

Chapter 6

Creative Cultural Economy



Abstract Industries combining creative cultural work and commerce today constitute a well-organized part of the economy. The creative cultural economy is characterized by high entry cost, great uncertainty, and strongly knowledge-based and labour-intensive production. It uses advanced, often digitized technology. Technological change may lead to lock-in effects. As a consequence, switching from an older to a newer technology may incur significant costs.

Keywords Cultural work · Creativity · Commerce · Knowledge-intensive · Labour-intensive · Digitized technology · Entry cost

6.1 Creativity and Culture

Industries combining creative cultural work and commerce foster a rapidly growing sector of modern society. While art and culture have always been closely connected with the economy, the creative cultural industries today constitute a well-organized and commercialized part of the economy.

Cultural creative industries are closely related to the information, digital, and internet industries; they fully exploit the new communication technologies in global markets.

Creative industries exist in the following areas:

- Most importantly in the arts in the narrow sense:

Performing arts, comprising theatre, opera, dance;
Visual arts, comprising painting, drawing, sculpture, ceramics, photography;
Music;
Literature.

- In the arts in a broader sense:

Museums devoted to art, history, archaeology, the military, science, technology, transport, and many other subjects;
Libraries and archives;

Built, movable, and intangible heritage.

– The media:

Television, radio, broadcasting, video, computer software and games; Publishing and printing.

– Related areas:

Architecture, crafts, design, fashion, and advertising.

These industries contribute increasingly to the level and growth of the economy, to employment, and to international trade.

6.2 Economic Properties

Three main aspects characterize the creative cultural economy:

- High barriers to entry due to high fixed costs. Additional consumers can be served at low, and sometimes close to zero, marginal cost. These increasing economies of scale make entry into the markets difficult because copyrights, patents, and trademarks protect the intellectual property created. They are imposed in order to economically stimulate the provision of new cultural objects.
- Supply is faced with high great uncertainty as it is difficult, and in many cases impossible, to predict how potential consumers will receive a newly created cultural product. This uncertainty tends to be even larger than in other sectors of the economy.
- Production is highly knowledge based, labour intensive, and often uses advanced technology. Digitization plays a large role. Technological change may lead to lock-in effects. As a consequence, switching from an older to a newer technology may incur significant costs.

Many different types of contracts determine the terms of transactions in the creative economy. Contracts may be implicit and informal, as for instance is the case between an artist painter and a gallery. The latter takes paintings by the artist, exhibits them, and sells them at a commission. A contract may also be relational; the partners involved create a transaction-specific asset, which would otherwise not be produced. Contracts may also specify incentives to produce, to advertise, and to sell. An option contract allows entrepreneurs to assess the marketability of an art work before they undertake further investments. In the case of a film, for instance, the entrepreneur pays the often-high production costs but afterwards is free to decide whether to proceed at all, or how many resources to put into advertising and releasing the film.

6.3 Conclusion

Cultural industries are an important and rapidly growing sector of the economy. They differ markedly from classical industry due to more extensive economies of scale, greater uncertainty, and a larger proportion of highly educated employees. These characteristics favour the emergence of oligopolies or even monopolies. As a consequence, market forces can be undermined, leaving consumers confronted with limited choice and high prices. The public sector must take care to prevent such unfavourable outcomes by pursuing anti-monopoly policies. In addition, great efforts must be made to keep the cultural industry open to newcomers.

Related Literature

Important contributions to the creative economy include

Towse R (2001) Creativity, incentive and reward. An economic analysis of copyright and culture in the information age. Edward Elgar, Cheltenham UK and Northampton, MA. USA
Throsby D (2001) Economics and culture. Cambridge University Press, Cambridge

Many topics are treated in the following collection of articles

Towse R, Handke C (eds) (2013) Handbook on the digital creative economy. Edward Elgar, Cheltenham UK and Northampton, MA. USA

Contracts in the creative economy are analysed in

Caves RE (2000) Creative industries: contracts between art and commerce. Harvard University Press, Cambridge MA