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**THE NEW SCENARIOS OF CULTURE:  
SOME ECONOMIC CHALLENGES**

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# The New Scenarios of Culture: Some Economic Challenges

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**Abstract.** The perception of cultural production as an economic activity with its own identity, has led to the concept of Creative Industries, which in turn has led to considerations about its contribution to Gross Domestic Product (GDP). As a result we have an increasingly stronger connection between two fields (economics and culture), which were long believed completely different. Conventional Economics once regarded culture as an unproductive sector; but nowadays culture is conceived as the Fourth Pillar of Sustainable Development. However, the contribution of culture to GDP is not limited to matters only relating to artistic creation, and culture goes way beyond solely maximizing the profit rate, or economic performance, functioning as the nerve of idiosyncrasy. The aim of this paper is to explore how the *culture token* came to Economic Science, and how this issue has been approached in Mexico.

**Keywords:** Cultural Economics, cultural goods, cultural values, sustainable development

**JEL:** Z1, Z10, Z13, Z19

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## 1. Introduction

The analysis of the relationship between culture and sustainable development has become one of the most important concerns of UNESCO (Hangzhou, 2013), where the achievement of welfare and human development is linked to rethinking GDP given the contribution of cultural goods to the economy. The present paper is framed in this context. The central question for the economy is to determine the value of a cultural good given that the system of national accounts records the value in physical terms calculated at current prices.

Note, that if the value of a good or service can be measured in terms of monetary quantities of labor (wages), supplies, facilities, and cost of equipment to produce it in the case of cultural property this value cannot be measured accurately. From this point of view, the following question can be posed: What is the *use value* of an intangible asset that survives in the collective imagination as part of the cultural values that create and reinforce the idiosyncrasies of a nation? Even more, so usually culture is associated with aesthetic pleasure and therefore, it is hard to come to an agreement regarding the intrinsic and extrinsic value of cultural property.

In other words, nowadays when every kind of culture is circulating through the Internet, and the network is self-sustained, we can ask this question: What is the value, in economic terms, of the universal library contained therein? Furthermore, in Hangzhou (2013) culture was stated as a key to sustainable development. So, how does one give content to this statement?

Since there is a consensus about the impact of culture on human life and it is usual to speak of Cultural Industries, but at the same time it is not feasible to directly measure the economic value of cultural goods and cultural activities, the challenge for economic theorizing is a large one.

## 2. Economy and Culture

The twentieth century was imbued with many changes in various areas, including the perception of cultural production, and by mid-century there were varied reflections in the cultural field of this. Of this in this context, where some of the most important and valid ideas in our time are the ones referred to by philosophers and art theorists Theodor Adorno and Max Horkheimer, and the term Cultural Industry originated. These thinkers, of the so called Frankfurt School— sought to "stigmatize the serial reproduction of cultural property endangering the artistic reproduction" (Warnier, 2002: 21), under which they "felt that culture was being transformed by technology, and the ideology of monopoly capitalism for

them an economic interpretation of cultural processes was an expression of the disaster" (Thorsby, 2001: 26).<sup>1</sup>

Over time, the singular term "Cultural Industry" was changed to plural, and is now known as "Cultural Industries." The change in the term shows not only a difference in the number of the noun, but the sense of meanings, discourses and issues presented around these Cultural Industries (Reyes y Linares, 2013).

In London, at the end of the 20<sup>th</sup> century, a different term, that of "Creative Industries", arose. Although for many it is a kind of synonym for Cultural Industries, it actually alludes to a broader classification, which integrates Cultural Industries and many more activities in the cultural/creative field ranging from individual work to large companies.

Certainly, the issue of Cultural and Creative Industries is of paramount importance, as it is one of the central topics of the discussions between Economy and Culture. It represents the scenario where cultural goods and services are produced, reproduced and distributed; the place from where other reflections emerge on consumer culture and the contribution that the latter has for Gross Domestic Product (GDP), an issue that certainly in recent years has been of great interest to many sectors and has triggered conflicting visions as well as new problems and opportunities in the cultural sector.

In addition to the concern felt by the German thinkers already mentioned, there have been some works with theoretical approaches that provide a history of the first contacts between the two fields (economic and cultural) that were long believed to be opposites. By previous generations, culture was regarded as an unproductive sector from the economic point of view; whereas from the social perspective, no one questioned its importance as an essential element in the development of our societies.

At first sight, it was hard to imagine a link between the two. Far from thinking of some kind of relationship, the idea of having these two actors sharing the same stage was controversial, absurd, and even dangerous for many (Reyes, 2008). The truth is that studies and research by certain economists account for Economics and Culture being closer than we had imagined.

The perspective of Culture as an object of study from the point of view of Economics has had several approaches. For instance, Thorsby (2001, 10) points out that "at an early stage, a number of respected economists had written eloquently about various matters linking economics, art and culture, including John Maynard Keynes, Lionel Robbins, Alan Peacock, Mark Blaug on one side of the Atlantic; John Kenneth Galbraith, William Baumol, Tibor Scitovsky, Kenneth Boulding and Thorstein Veblen on the other".

However, beyond this incidental reflection, the development of several studies and initiatives since the sixties<sup>2</sup> has allowed the gradual consolidation of Cultural Economics

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<sup>1</sup> Thorsby refers to the work *Dialectic of Enlightenment* (Adorno and Horkheimer, 1947) and *The Culture Industry: Selected Essays on Mass Culture* (Adorno, 1991).

<sup>2</sup> In the sixties there were some more precise approaches, taking the study of art as part of a larger context: culture. One of the studies repeatedly referred to this in the text entitled *Performing Arts*.

as a sub-discipline within the field of Economics, in the specialized jargon. This can be seen in the classification of the *Journal of Economic Literature* (JEL) where for decades the subdiscipline has been in the category Z1.

From a seminal reflection arising from economic theory regarding the relationship between the performing arts and Economics (Baumol & Bowen, 1966), what seemed to be more like a personal academic concern has turned into a specific field of knowledge that is resulting an increasing interest. The basic assumptions of rationality and economic efficiency were tested to judge human behavior faced by a social event: culture.

The central problem has been the method, rather than the object of study, by which this subject is addressed. Indeed, the rational individual –*homo economicus*– cannot properly assess cultural property in an area that is not governed by market laws. And the policy ruled by the principle of public assets must consider actions for cultural goods, accepting culture in a wide sense, not only as an object for consumption but mainly for collective enjoyment, remaining separate aloof the individual's purchasing power<sup>3</sup>. In this sense, a fundamental decision by President William Clinton in June 1998 At Massachusetts Institute of Technology, aiming to establish the Internet as a public good can be quoted: "Today, affluent schools are almost three times as likely to have Internet access in the classroom; white students more than twice as likely as black students to have computers in their homes... We can extend opportunity to all Americans or leave many behind. We can erase lines of inequity or etch them indelibly."

This threw light over the central question: the universal library of knowledge and its enormous technological potential could not remain subject to the purchasing power of the *homo economicus* from a hypothetical initial provision of resources and its corresponding optimal allocation.

Hence, the initial question posed by Baumol and Bowen –relationships between performing arts and economics– has been surpassed to locate the discussion in the broad spectrum of culture and economics, beyond the narrow frame of market relations.

Therefore, in terms of public policies, the starting point is that, in general, the resources are insufficient to deal with the wide range of social needs and the problem is aggravated when it comes to applying public policies to what have been considered as non-market goods. To analyze this question, Throsby (1995) proposed a systemic approach in which, would began by studying the particular nature of cultural goods and services, price formation and public strategies, Culture and Economy can be seen as systems with their own dynamics but interdependent. Thus if a system is understood as a set of accepted

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*The Economic Dilemma*, written by economists Baumol and Bowen in 1966. These authors reflect on an economic dilemma, which analyzes the phenomenon of progressive decreasing productivity of the performing arts and entertainment, with respect to other economic sectors, which explains the gradual rise of economic and cultural connections.

<sup>3</sup> Secular free education is a basic principle in any republican order that claims to be democratic. And education is the foundation of every cultural enjoyment and expression.

values, one can “bring the economics (as defined by economists) and culture (as defined by cultural theorists) together in a simple system where interaction and feedback effects were acknowledged, and where in particular the dynamics were made explicit” (200). Consequently, the definition of a specific cultural policy can focus on the “improvement rather than in optimisation of system performance” (201). And considering culture as a set of both activities and attitudes within the concept of cultural capital, that physically refers to heritage but in an irreproducibility situation -and thus irreplaceable- and also considering the intellectual capital dimension both inherited as well as the newly created. In this context, the resources necessary to implement a cultural policy are based on “the basic principle recognizing interdependence between cultural and economy systems” (205). It is therefore a dynamic relationship between Economy and Culture that feeds and leads to a sustainable development through culture.

In an empirical analysis, Dieckman (1995) pointed out that while there is agreement regarding the relationship between cultural aspects and economic performance, there was little reference to the structural relations that link both aspects. The everlasting problem is how to evaluate –quantitatively– the impact of the cultural factor on economic growth. There is empirical evidence which shows that “cross-cultural differences help to explain why growth rates differ internationally” (298) and, even more, he points out that economic growth could not be explained by economic factors only. Thus, while fixed private assets are inherent to production, cultural aspects become external production inputs.

In *The Economy of Art*, Frey (2000) establishes the connection between artistic activities and economic science. It is a reflection on artistic activity –creation– and the commercial valuation of it. Culture has its own field of expression within economy. Nevertheless, it is not possible to elucidate with a minimum of consistency what corresponds to the estimated part of a work or a cultural good, because “some goods do not have a price in the market”<sup>4</sup>. Strictly economic criteria are not applicable directly, since, for instance, its educational value is not accurately measurable in market terms because finally we are dealing with a non-market good.<sup>5</sup> So, how should one evaluate quality when the economic analysis has quantity as its main reference?<sup>6</sup>

In terms of public policies focused on non-market goods, budgetary resources are not abundant and decisions regarding their allocation cannot avoid political decisions which lead to direct disputes between policy makers and cultural and art promoters. Something that for some has a price –culture– for others represents just a book entry in terms of an alternative use of resources.

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<sup>4</sup> The vicissitudes of the market accentuate this problem. For instance, responding to the demands of the moment, the concert of a singer or a band can provoke speculation on the resale price of tickets, without modifying the artistic value of the concert.

<sup>5</sup> How much does it cost to provide maintenance for La Tour Eiffel or la Torre di Pisa, Il Colosseo di Roma, etc, as cultural heritage not only of a town but of humanity?

<sup>6</sup> A pictorial work recognized in the cultural market increases its price for being a unique and unrepeatable good.

The issue of cultural heritage and its evaluation can be treated in terms of opportunity costs (Frey, 2000). Indeed, cultural heritage is subject to relative decisions to preserve cultural goods, while artistic creation is based on the promotion of culture.<sup>7</sup>

In Throsby (1999) there is interest in building the specific category of *cultural capital*, referred to as “an asset that contributes to cultural value” although recognizing that the latter is different from economic value, and “the asset may exist in tangible or intangible forms”; concluding that “cultural capital is the stock of cultural value embodied in an asset” (6). The question then is how to measure the cultural capital when, as he points out, the cultural value is different from the economic value.

Strictly speaking, a capital stock (asset) is made in order to produce other goods; the essential methodological point is how to measure, if possible, the value embodied in a cultural asset. And furthermore, nowadays the problem is more complex because the digital revolution should be taken into consideration as part of the cultural assets.

Internet has become an outstanding cultural non-tangible capital which involves hundreds of millions of people all over the world, particularly young people, thus, the future generation is focused on cultural connections or even better, focused on social network. As Cowen (2008) points out, “for young people there is not cost disease. There’s been phenomenal productivity improvement”; and he even states that for him “the most important cultural institution in the US today is Facebook” (263). By the same token, Borowiecki and Prieto (2013) found that the main users of video games are younger cohorts; and even if video games can be regarded as a “low culture” good due to its association with lower levels of education, “most new gaming formats exhibit unprecedented potential for cultural creation in the form of visual arts, story-telling, or audio soundscape” (16).

The permanent *cul-de-sac* is how to measure cultural capital, taking into consideration that the accelerated digital and Internet revolution currently makes this concept more complex.

From another angle, it must be considered that international organizations such as UNESCO, The Inter-American Development Bank and The World Bank have included culture in their speeches, concerns and lines of action.

The Johannesburg Summit (2002) emphasized the universality of human dignity and the need to rapidly increase access to basic services, approaching the concept of making culture the fourth pillar of sustainable development.

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<sup>7</sup> Internet is part of the intellectual heritage of humanity, which represents a fundamental methodological and epistemological rupture whereas the market sets the contractual conditions of a service (the price), it does not determine its value.

The latter is a result of an extensive discussion in which it has been proposed that "culture shapes what we mean by development and determines how people act in the world" (Nurse, 2006, 6). Even more, on basis of the cultural identity, this author argues that "culture must be placed as the main pillar". That is a particularly important assumption for developing countries where a strong local cultural heritage can be more useful than western culture's vision of sustainable development. In addition to this, it has been reported that culture was included in 70% of the United Nations Development Assistance Framework (UNDAF, 2012) work plans worldwide. The Declaration of Porto (2013) stresses the need to rethink "sustainable development as part of a new paradigm for the global society of the twenty-first century; (where culture) manifests itself as a cross pillar of sustainability". Recently, at Bergen (2014), Norway, in the International Conference 2014, the role of tangible, as well as intangible cultural heritage and cultural expressions in contributing to sustainable development has been discussed. Therefore, the point is to discuss what culture means in developing policies and vice versa.

Culture in its broadest sense is referred to anything that man has created in the exercise of his intellectual faculties, including antipodes different as poetry and weapons of mass destruction. In a constructive sense, culture has been interpreted in the Porto Forum 21 (2013) as "the moral heritage of society"; and the widening discussion of culture as a pillar of sustainable development, and the concept of "smart growth" as the guarantor of the future welfare of society, was added.

In this discussion there are also increasingly recurring topics, which must have culture as the basis, such as energy efficiency, water management and air quality. It is in this context that the concept of "smartcities" arises; urbanization must be led towards sustainable development including a culture of energy, non pollution and so on. Another activity that has been encouraged lately is the economuseum with the purpose of turning a site into a sustainable living place while taking advantage of its cultural heritage and generating financial resources for the population.<sup>8</sup>

Cultural policies that support the sustainability of development are twofold: those that are acts of the government as part of the legislation and those aimed at the creation of social awareness about volunteering acts. The former may be seen in the example of mandatory verification of motor vehicles in Mexico City so as to have a higher quality of air involving originally two million cars<sup>9</sup>; in the second case there is a campaign to promote the

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<sup>8</sup> For instance the economuseum project on the west coast of Norway, which seeks to create a Man and the Biosphere Reserve to integrate small-scale fisheries, heathland farming, hydropower electricity, aquaculture and the oil industry (Maren and Kaland, 2014).

<sup>9</sup> The rule was established in 1993. However, the most important fact has been its impact on neighboring municipalities that were forced to apply the same policy to avoid conflict of movement of vehicles entering Mexico City. The vehicles in the metropolitan area of Mexico City went from 2.1 up to 5.2 million cars between 1990 and 2013. And in the metropolitan area, 80 percent of the emissions that are released into the atmosphere come from cars. [Secretaría del Medio Ambiente, Gobierno del Distrito Federal]. Besides, and most of all regarding pollution, in 2008, Mexico occupied thirteenth place in terms of increased emissions of greenhouse gases. (OECD, 2013).



separation of organic and inorganic waste for recycling; for an over 20 million people mass concentration a great cultural impact is expected for future generations. This corresponds with the Porto Declaration, where it is stated that "when the actions on sustainability focus on the people, the results are more effective in basics like water, energy efficiency, air quality and mobility". In both cases these concrete initiatives give content to sustainable public policies.

### **3. Economy: growth and development**

Until recent decades, various development initiatives did not explicitly consider culture as an important element in the game. The last major theoretical discussion occurred thirty years ago between oriented Keynesian and neo-liberalist policies, which in Latin America meant the transition to give greater strength to the market and restrict to a minimum state intervention. Afterwards, the so-called Washington Consensus came. The result was that public policies neglected social aspects such as income redistribution policies on which development is based. In both cases culture was absent, in the sense it is conceived nowadays far beyond creativity. In any case development policies were conceived from the perspective of efficiency and cultural goods were treated as some sort of leisure time. Over the years, new paradigms about Culture and Economy were came into being and thus changed the way we now perceive, analyze and develop various disciplines. Every day we find more possible topics to perceive the intersection between Economy and Culture. The range of topics is wide, we have the Cultural and Creative Industries, Cultural Entrepreneurship, Creative and Cultural Incubators, Public Cultural Policies, Intellectual Property, Cultural Heritage, Performing Arts, Cultural Tourism, among others, all with the transversal axis of economic growth and development.

These last two issues are commonly treated in the speeches of various environmental agents in the economic, political, social, cultural and medium sectors. Economic growth in particular has given a 180-degree turn to the interest in culture from other disciplines. With respect to this, Benhamou (2009, 16) points out that:

one of the concerns that led to the development of Cultural Economics as a discipline, is the interest in the economic growth of the culture, indeed, we have tried to use the economy to justify cultural intervention and especially the fans of public culture. And we believe that it originates in a kind of reversal. Indeed, if we look at the history of culture and we go back, for example, in the Renaissance, there was an economic development that allowed the financing of artistic works, building palaces, the support of artists, etc. In other words, the culture was the result of the accumulation of wealth. But today the opposite is true: culture has become a tool to achieve economic development. And in all countries, where subsidies for artists and culture are required, there is need to explain that they are

directed to the economic development in terms of, for example, job creation, the establishment of new businesses, etc.

It is clear then, that the view of culture as a resource, and a tool to achieve certain goals and objectives that were previously unthinkable, places us in the discussion of new approaches, new problems, new challenges for which we must be prepared, or at least be aware of them to implement global and local conditions, and keep up with the demands of the new paradigms in the cultural sphere as well as in the economic one. Once again, Benhamou asks:

How can we understand this phenomenon? The culture was seen as an element of economic development that, in turn, involves a number of risks. We attended an instrumentalization of culture, and a culture of competition with other investments capable of generating more jobs. That is why we should be very cautious in promoting economic development through culture, because if it is true that investment in culture can lead to economic consequences, it is dangerous to consider such investments only from this point of view.

This reflection is shared by several analysts of culture, including the economic sphere. Caution is totally relevant and part of our future task will be to ensure the balance between the economic and the cultural, ensuring that the balance does not tip to the side of the rate of profit.

#### **4. Culture: key to sustainable development**

Sustainability is the result of the simultaneous action of several vectors that positively influence themselves, for example democracy, ecology, justice, peace, etc.; which determine a certain conception of the world and, in parallel, the current quality of life does not affect expected future conditions of existence of the society, it is rather an advantage for them. The discussion has already exceeded environmental issues such as desertification, biodiversity, climate change, etc. Creating awareness of this situation means incorporating the concept of sustainability to the idiosyncrasies of society, and making sustainability a cultural value as well.

Once the culture is incorporated as part of the sustainable development,<sup>10</sup> the discussion has revolved around the dimension of culture, which has not been confined to issues of artistic creation, but has far exceeded it since the goods and services have both an economic impact beyond content or commercial value. Indeed, the diversity of cultural expressions has a major impact on social and economic development, because it is a source of wealth.<sup>11</sup>

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<sup>10</sup> World Summit on Sustainable Development. 2002.

<sup>11</sup> Resolution "Culture and Development". UNO, 2010.

In the relationship between Economy and Culture, the usual way to analyze it is considering that the first one has a decisive nature; and even when both are fed back, the causality runs from the first to the second one. However, in a globalized world in which ICTs, especially the spectacular rise of the Internet, have created a new dynamic, the relationship between these aspects is no longer one-way. In fact, culture creates identity but it is also the foundation of the knowledge economy and intellectual property. The first issue that stands out is that national cultures are imbued with great cultural diversity and that this amalgam impacts the economy.<sup>12</sup>

In this approach the key point is GDP growth, because of its positive effect on education. We can then, refer, to development as a process that serves as an envelope for growth; so that if there is growth, but it is not reflected in a better education, among other things, development does not take place. Consequently, the meaning of sustainable development is understood in a broader perspective than solely of the concepts of growth and development discussion.

If in the context of this analysis, material welfare is restricted to education, it has long had an estimate in which an increase of an additional degree of schooling has a positive impact of 0.44% of GDP (Barro and Lee, 2000). Consequently, it is possible to build a sustainable development approach through culture if the latter is referred to education; with the understanding that the concept of culture is much broader than education alone.<sup>13</sup>

## **5. How to give place to equilibrium?**

The issue of culture as part of the economy leads to the creation of jobs, boosting it and promoting its contribution to GDP. The latter, as a macroeconomic indicator, tells us how much the economy has grown at a given time, hence the emphasis on research that measures the contribution of culture to economic growth.

Culture is more than just maximizing the profit rate, and several of its features are far from any allusive economic performance. In the sense of GDP contribution, culture as a means of economic growth turns and walks away quickly from the idea that in addition to its positive economic significance it is an end in itself.<sup>14</sup>

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<sup>12</sup> A trivial example is music: the broadcast network and some other of ways reproduction in digital systems and electronic media have revolutionized the music industry; and in economic terms we can refer anecdotally to the impact of The Beatles, who in England reported large inflows of foreign exchange, not to mention the cultural impact, all of which led to their appointment in 1965 as Members of the British Empire.

<sup>13</sup> "Culture should be regarded as the set of distinctive spiritual, material and emotional features of intellectual society or a social group, and that it encompasses, in addition to art and literature, lifestyles, ways of living together, value systems, traditions and beliefs". UNESCO, Universal Declaration on Cultural Diversity. 2002 [unesco.org].

<sup>14</sup> For instance the Copyright Industries amounted 7% of 2013 USA's GDP. (CIUS, 2014)

## **5.1 Not everything is growth. Culture in sustainable development and sustainability of culture**

When considering cultural production as feasible goods, which can be traded in a market, under the laws of supply and demand for cultural services, there is the risk of cultural production that does not generate an attractive rate of profit and that could stop receiving support, as a result of poor sales. This scenario would lead us to endanger our cultural diversity, that is to say, under the slogan "only what sells the most is supported." In this case, what and how much of our cultural production would be endangered and out of the game?

It is necessary to recall that the market does not know of symbolic meanings and cultural diversity, it only knows about the maximization of the rate of profit.

It must be pointed out, as well, that according to UNESCO cultural diversity "is a driving force of development, not only in respect of economic growth, but also as a means of leading a more fulfilling intellectual, emotional, moral and spiritual life. This is captured in the seven culture conventions, which provide a solid basis for the promotion of cultural diversity. Cultural diversity is thus an asset that is indispensable for poverty reduction and the achievement of sustainable development" (UNESCO, 2007). Culture is a key to sustainable development.

This idea was the fundamental axis for the Congress of UNESCO, Hangzhou, 2013. The final declaration states that: "We reaffirm that culture should be considered to be a fundamental enabler of sustainability, being a source of meaning and energy, a wellspring of creativity and innovation, and a resource to address challenges and find appropriate solutions. The extraordinary power of culture to foster and to enable sustainable development is truly evident especially when people-centered and place-based approach is integrated into the development programs and peace-building initiatives". At the same time and as a very important statement, we cannot forget that we must also strive for sustainability of culture.

## **5.2 GDP: Between the rate of profit and the social returns**

Given this duality, we must take into account a balance between the economic part of the culture and the one that belongs to a different field, but that is still a decisive aspect in the contribution to the integral development of individuals.

We face paradigm shifts in both the cultural and economic sectors. The relation Economy-Culture is in the process of assimilation of these changes. In the process of transition and adaptation we must consider the following items (Reyes, 2013):

- i) Culture has become the center of a number of contemporary debates.

ii) Culture becomes a challenge for the economy, since it questions its theoretical tools and encourages us to rethink economic knowledge in order to meet the new challenges imposed by culture.

iii) Culture is a *sui generis* sector. For many people, culture is considered as a part of the economy, but it is also a sector with its own life and in that case, economy also becomes a cultural sector.

iv) Given the above-mentioned changes, local and global public policies must recognize the uniqueness of culture.

v) The analysis and implementation of these policies in earlier nonexistent frames demands skilled professionals in the fields of Economics and Culture in order to live up to the changes that have occurred.

Consequently, there is a need to have valid information on the economic process of culture. For instance, although in the Mercosur 2008 Report the Cultural Industries were restrained to the audiovisual, phonographic and editorial complex; however there was a significant advance in systematization to account for foreign trade in these activities.<sup>15</sup> Even more, the main criticism lies in the difficulty of adequately defining the meaning of the concept of cultural property, since the above activities, while expressing technical production, capacity and added value (design, software, etc.), do not necessarily imply the creative ability nor cultural symbolic content (Buquet, 2008).

Given that national accounting systems were not built from a definition of culture, as a research by Mercosur 2008 recognizes, the key question is that the relationship between Economics and Culture stands out as a stubborn reality that must be studied and comprehended. For that reason the methodological proposal is to create a Satellite Account that tries to measure the value chains of activities really involved in the cultural production.

At this crossroad, we now turn to a description of this problem for the case of Mexico.

## **6. Initiatives regarding Economy and Culture in Mexico**

Despite the intricate pathway and various global initiatives in relation to the study of different intersections between Economy and Culture, the case of Mexico has had a very slow process of immersion in this economic subdiscipline, and that is why it remains as a highly emerging field.

In 2004, Ernesto Piedras, a Mexican economist, published an article called *How much is Culture? The Economic Contribution of Copyright Industries*, commissioned by both Mexico's Writers and Mexico's Authors and Composers societies, in order to obtain

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<sup>15</sup> Specifically for Uruguay, there is an estimation of the Visual and Plastic Arts sector included in the Culture Satellite Account (Asuaga et al., 2013).

numerical information to show what the contribution of protected copyright industries to Mexico's GDP is.

Faced with a scenario in which there were not enough arguments to negotiate the support for culture, and in order to convince the different agents in politics and economics about the importance of culture, the need to obtain significant numbers in this field arose, hence obtain the study mentioned above.

The study represents a turning point in our country, having as one of its results that different agents in the political and cultural life started to treat the subject of culture with more interest, but now with a positive perspective about the cultural activities contribution to GDP and thus to economic growth.

Undoubtedly, the contribution of Piedras' research was extremely important because it is a unique example of its kind in Mexico. It uses the methodology of the World Intellectual Property Organization and offered an important fact: that the copyright industries accounted for 6.7% of Mexico's GDP;<sup>16</sup> with the music industry having the highest contribution percentage.

The number of comments about it in national newspapers reported a "fad", or boom in relation to the subject. Suddenly, something that was asleep for many years in Mexico had awakened.

Following this event, there was a field of opportunity for economists, who had been years away from any chance of seeing these disciplinary ties connected. The figure, as reported by Piedras' contribution to GDP, was the argument of many for several issues, including the commitment of the government to the Andres Bello Convention in 2007.

### **a) Institutional support**

During the two last administrations (2000-2012), the issue continue present. In particular one chapter on Cultural Industries was incorporated within the National Cultural Program 2007-2012. In the current administration (2012-2018) the aim is again to support Cultural Industries and the linking up of cultural investment with other productive activities.

Some specific actions can be mentioned:

- The Third World Summit of Local and Regional Leaders convened by United Cities and Local Governments, which took place in Mexico City in 2010, declared that culture is the fourth pillar of sustainable development, alongside economic development, social inclusion and environmental stewardship.<sup>17</sup>

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<sup>16</sup> It is to be observed that of that figure, 1% is estimated as "shadow economy".

<sup>17</sup> Mexico's City Cultural Law (ALDF, 2013) should also be mentioned.

- During that same year, the Mexico City Government Secretariat of Culture organized the Cultural Development Construction of Development Indicators Seminary
- And National Council for Culture and Arts (CONACULTA) conducted the National Habits and Consumption Survey, where there is a section about the Economy of Culture.
- The Mexico City Government organized the Mexico City Expo (small and medium-sized enterprises) Creative Businesses, held 29 September -1<sup>st</sup> October 2014.

## 7. Specific Programs

Over the last five years, the rise of topics such as Creative and Cultural Industries, cultural undertakings and creative economy started to gain more attention in some government departments. One example is the creation of the Mexico City Social Development Fund, in 2010, which, after years of experimenting in the field, was able to generate its own model of incubation, specialized in creative businesses.

In 2011 CONACULTA, Nafinsa and the National Institute of Entrepreneurs launched the National Promotion and Stimulus Program for Creative Industries and Cultural Businesses. Those authorities assigned an amount up to 7.5 million dollars to the Program, on the part of commercial banking. The support is geared for the creative industries and cultural businesses having the possibility to obtain credit for up to 250 thousand dollars, with flexible deadlines for up to three years for working capital loans and for up to five years for the acquisition of fixed assets.<sup>18</sup>

Another important initiative has been the work developed in the Cultural Community Links Organization of the Mexico City Government Secretariat of Culture. On the one hand, we have initiatives related to this subject, and this year a space of approximately three thousand square meters, next to the Latin American Tower, in the center of Mexico City it is going to open, in order to encourage and train cultural and creative businesses in the city. On the other hand, there is the work done by the Community Programs area at the Community Development Directorate, which has promoted and monitored other management models such as cultural community projects through diverse events and forums of reflection. Even at the beginning of 2015, the Secretariat of Labor and Employment Promotion and the Mexico City Secretariat of Culture signed an agreement to enhance cultural cooperatives in order to promote the creative economy and in developing cultural industries: these efforts are directed towards every artist, promoter, manager and artisan intervening in the city's cultural production.

At the legislative level, there have been some initiatives to promote Cultural and Creative Industries, at local (Mexico City) and national level. One of them is the legislative initiative for the Promotion of Cultural Mexican Industries (2011), and the legislative initiative for the Promotion of Creative Industries of the Mexico City Government proposed in 2014.

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<sup>18</sup> See more:

<http://fonca.conaculta.gob.mx/wpcontent/themes/twentytwelve/boletines/boletin18.pdf>

Although these initiatives have not prospered, their sheer existence reflects the permeability of the subject into different agents in Mexico's political national life and its interest in these matters.

## **b) The Culture Satellite Account**

In that same year, and as a result of the few studies on the economic impact of culture, the Statistics Agency (INEGI) signed an agreement with CONACULTA in order to contribute to a better understanding of the sector. As a result of the first meetings it was shown that the cultural sector's contribution to GDP is about 3% although, according to Piedras (2008) it is about 7.3%. The discrepancy comes about from the methodology utilized, since for the agency only two items are considered: basic industries dedicated to creation and interdependent ones which facilitate creation. For the latter the so called "shadow economy" that includes both illegal and informal activities estimated at 2.5% of GDP must be mentioned. Another source is the World Intellectual Property Organization whose figure is about 5%.

As we can see, there is a great disparity in the figures above. The construction process of the Culture Satellite Account by INEGI aims to set up the cultural sector in National Accounts harmonized with The North American Industry Classification System (NAICS).

Other results were recently announced such as the creation of a twofold approach: on the one hand to study the economic value of culture according to production and employment generated, and on the other the consumption of cultural goods and services.

The Culture Satellite Account was designated by the director of the agency itself as an unprecedented exercise with an enormous scope to present data on the value of culture in the economy (Sojo, 2014). However the central problem is how to strictly measure the flow value of cultural property, *i.e.* the contribution of culture to GDP. This was taken from the definition of culture by UNESCO as the set of distinctive spiritual, material, intellectual and emotional features that characterize a society or social group and that encompasses, in addition to art and letters, lifestyles, ways of living together, value systems, traditions and beliefs. It is important to emphasize this focus on the two aspects and their relevance in culture: creativity and symbolic content as non-monetary issues; art and artistic expression of writers, designers, sculptors, etc. Likewise, the activities related to the transmission of radio and TV shows, graphic arts, etc.

Therefore, the "Culture Industry is defined as the set of products and social activities based on creative aspects and symbolic form of goods and services" (Sojo, 2014). And so the activities were classified by areas in Photography and Visual Arts, Performing Arts and Entertainment, Music and Concerts; Books, Prints and Press, Audiovisual Media, Traditional Crafts and Toys, Design and Creative Services, and Heritage.

The activities were grouped by harmonizing NAICS and the classification contained in the Framework for UNESCO Culture Statistics. The results obtained in this first research show that the flow value of culture represented 2.8 % of GDP in 2011, of which 2% is contributed



by the private sector, households 0.6 % and the remaining 0.1 % by the public sector (Sojo, 2014).<sup>19</sup> According to updated estimates of Piedras (2008), it is necessary to account for what he calls the "shadow economy", so to speak, the vast economic impact that culture has, including not only the value of a concert, but also the beer sold there, considering that without that cultural context the beer would not be sold.

In the National Accounting System there are the following items: Cultural and Sporting Services Amenities and Recreation; Mass Media Information; Professional, Scientific and Technical services; and Educational Services. To evaluate the dimension of culture in the economy, INEGI referred to the creators organized around CONACULTA, which is positive because they are the primary source of information. However, in doing so, the INEGI showed its methodological deficiencies and the lack of trained personnel to perform these tasks.

The key point is to define which aspects of the cultural environment would be included within the Culture Satellite Account and what would be left out. The cultural field is so vast that, in some cases, this is determined by market laws and in others by a social rate of return; making it more complex to build a satellite account of this type.

### **c) The academic awakening**

At a training level there were not enough formal or informal academic offerings, neither a body of specialists who could lead and foster the work of those new generations interested in the subject of Economics and Culture. The matter was completely new for different agents in the cultural sector and unknown for the specialists in Economics, Law and other related disciplines.

In the field of Economics, professionals were not considering culture as a part of the topics within the frontier of knowledge and praxis of the discipline.

However, for the last several years, in Mexico City, a recognized group of anthropologists from the Metropolitan Autonomous University (UAM), Iztapalapa Campus, have taken over the analysis of some topics of intersection between Economy and Culture. And there is a clear interest in the topic from disciplines such as Anthropology, Sociology and Communications, among others, but not from Economics.

Also, the UAM Xochimilco Campus began the Reflection Group on Economy of Culture, one of the first and few spaces interested in the subject, coordinated by a Communication specialist and some collaborators from the area of Economics.

Despite the recognition of culture as an important element in the economy, the presence of economists has been close to nil. Whereas in other countries, Economics institutions have included cultural issues in their frontier of knowledge for over thirty years, in Mexico

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<sup>19</sup> Accounting for the value stream to GDP, the Statistical Board conducted a sample of 14,420 home surveys in cities and villages with 15 thousand or more inhabitants.

this is still an almost exclusive topic for other specialists, mainly anthropologists, experts in communications, sociologists, cultural managers, etc.

One of the few projects that has attempted to link up actors in the field of culture with the economy is the Autonomous University of Mexico City (UACM) by way of its Academy of Art and Cultural Heritage, which started it in 2010 with the project on *Economy and Culture*,<sup>20</sup> carried out by a multidisciplinary team, coordinated by an economist. The group began to design and apply various actions in order to contribute to the increase of the development of investigations, publications and discussion forums on different topics in the fields of Economy and Culture, and to build up stronger relationships with some of the national and foreign institutions that are interested in the subject.

One of the first actions of this project was the development of the First Forum on Economy and Culture (2011), an event where the Faculty of Economics of the National Autonomous University of Mexico (UNAM), participated as convener, so as to generate a meeting point, an space for reflection and the exchange of knowledge and experiences on topics of common interest, with perspectives from diverse backgrounds, activities and positions. The aim was to gather at the same time and in the same space, not only the typical attendance of an academic event with a cultural view, but to appeal to the multi, trans and interdisciplinary approach that the subjects in the intersection of Economy and Culture demand.

The Forum is a biennial event that has now had three editions (2011, 2013, 2015). Besides UACM, the organizing committee consists of two of the most important universities in Mexico: UNAM and UAM by way of the Faculty of Economics, the Faculty of Philosophy and Literature and the Department of Economics, as well as the Department of Research and Knowledge respectively. It should be mentioned as well the Spain Cultural Center.

The topics discussed have covered a broad spectrum, just like the speakers and the audience. The range goes from pure academics to concrete cases that look at the contrasts between theory and practice. The most common topics were reviewed, like Cultural and Creative Industries, Economics and Cultural Heritage, Cultural Tourism, Incubators and Cultural and Creative Businesses, Cultural Development. as well as discussions and experiences on design and economics and the dispute over the property of common goods, among others.<sup>21</sup>

In Mexico, then this is the first area of academic reflection on various topics that are at the intersection of Economy and Culture. The event was organized by two institutions: one dedicated to the study of culture and the other to the economy, something that usually

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<sup>20</sup> See more: [www.economiaycultura.org](http://www.economiaycultura.org).

<sup>21</sup> One result of this Forum, is the publication of the book *Economía y Cultura*, 2013, UACM/UNAM. See more: [www.economiaycultura.org](http://www.economiaycultura.org).

does not happen. That fact is certainly a good start among Mexican economists who, in general, are not yet aware or concerned about culture as part of the Economic Science.

As part of these projects, the Academy of Art and Cultural Heritage UACM, has close relationships with various Latin American actors to establish an Economic and Culture Network to account for the problems, proposals and developments in the context of the region in order to counterbalance the contributions from other regions. In this first stage, the network consists of scholars from Mexico, Colombia, Brazil, Chile and Cuba.

As a beginning, in April 2014, the UACM, the Economy and Culture Program, signed a Framework Convention and a mobility agenda for students and teachers with the University Francisco José de Caldas (UDFJC) Bogota, Colombia. In addition different activities have been developed, such as projects and student exchanges with UDFJC.

## **8. Conclusions**

Although the discussion to determine the economic value of a good or a cultural service is of a long standing –50 years– and the interaction between Economy and Culture has more and more contact points, there are still methodological gaps in which economy does not yet have consistent techniques to adequately quantify the value of cultural goods. This is specially so given the very dynamic technological environment and the great potential of the Internet, not only for the dissemination of knowledge, but as a space for cultural creation as well.

In the light of this, there is a series of proposals like the Battery of Culture Indicators for Development of UNESCO, the development of methodologies for the implementation of Culture Satellite Accounts for Latin America, and Creative Industries Mappings as the most relevant. However, the road of elaborating proposals for the quantitative and qualitative measurement of the impact of the cultural sector, from a multidisciplinary vision, is a pending matter for solving in the forthcoming years.

Based on a framework of how the theme of Economics and Culture came into being, by the turning point of Piedras in 2004 and subsequent initiatives in the area, the Economy and Culture Forum is one of the projects conceived in the UACM where the first foundations are established to reflect on various topics of Economy and Culture; including sustainable development. The recent publication of the Culture Satellite Account by INEGI summarizes the different thoughts on the matter which are most formalized accounting the contribution of culture to the economy. And as the Director of the Statistical Office mentioned: cultural phenomenon has many dimensions and manifestations, and the Satellite Account only considers the economic aspects of culture.

However, it is necessary to note that as economists we see that our guild has poorly penetrated the topic. This is a phenomenon in Mexico, where issues of culture and economy have been of interest to professionals outside of economics and this has meant

slow progress in researches for this area, with few studies focused on analyzing the contribution of culture to GDP. As a research agenda, the following issues are important:

- A definition of sustainable development in the context of culture.
- Culture as part of development, which looks into the welfare of communities, equity and protection of cultural diversity.
- Finally, for the authorities, highlighting the UACM established model and other guidelines when teaching other subjects and working on school projects in undergraduate levels in Mexico City, due to the innovative and important meaning in the cultural development of our city and country.

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