and the cultural industries.

Cultural economics and the cultural industries

What was the response of cultural economists to Girard's *crie de coeur* about the cultural industries?

In 1984 an important article by the Baumols (Hilda and William) was published (Hendon, Shaw and Grant, 1984, reprinted in Towse,1997a); the article was a response to the criticism of Baumol and Bowen's unbalanced growth hypothesis and the Cost Disease in the performing arts. Critics had made the point that mass media (cultural industry) production of the arts could overcome the tendency to cost and price rises above the rate of inflation. The Baumols showed that the cost of making TV programmes and movies in the USA was, like live performance, eventually subject to the cost disease, though they also pointed out that these high fixed costs could be spread over many performances of the programme or film. This dismal prognosis seems to have had a discouraging influence on economists studying the cultural industries.

The immediate response of the cultural economics profession was a conference on the performing arts and the audio-visual sector (organised under the auspices of Girard and the French Ministry of Culture) which resulted in a publication *Bach and the Box: The Impact of Television on the Live Arts* (Hendon, Richardson and Hendon, 1986). As the title indicates, the question on the agenda was: how can TV and other media help spread and finance the live arts? That is an important question in cultural policy. Policy-makers are increasingly aware that high quality live performed arts, for example, cannot be made easily accessible without very large subsidies and look to TV and other media to assist in increasing the availability of the arts. However, there is clearly far more to television and other media than as a purveyor of high culture on the cheap! The output of the cultural industries at that time apparently was not recognised as inherently interesting and culturally important in its own right. Through the 1980's, cultural economics began to move away from its earlier dominant concerns about the role of subsidy to the arts and the wider macroeconomic aspects, such as the economic impact of the arts discussed earlier, towards microeconomic studies of cultural organisations and institutions, for example, theatre, opera, orchestras and art markets in the 'traditional' arts sector and the film and music industries in the commercial cultural sector. This gathered force during the 1990's. Now, interest has shifted to the problems of global markets, multi-national ownership within and across media and the impact of the Internet and digitalisation on cultural production.

The economics of the film industry have been studied by Wallace, Seigerman and Holdbrook (1993), Prag and Casavant (1994), Acheson and Maule (1994/95), Hoskyns, McFayden, Finn and Jackel (1997), Albert (1998 and 1999), Sedgwick and Pokorny (1999), Bagella (1995), Bagella and Becchetti (1999) and de Vany and Walls (1999). Topics covered are film finance and the search for indicators of the success of film titles. Cameron (1986, 1988, 1990) and Fernandez Blanco and Baños Pino (1997) have analysed the demand for cinema and Frank (1994) considered the decision to release film titles in video format.

A considerable body of work has been done by cultural economists on the music industry. It is truly global in on both the production and consumption sides and, besides, it is highly concentrated in the hands of the big five multinational record companies, which in turn are owned by giant holding companies (Bettig, 1997). It has become symbolic of globalisation in two senses, in the cultural sense of the homogenisation of cultural tastes and in the economic sense that it is dominated by oligopolistic, transnational conglomerates. The international aspects of the music industry and of copyright administration which is highly developed for composers, performers and record companies have been analysed by Burke (1996b) and Kretschmer, Klimis and Wallis (1999); see also the survey of the industry in Europe by Rutten et al. (1996). Studies of the economic behaviour of the market for sound recording are by Belinfante and Johnson (1982), Murph (1984), Baker (1991), Alexander (1994), Burke (1994 and 1996a), Cox, Felton and Chung (1995) and Strobl and Tucker (2000). Another area of the creative industries that has been intensively studied is the art market. A convenient summary is Frey (1997a). The question this body of econometric work has sought to answer is whether art is good investment.

Despite all this, some areas have been neglected; there have been very few economic analyses of the publishing industry, though it is one of the largest of the cultural industries; Szenberg and Lee (1994) and Greco (1999) have looked at US publishing and Hjorth-Andersen (2000) provides an econometric study of the publishing industry in Denmark. Television is another area which has been almost ignored, with the exception of work in Australia on the cultural influence of public broadcasting by Withers (1983) and the regulation of commercial TV by Papandrea (1999) and that by Peacock (1986) on broadcasting finance in the UK. The path-breaking work on the economics of broadcasting and government policy in the US was by Coase (1966); a whole issue of the *Journal of Law and Economics* in 1998 was devoted to the property rights to the radio spectrum; the *Journal of Media Economics* is a specialist publication dealing with communication issues in all media industries, predominantly in the USA. These journals, however, do not emphasise (or even include) cultural economic analysis in which public good aspects of the arts and culture are considered side by side with market and policy questions.

Finally, three books complete this brief survey: *In Praise of Commercial Culture* by Cowen (1998) offers an economic history of cultural production over the last five hundred years, arguing that our artistic heritage is almost entirely due to the private enterprise cultural industries of the past. He sets out the view that the capitalist market economy successfully nurtured artistic creativity and developed consumers' cultural tastes and considers why the view that the market inevitably corrupts culture - cultural pessimism - prevails. He presents histories of the book publishing and music industries and the production of art in Florence, Amsterdam and Paris at different times as evidence for his case that the market rather than state subsidy has been the basis of the growth of culture. The book *Much Ado About Culture* by Acheson and Maule (1999) provides a general analysis of the cultural industries in the context of protectionism in Canada and trade disputes with the USA over cultural content in the film, broadcasting and publishing industries. The third book by Caves (2000) *Creative Industries* applies optimal contract theory to the creative industries; this will likely revolutionise this branch of cultural economics.

What, then, are the conclusions of the corpus of this work by cultural economists on the cultural industries? Several points clearly emerge from it; there is a strong tendency, due to forces on the demand side as well as the supply side to concentration in all these industries on stars; economies of scale and scope reinforce the tendency to concentration within industries, to cross-media ownership (see Doyle, 2000) and to globalisation. Network effects and uncertainty about markets, combined with artist oversupply are put forward by Kretschmer, Klimis and Choi (1999) as defining features of the cultural industries. The very high fixed costs, of producing the master tape, film, TV programme etc of marketing and creating networks make for capital market asymmetries and difficulties of obtaining venture capital; high risk is endemic because of radical uncertainty about consumer tastes where novelty is concerned. These high set up costs often combine with low, even trivial, marginal costs of making copies (of the film, CD or computer programme). The creative industries lend themselves well to the Information Age paradigm of the distinction of the core of creative input and the periphery of related or derivative economic activity that is the means of delivery. In Figure 1, ‘Tools of the Trade’ are on the outer rim: CD production - the sound carrier - is distinguished from the creation of the master tape, the depository of the information content of composition, performance and sound engineering. This image corresponds to the economic characteristics of the production process and value-added by each stage. It also highlights the areas that are most vulnerable to free-riding by illegal copiers and hence where copyright protection plays its greatest role.

Moreover, there is huge technical change with digitalisation and the Internet in methods of transaction, such as licensing, franchising and a host of other means of exploiting information goods and services. As digitalisation progresses and becomes more widely disseminated, more and more information goods will be delivered into people’s homes. Thus the output of the cultural industries can be downloaded by households, charged for and paid electronically. Whether these services will be delivered by computer, TV or radio sets or mobile telephones depends how markets develop and are allowed to develop by government regulators. These changes will no doubt give rise to similar discussions in the new century about the threat the Internet poses to mass culture as those which took place during the middle of the twentieth century about the threat of the ‘industrialisation’ of culture to the live arts and ‘high’ culture.

Conclusions

The foregoing analysis suggests that policies for the global cultural industries in the Information Age are likely to be very different from the type of national cultural policy that was concerned with state subsidy to the traditional arts in the mid to late twentieth century. Policy must be multi-faceted; it must be national and global; micro and macroeconomic; protectionist and free trade. It is argued that copyright law should be viewed as an instrument of cultural policy. The globalisation of copyright as a means of regulating cultural industries is as significant as the globalisation of their ownership and of their cultural content. Decisions about the scope of copyright and about its enforcement are made at the supra national level by bodies such as the European Union, WIPO and the World Trade Organisation. It is perhaps only at this level that the cultural industry conglomerates can be regulated.

These developments obviously have important implications for national cultural policy. Whatever the economic merits of one type of policy or the other, though, the enormous capacity for cultural change bound up with them must be very seriously considered, and allowed to override private economic benefits. Cultural goals of society – the social benefits – range from preserving language, heritage and institutions to ensuring that every child learns to use it. Governments need the whole gamut of national and economic instruments to protect national culture, enable markets to function, and restrict unwanted outcomes; these include decency laws, IP law, anti-monopoly/competition law, financial guarantees, subsidy and state ownership. Moreover, economic policy, for example, the encouragement of competition, must not conflict with cultural policy, for example, strengthening IP laws. This is a massive and difficult balancing act for government policy and it may well be the case, as Cowen and Acheson and Maule have argued, that the freer the market, the better. My opinion is that like the physical health of a nation, its cultural health cannot be left entirely to market forces simply because markets cannot be relied on to work unaided. Cultural economists should be able to play an important role in analysing cultural policy for the Information Age, as they have done in the last 30 years, by understanding those market forces in the cultural industries as they evolve.

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