

National cultural policy

Submission

ARC Centre of Excellence for Creative Industries and Innovation (CCI)

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The ARC Centre of Excellence for Creative Industries and Innovation (CCI) welcomes the call by Arts Minister the Hon Peter Garrett for submissions on the development of a National Cultural Policy. In a National Press Club speech in late October last year,¹ he laid out some of the parameters for such a policy and invited submissions and debate via a Web 2.0 interface.² The key questions the Government is asking in its consultation process are:

- What do you think should be priorities for a national cultural policy?
- What positive steps would you like to see to advance Australian culture?
- What other issues do you think are important?

We will address these questions in what follows.

What is the ARC Centre for Excellence for Creative Industries and Innovation?

The ARC Centre for Excellence for Creative Industries and Innovation contributes to building a creative economy and society suited to conditions for content production and distribution, business sustainability, workforce requirements, citizenship, and legal and regulatory regimes emerging across the globe in the 21st century. It draws on a broad multi-disciplinary base, with contributions from research and industry leaders in the creative industries, media and communications, arts, cultural studies, law, information technology, education and business. It produces cutting-edge research of relevance to

industry needs and fosters excellent and innovative research training at the intersection of these fields.

Legitimation crisis? A rationale for a National Cultural Policy

The idea of a cultural policy, and even more so of a National Cultural Policy, can be confidently expected to attract criticism. The right of the political spectrum has tended to overreact to such initiatives, claiming they are more appropriate to illiberal regimes (think old eastern Europe) seeking mind control of the populous through the imposition of 'official' culture. The previous Labor government waited till its last years to develop a National Cultural Policy (*Creative Nation* in 1994); whereas the confidence of the present government is demonstrated by its initiating a process for one in its first term.

Nevertheless, there are many potential pitfalls in developing a National Cultural Policy. It is fertile ground for grand symbolic claims without program substance and delivery. This possibility is evident in the important and strategic contribution made by Australia's leading cultural economist, David Throsby in his 2006 essay *Does Australia Need a Cultural Policy?*³ Throsby asks that a national cultural policy carry much freight, arguing it should embrace social, constitutional, as well as immigration and foreign policy dimensions. This is because it should focus as much on addressing the great historic failures of policy such as the '3 Rs' - refugees, reconciliation and the republic - as on the usual array of bread and butter programs. But having said that, it is impossible for a cultural policy not to contain large statements. For many submitters, this will lie in cultural confidence, and the centrality of the arts to national life. In this submission, it will lie in the opportunity to link culture to innovation through the development of cultural markets and the institutions that underpin them.

The core criticism of much cultural policy from orthodox economics arises from the theory of *public choice*. This is the counter to the *market failure* argument that underpins the standard economic case for public support of artistic and cultural production by virtue of the positive externalities that accrue. In the microeconomics of market failure, because some benefits are not captured in market prices, market incentives will lead to a sub-optimal level of artistic and cultural production and consumption. Public intervention – by subsidy, price support, income transfers, market regulation or other mechanisms – is then proposed to correct this, thus improving aggregate social welfare.

The public choice rebuttal points to *government failure* and the tendency of such mechanisms to distort incentives and induce systemic rent-seeking. The process of developing a National Cultural Policy will certainly attract criticism from this perspective. The spectre of government failure does not necessarily negate the market failure argument – although it does allow that market mechanisms do tend to work once the competitive dynamics of entry and exit, entrepreneurship and structural change have played out, all of which takes time. Rather, it seeks to point out that although markets fail, governments fail even worse, so you might as well stick with markets.

Yet the fact of the matter is that the pure economics of the point-counterpoint of market failure and government failure have never really been the drivers of policy in this area. Rather, they have been supervised largely by political support for culture based largely on non-economic reasons associated with national identity, international profile and reputation, cultural confidence and social and psychological well-being. Chris Puplick is the latest to assert ‘that the levels of support for the arts ...are a function not of public demand for the arts or the products of the arts industry ..., and that they are certainly not a function of the advocacy role or skills of Australian arts professionals or practitioners. Rather, it [is] the personal support lent by senior political leaders, prominent and well-connected business leaders, or senior bureaucrats with an interest in particular art forms’.⁴

Such broadly bipartisan and benign oversight was disrupted during the recent period of ‘cultural wars’; although it must be said that even at their height, key elements of the government failure argument were rarely employed in Australia. The template position that more government involvement means less market involvement has in fact rarely been deployed by the culture warriors. Indeed, the crowding-out argument is hard to mount in Australia because public sector dominance in areas where there is private contestability occurs far less than often suspected. Overall, as the previous government’s Digital Content Industry Action Agenda and other efforts have found, it is the lack of private sector interest that drives the turn to government. The clearest example of this is to compare critiques of the BBC with those of the ABC. The BBC is a dominant player in the broadcasting landscape in the UK and crowding-out arguments have been mounted against it for some time, with effect. Yet even the most vociferous and tendentious critics of the ABC rarely argue that it is putting budding entrepreneurs out of a job and distorting media markets in Australia. Indeed, it is a globally dominant private player, Rupert Murdoch, who has led the crowding-out argument against the ABC – hardly the voice of emergent entrepreneurialism that a public choice advocate would champion.

The other main element of the public choice position – public sector support’s inevitable capture by organised interest groups – has been an argument that has been mounted most passionately and consistently from the left in this sphere of government policy. Two examples are Christopher Latham, *Survival of the fittest: The artist verses the corporate world*, and Keith Gallasch, *Art in a cold climate*.⁵

What this brief overview of the Australian take on the rationale for cultural policy suggests is that there remains a basis for some degree of broad-based support for a National Cultural Policy, but that the conceptual threads that pull it together are very ragged.

National Cultural Policy linked to innovation in cultural markets

The development of a cultural policy always runs the risk of carrying too much weight-of-expectation in its saddlebags – and we, in proposing to link cultural policy more

explicitly to innovation, are not immune from this danger. But we hope to address this problem by staying within the recognised mainstream of cultural policy concerns (audiences, new forms of work, cultural confidence and renewal at the grassroots), and proposing to extend it in way that is consistent with its internal logic.

Without wishing to detract from other objectives of a national cultural policy, we suggest that a key objective should be to secure for Australia the broadest benefits of innovation. A national cultural policy can take Australia's commitment to innovation to a new level, beginning to secure for the country a more dynamic and inclusive vision of innovation than most countries have achieved thus far.

It is beginning to be recognised that the cultural and creative industries, as a fast growing part of the services sector, are also a significant site of innovation and may play a greater role in national innovation systems than has previously been recognised by policymakers. Both *Venturous Australia* and the Australian Government's 2009 major policy package *Powering Ideas: An Innovation Agenda for the 21st Century* bring Australian innovation policy into the twenty-first century and lay a necessary platform for attention to the contribution of the creative sector. Their emphases on innovation at the firm level and the variety of pathways to innovation ('One future focus of the Australian Government's industry and innovation policies', says *Powering Ideas*, 'will be on building innovation capacity and performance at the enterprise level... Government support for business innovation... must recognise the complexity of the innovation process and the different forms innovation can take') is a necessary, but not sufficient, basis for securing the contribution of the creative sector.

In a recent presentation to Museum of Victoria (14 January 2010), Innovation review chair Dr Terry Cutler addressed the relationship between the innovation agenda and a national cultural policy. He pointed to 'lots of unfinished business in the 2008 review', identified 'lots of gaps of areas of under-emphasis in the innovation agenda' and reminded us that the innovation agenda is never-finished business.

Our proposal accepts that both market failure and the government failure can and do occur, but then strikes out in another direction. We suggest a key role for a National Cultural Policy in supporting the growth and development of cultural markets and the institutions that underpin them. This would seek to facilitate the growth of both supply and demand through its integration into other domains of the market economy and the creation of new market niches and opportunities. The contemporary strength of the cultural economy makes it a feasible addition to mainstream thinking and policy as a mixed economy activity like many other domains such as health, education or infrastructure. A 21st century National Cultural Policy can potentially then make a difference if it's about harnessing the new dynamics at play – creative and contemporary government understanding of new technologies, new media and the new social-network markets that are beginning to grow around them.⁶

The principles proposed by Minister Garrett in his October 2009 speech that would guide such a policy – ‘keeping culture strong’, ‘engaging the community’, and ‘powering the young’ – offer plenty to build on. *Keeping culture strong* resonates strongly with the Minister’s commitments to indigenous culture. Indeed, the way in which government interacts with the Indigenous art market could be regarded as a template for government’s role in growing the market for culture. Government has played an important role in stabilising the international and national market for Australia’s premium cultural export – Indigenous art. This has been a ‘cowboy capitalism’ market – roistering, robust but uncontrolled, inequitable, distorted and ultimately corrupt. Government has made a number of necessary regulatory interventions which have had to be carefully structured, culturally appropriate, and market-specific. It has sought to support key points of wholesale and retail as much as points of production and it has focused on supporting growth of market through export. This is a good model for a broader rationale for government’s role in culture.

Engaging the community, for the Minister, means producing work which is not only relevant but also attracts new audiences. ‘Audience development’ has for long been a mantra for arts funding and advocacy bodies. But this can also mean new market growth. For example, the social network market that has grown around YouTube and other large social networking sites has created the conditions for cultural producers to develop revenue-sharing strategies as well as ‘broadcast themselves’. Those who were once ordinary vloggers (video bloggers) are organising themselves into production teams as they expand the business side of social networking.

This fits hand-in-glove with the third theme, *powering the young*. This is where the Minister’s framework comes closest to the link with innovation. Linking his thinking to the recent Cutler review of the National Innovation System, he speaks of ‘creativity for wider consumption’, ‘new opportunities for experimentation and exhibition’, and ‘direct funding for individuals whose creative activity pushes the boundaries to new knowledge and ways of doing things – analogous to the public funding provided to scientists and academics for their research’.

Some policy and program suggestions

Of course, the success of a National Cultural Policy will be perceived not so much on the basis of the rhetoric but the delivery of new levels or types of funding. So if there is to be more public investment in the domain of culture, what should it look like? Any additional support, we would suggest, should be framed around the encouragement of experimentation and R&D for the arts and culture that links supply and demand in emerging markets better.⁷ It is for this reason that we append to this submission a paper co-authored by CCI Research Fellow Hasan Bakhshi, *Not Rocket Science: a roadmap for cultural R&D*, which offers a new framework, developed in the UK context, for R&D in culture.

In practice, this means strengthening the links between cultural endeavour to industry support mechanisms on offer at a national and state level. Public choice thinking might view this as a suspiciously deluxe extension of rent seeking. But a number of studies that we have done at the CCI,⁸ and also by NESTA in the UK,⁹ point to the enhancement of firms' competitive advantage, through improved innovation performance, by increased engagement with creative industries inputs (such as fashion, design, meaning and story). There is a substantial literature pointing to the innovation benefits from increased engagement of firms across the entire economy with arts, cultural and creative industries markets.

But a great deal can also be achieved in pushing cultural policy towards market development and innovation that does not require significant new outlays, but instead securing advancement of cultural concerns by canny and effective coordination with other portfolio domains.

One way lies in articulating the burgeoning domain of digital content to Intellectual Property regimes, and specifically in seeking to weaken or at least simplify those forms of intellectual monopoly to enable a greater growth and freedom of use and reuse of content. This is a role that governments can play in seeking to create legal and institutional conditions for greater artistic and cultural markets (and which may furthermore have spillovers or positive externalities to other markets that have cultural and creative content as inputs, such as fashion, media, design, media and entertainment).

This will also help spur the uptake and contributions that cultural producers and consumers will make to the amount and type of traffic on very fast broadband networks, and specifically as the National Broadband Network is rolled out over the next several years. A public communications infrastructure can facilitate the development of market economic opportunities when it is maximally open both in terms of access and possible uses (i.e. content). This is something that a National Cultural Policy could aim to achieve.

While Rome will definitely not be built in a day, if the R&D in culture case was to be made with effect, a rethink of tax incentives for R&D investment may lead to the achievement of parity with incentives provided for science and technology sectors, as recently argued by CHASS and others.¹⁰

Government can also facilitate individual choice through providing key information in highly information asymmetric markets. For example, this might be achieved by helping to raise the profile of 'creative career' choices in the education system and access to such training. Again, this does not necessarily mean government provision, but rather furnishing public information goods about these industries and careers this allowing individuals to make informed choices.

A 'freewheeling public discussion'

Minister Garrett wants a ‘robust, freewheeling and substantial public discussion’. His framing themes – keeping culture strong’, ‘engaging the community’, and ‘powering the young’ –offer real scope for fresh ideas. But if the choice being debated is simply that of less versus more public subvention of culture, then this will be a tired debate strangled at birth by the ghosts of politics past. If it is to be left versus right, or fought out on the economic theory context of market failure versus government failure, the timely ‘national debate’ that the Minister have called for degenerate into another theatre of the culture wars.

That would be a wasted opportunity; for there is also a third way – the growth of markets for culture, and innovation – that would seek to shift the terms of the debate toward harnessing market mechanisms. We do not simply refer here to more efficient market mechanisms for delivery of cultural goods and services (for example, culture-vouchers operating on the demand side rather than subsidies operating on the supply side), but rather a re-orientation of what a National Cultural Policy might hope to achieve by turning it toward market dynamics and the innovation process that both underpins and drives economic growth and development. Government action and public money may then work to foster the capabilities and benefits of Australian creativity into Australian enterprises and emerging markets that may, in turn, induce a more vibrant and sustainable arts and cultural sector.

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ENDNOTES

¹ Called ‘A National Cultural Policy to 2020’: Available at: http://corporate.bangthetable.com/upload/filename/121/091027_National_Press_Club.pdf.

² See the website: <http://nationalculturalpolicy.com.au>.

³ David Throsby (2006) *Does Australia Need a Cultural Policy?* Platform Papers, 8, Currency House: Sydney.

⁴ Chris Puplick, *Getting Heard: Achieving an effective art advocacy*, Platform Papers, 18, 2008, pp. 2-3.

⁵ Christopher Latham, *Survival of the Fittest: The Artist Verses the Corporate World*, Platform Papers, 2, 2004. Keith Gallasch, *Art in a Cold Climate*, Platform Papers, 6, 2005.

⁶ A good example of a ‘social-network market’ is YouTube. YouTube is, and remains largely, a huge repository of amateur content, but it now rapidly evolving into a site that is contracting mainstream content, growing its advertising base, and monetizing amateur content. It is, amongst other things, rapidly evolving towards becoming a player in

broadcasting and film markets while platforming the evolution of amateur (non-market) cultural expression into enterprise opportunity.

⁷ See Hasan Bakhshi (Research Fellow, ARC Centre of Excellence for Creative Industries and Innovation), Radhika Desai and Alan Freeman, *Not Rocket Science: a roadmap for cultural R&D*, mission models money,

<http://www.missionmodelsmoney.org.uk/papers/not-rocket-science/>

⁸ See Janet Pagan, Peter Higgs and Stuart Cunningham (2008), *Getting Creative In Healthcare: The Contribution of Creative Activities to Australian Healthcare*, <http://eprints.qut.edu.au/14757/>; and Peter Higgs, Stuart Cunningham and Hasan Bakhshi (2008), *Beyond the Creative Industries: Mapping the Creative Economy in the United Kingdom*, <http://eprints.qut.edu.au/12166/>

⁹ Hasan Bakhshi, Eric McVittie and James Simmie (2008), *Creating Innovation: Do the Creative Industries Contribute to Innovation in the Wider Economy?*, http://www.nesta.org.uk/assets/documents/creating_innovation.

¹⁰ Council for the Humanities, Arts and Social Sciences (CHASS) (2009), *Submission on the New R&D Tax Incentive*, <http://www.chass.org.au/submissions/pdf/SUB20091118HH.pdf>.