Beyond the Economic?
Cultural Dimensions of Services

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1. Introduction

by Christof Ellger

The relationship between culture, economy and institutions is at the core of today’s economic research.
Andrea Bergami and Lanfranco Senn in the Italian country report

On the occasion of its X Annual Conference held in Bergen, Norway in October 2000, RESER, The European Network for Research on Services and Space, presented for the fourth time a survey on trends in services research in a number of European countries where the network is established. The idea for this survey was born in 1996 and owes its origin essentially to Peter Daniels, at that time president of RESER. He conceived this transnational survey of the literature as an instrument to find out about dominating themes, but also about new themes in services research – themes which are common to several or all of the countries covered, or themes which are specific for one country but can potentially be of interest for other countries and for the work of the network and the service research community as a whole. Taking this idea somewhat further, the report may also be a source from where deficits and wants in service research can be gathered, again both on the level of individual countries as well as on the network and European level. In sum, the survey’s purpose is also to stimulate discussion about forthcoming services research, by individual or several RESER teams and by the network altogether.

For the first two years of its existence, the authors of the progress reports ploughed through the recent publications and research reports on services studies in their countries (and languages) and reported on these, considering all kinds of thematic orientation, perhaps only accentuating personal and/or national preoccupations within the field. In 1998 it was decided that the annual survey should cover one specific subject rather than services research in general, as the total field seemed too wide to be covered in such an undertaking.

With this decision, the annual survey theme was linked to the motto of the RESER conference held in the year of the presentation of the report. In 1999, the conference, was held in Alcalà, Spain, and the motto was “services and internationalisation”. The synthesis of the respective literature report is published as Bryson 2000 and Bryson 2001.

In 2000, the task of preparing the survey has been an especially difficult one, as the theme of conference and report was “Beyond the Economic? Institutional and cultural dimensions of services”. The motto was chosen by the organizer of the X RESER conference in Bergen, Peter Sjøholt, together with RESER’s Council. The reason why contributors were complaining about the motto lies essentially in the fact that the word in focus – ‘culture’ – is such a vague, complex and multi-dimensional concept. But in working on the country reports and even more on the synthesis of all contributions, the authors came to find out that the theme is extremely interesting and very dynamic – at the time of the compilation of the report. Cultural institutions are increasingly becoming a subject of research by economists, social scientists, administration experts, urbanists, regional scientists and others. These aspects constitute the more empirical side of the research field under scrutiny here. On the other end, there is the theoretical shift in social science in general, towards more cultural explanations and interpretations of socio-economic phenomena and observations. This is also highlighted in the surveys. No doubt, the field designated by “culture” is almost end-

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1 The synthesis of the respective literature report is published in French as Bryson 2000 and in English as Bryson 2001.
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lessly wide; ‘culture’ is such an ample term and covers such an enormously broad spectre of aspects: What in social science and in “cultural studies” today does not have a link to either ‘culture’ or ‘services’?

The authors of the individual country contributions to the report are: Andrea Bergami and Lanfranco Senn (Milano) for Italy, Trine Bille (Kopenhagen) for Denmark, Metka Stare (Ljubljana) for Slovenia, John Bryson (Birmingham) for the United Kingdom, Luis César Herrero Prieto (Valladolid) for Spain, Peter Sjoholt (Bergen) for Norway and Christof Ellger (Berlin) for Germany. The last-mentioned is also in charge of the synthesizing summary which follows this introduction. Unfortunately, promised articles on France and Portugal did not arrive, which, certainly in the case of France, excludes from this report some of the most original research in recent services studies.

This synthesis of the comparative review is being made available to the scientific audience in Europe in several ways: As its predecessor the year before, it will be published in English in The Service Industries Journal as well as in French in Économie et Gestion des Services.

In addition, it has been the intention of RESER and its Council to make the individual country reports accessible too, although the contributions vary considerably in scope, approach, depth, structure and quality. They obviously suffer in parts from time constraints, they were written hastily, in between other tasks, unpaid and voluntarily. But all the reports – and the whole bunch of papers taken together – contain valuable ideas, ideas others can profit from, in a very dynamic and important field of research: culture, services and space. That is why we have decided to make the texts available on the one hand via the internet, on RESER’s homepage: www.reser.net, and on the other hand through this publication at the Department for Geographical Sciences of the Free University of Berlin. Thanks go to Georg Kluczka and Gerhard Braun who have kindly agreed to publish the survey collection in the FU Berlin METAR series.

The product assembled here is a messenger: a messenger between European countries and their academic communities as well as between various disciplines associated with RESER or engaged in the survey theme. Despite the overall tendencies for increasing European and global interaction, including scientific communication and exchange of ideas, knowledge work is still pursued, to a large extent, in national academic communities or in language communities. Everybody quotes the American or British literature in English, whereas references to publications in other European languages are rare. There is, even today, a great need for closer integration in European science. RESER as a network is one instrument on this path, and this survey of European research literature is another – small – one. Its aim is to improve communication between researchers as well as users and beneficiaries of applied research on the subject in the countries and disciplines taking part in this review (and beyond). Judging from what the compiler and author of the synthesis of the reviews was able to learn in the process, this purpose may well be achieved by this publication.

As a pan-European scientific messenger the volume depends on the common language of its users, in this case English. Special thanks go therefore to Anne Beck, translation expert at FU Geography for her careful rereading of (some of) the texts. The remaining faults are the authors’ – and the editor’s.

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2. Synthesis of the National Reports

by Christof Ellger

2.1. The Task for the Contributors

It was the announcement and the call for papers for the X Annual RESER conference in Bergen which served as a basic guideline for composing the survey. It included a rather detailed description of the topic along with an extended list of sub-topics. Given the scope of the field and its reflection in the various disciplines and countries represented in RESER, individual approaches to the subject are necessarily strongly selective and highly idiosyncratic; the contributing colleagues or teams follow very different approaches. These are, however, much less influenced by country trends and national specificities but rather by the concepts and perspectives of the discipline in which the individual author/s is/are based. There is essentially a distinction between the economists’ reports from Denmark, Spain, Italy and Slovenia and the geographers’ reports from Norway, the United Kingdom and Germany. Most of the contributors leave out the ‘institutional’ aspect altogether, with the exception of Norway and Italy (discussing the privatisation debate in traditionally public services as an institutional question). For the majority of the authors the field of the cultural aspects seemed already wide enough indeed to be worked through in their surveys, and they refrained from combing yet another area of similarly wide scope.

To characterise the country reports somewhat more exactly, a brief typology of the contributions may be added here. The Danish and the Spanish reports were both commissioned from scholars from outside RESER concentrating on the more narrowly defined field of Cultural Economics, which can basically be regarded as “Economics of the Arts”. Both reports are surveys on this particular field; they present basic concepts as well as present-day applications in this subdiscipline in the two countries (and in the international discussion). They miss perhaps the inter- and transdisciplinary breadth of RESER work that is documented in some of the other contributions, which, in turn, however, are somewhat more superficial regarding special subfields of the given subject matter. The Italian contribution also focuses strongly on culture as a service, but, in addition, includes a chapter on (cultural) changes in financial services. The Norwegian report, too, looks essentially at culture as the arts and its importance for metropolitan areas and for tourism, but also highlights research about institutional aspects of services. The tourism aspect of cultural monuments and institutions also comes up in the Slovenian contribution along with a discussion on service culture, two service aspects which seem quite topical for the discussion in a country which finds itself in the transformation situation after the “system change” from state socialism to capitalism and relies on tourism as one major development strategy. (There is no other ‘transformation’ country covered in the survey, but literature on Eastern Germany is included in the German survey). The British contribution is altogether different from these reports in that it concentrates on the “cultural turn” in economic geography, which, as a rather “strong” subject in the United Kingdom, represents here social science in general. In doing this, the British report uses a different concept of “culture”, namely the “non-economic” or “non-socio-economic”, which can be regarded as a new (or rediscovered) source of topicality and explanation in social science. The German report lies somewhat between these approaches: In German social science the “cultural turn” has also been recognised and explicitly discussed since the end of the 1990s. This discussion is presented in the report. In addition, however, studies on culture as the arts (and therefore a specific conglomerate of services) are covered as well.

Preparing this “survey of surveys” the reporter responsible for this synthesis has relied very much on his own contribution on the German literature on “culture and services”, as it seems to provide a suitable frame for the German literature on “culture and services”, as it seems to provide a suitable frame for the topics treated in all reports. I hope that the contributing colleagues will understand. In the presentation here, therefore, the other country reports shall be treated as products in their own right and quoted as free-standing papers with the authors’ names and the country code. In addi-
2.2. But what, then, is ‘culture’?

We are dealing here with a difficult term, even more so as the word “culture” probably has varying connotations in our RESER languages (which, seen in a global perspective, are still rather close together, after all). For instance, one aspect of “Kultur” in German is perhaps better expressed in French or English by “civilisation”. (Thus, Huntington’s title “Clash of Civilisations” has been translated as “Krieg der Kulturen” [literally “war of cultures”] in German).

There are at least four dimensions of the word “culture” which should be mentioned (see also Rassem 1995, pp. 746ff.):

1) = the opposite of nature: man’s realm through cultivating the earth; beginning with “agri-culture“ (and bu-colos = shepherd) and continuing with all forms of division of labour in society; this concept of culture is similarly implied in the word “socio-cultural”; it expresses the unity notion of one human culture: humanity as culture;

2) = a (sometimes larger) subgroup of mankind with commonly held concepts, visions, ideas, values, traditions, activity patterns, beliefs, norms, habits, attitudes etc. etc. (perhaps more usually termed civilisation in English and French, see above); this leads to an understanding of culture on earth as not unified but varied instead (and in the plural): the variety of cultures/civilisations studied above all by ethnology and anthropology, more precisely “cultural (!) anthropology“;

3) = the arts (or even “fine arts”) and their institutions: the ensemble of functions and institutions which are not directly useful (“l’art pour l’art”), transcending the material necessities of life; in this sense also understood as: achievements, treasures – a specific realm of society, often understood in an elitist sense, distinguishing the “cultural” from the “uncultural”, barbaric, “low”.

4) = an opposite to ‘the economic’ in society, i.e. the non-economic dimensions of human societies (but sometimes also understood as the all-encompassing concept which would include the economic), i.e. like in 3) the concepts, traditions, activity patterns, beliefs that underlie the functioning of a given culture-civilisation. It comprises all that which an individual acquires in the process of “Enkulturation” (socialisation, “inculturation”) into his/her society, this acquisition/learning process being always incomplete; here, ‘culture’ is an unfinished, open process of societal communicative interaction in which an individual is always only partially involved, but as an active agent – thus, a concept which is very much founded on social interaction, agency, communicative interaction and common interpretation (see also Lackner/Werner 1999, p. 46).

It is especially this last meaning of ‘culture’ which is relevant for our purposes here. It is, however, of course related to the other meanings. For instance, as ‘culture’ requires a certain degree of organisation, cultural institutions in the sense of “the arts” (3) emerge from the cultural process (4) in the culture communication community (2).

2.3. ‘Culture’ in the humanities / social sciences: the “cultural turn“

There is widespread recognition that a change of orientation and methodology has swept through the social sciences and humanities during the last three decades of the 20th century. This can be called the “cultural turn”: It is the realisation that explanation in terms of causal or systemic relationships in the disciplines concerned is constructed less on the basis of socioeconomic factors, ‘functional’ or – in an economic sense – ‘rational’ (Lackner/Werner 1999, p. 34) dimensions of phenomena and processes, but rather around “cultural” aspects or factors (i.e. understood in the sense of definition 4, above). Such an approach discusses for instance the attitude to work and competition, the importance of the
individual versus the collective in society or the conception of nature and of technology and traces them back, sometimes, to roots in religion, tradition and the history of ideas. This means in scientific practice that theoretical cornerstones from ethnology and (“cultural”) anthropology are transferred into other disciplines, in the first place history, then sociology, economics and political science as well as geography. John Bryson reports in quite a similar way on the recent evolution of economic geography in the UK and in the English-speaking world, where “culture” has acquired a “central role in the current reconfiguration” (Bryson, UK) of the discipline.

The theoretical basis goes back to a number of scholars. The German discussion mentions especially Clifford Geertz for the early evolution in the 1970s and Pierre Bourdieu and Anthony Giddens for the time since the late 1970s. Further back, Max Weber and Margaret Mead, or Thorstein Veblen in economic sociology (Herrmann-Pillath 1999), are also important pioneers and protagonists of the approach.

In a concise article on the cognitive cultural anthropologist approach in cultural economics, Stephan Panther (2000) revisits Max Weber’s famous “protestantism thesis” – doubtlessly a cornerstone of both economic sociology and cultural economics – in the light of the achievements of cognitive cultural anthropology in the 1990s: Between the positions of both economic and cultural determinism, he opts for a mediating approach of reciprocity and coevolution between both realms: Ideas are born and nurtured in the cultural sphere; whether they are adopted and operationalized in everyday economic action, is a question of how well they can be matched with prevailing (institutional) interests.

What has been termed the “cultural turn” can be regarded as a swing back from “modern economic, socio-economic, rational explanation to “pre-modern“ cultural explanation which traditionally has been associated with concepts like “mentality“ or even Hegel’s “Geist”. There is certainly a strong neo-idealistic branch in the “culturalist” tree. No doubt, the cultural turn has produced and is producing achievements as well as pitfalls. The “relapse“ into cultural modes of explanation leads to a certain unquestionability of statements about culture – very much in the sense of a “black box“ – and to an exaggeration of factors which cannot be scrutinised further by critical analysis. John Bryson, therefore, adds in his report on the cultural turn in economic geography that neither the economic nor the cultural should “be conceptualised as distinct from the other” and that, as a matter of fact, “the four spheres of activity – the economic, the social, the political and the cultural – are part of a single system”. And: “It is important that the cultural does not become an explanation of last resort.” It should rather be argued, with Lash and Urry (1994), and similarly to Panther, “that economic and symbolic [standing for: cultural] processes are interrelated or to use their language ‘interlaced’” (Bryson, UK).

In addition, and perhaps most interestingly, there is the “cultural turn” in economics, i.e. the observation that “cultural“ factors – in the sense of “non-economic“, “non-rational“ – have been gaining an increasingly strong position in explaining, for example, paths and conditions for economic growth and success. Among other study areas, cultural factors of this kind play an important role in investigations on the transformation process of the former socialist states (Herrmann-Pillath 1999), based on the realisation that there are influences on this process beyond economic rationality (or power, for that matter, which would lead to a political economic approach).

“Culture“ understood in that direction encompasses “informal institutions“, “mental“ models (Herrmann-Pillath 1999), attitudes of economic agents (be they consumers, entrepreneurs, inhibited entrepreneurs, managers, workers etc.) as well as modes of interaction (especially communication). Insights about the theory and methodology of such economic-cultural approaches are provided by Herrmann-Pillath 1999. As culture is very much comprehending the symbolic, cognitive, mental, even if in some form of materialisation, it moves essentially around the production (and reproduction) of social, collectively held, “meaning” (Bryson, UK). Extreme forms of collectively held meanings, which have developed into stereotypes – for places, cities, landscapes or countries –, are to be found in the concept of “the tourist gaze” which sees locations through
the glasses of stereotypes, e.g. Paris as “timeless romantic Paris”, English countryside as “real olde England”, Switzerland as “Wilhelm Tell revolutionaries” (Urry 1990 following Culler 1981, quoted in Bryson, UK).

The “cultural turn” has reached urban and regional analysis as well as development studies in the sense that ‘culture’ is increasingly recognized as the main frame of reference for analysis and planning. It is being treated as the major arena for social evolution and societal struggle – alongside and beyond “the economic”. In Germany at the beginning of the 1990s, a lively discussion about extra-economic influences on regional development was stimulated by a study by Meinhard Miegel and collaborators (1991) on differences in economic culture and work culture as a major factor for growth in different regions of the country. The authors compared work ethics and collectively held attitudes towards work performance in (peripheral) areas of North and South Germany, found them very different and attributed the divergence in regional economic development to these factors. This has been taken up again in an article by Hartmut Häussermann and Walter Siebel on “culturalisation of regional policy” (1993), emphasizing cultural aspects in regional development, thereby reviving in a way older approaches of “mentality factors”, which have, nevertheless, been “purified” through decades of systems theory and socio-economic thinking. In a similar way, “lifestyles” (as a categorisation for subgroups of society) are defined by cultural rather than by economic factors. An urban socio-spatial analysis based on such a “lifestyle” approach would also emphasise aspects of cultural quality and change (Helbrecht 1997). This, again, owes a lot to work by geographers in the English-speaking world, in Canada and the UK, for instance by Nigel Thrift (1994), Thrift and Leyshon (1992) (Bryson, UK), exploring not only “the relationship between consumption, lifestyle and success” but also the “growing importance of image, … especially image articulated through consumption (education, accent, dress, cars, house etc.)” (Bryson, UK).

This phenomenon of “culturalisation of economics” is nothing new to services studies, to be sure. It is, in fact, well known from the work on networks, creative and innovative milieus as well as on knowledge intensive business services. Here, a lot of research that has been done on services interacting in networks and creative milieus can be classified as studying “cultural dimensions” of services, if it is not simply social psychology (as in the fundamental concept of trust in economic interaction, so relevant for networks, milieus and new industrial spaces). Explanations for the origin and functioning of networks or milieus have been sought in the configuration of the cultural setting which underlies them.

Again, John Bryson reminds us of one central revealing concept: embeddedness. Embeddedness, not in Granovetter’s original sense, but rather in that of most of the publications of the 1990s, is understood as “embeddedness in culture”. These concepts are taken further – and into the “institutional” – in the idea of “institutional thickness” (Amin/Thrift 1994, in Bryson, UK). Bryson also highlights the methodological reorientation which comes along with the cultural turn (“for example textual analysis, iconography, semiotics, ethnography, participant observation and action research”) and mentions the proximity to the “postmodern turn”, which “encourages multiple voices and accounts, but […] also compels an examination of the positionality and authority of knowledge claims.” What results is a more “modest geography (Law 1994)” (Bryson, UK). “This modest approach recognises the positionality of the author and highlights the partial nature of the economic geography that has been constructed in a journal article or monograph. One consequence of this movement is the apparent fragmentation of economic geography into a discipline of multiple and sometimes conflicting approaches to understanding the geography of the economy. There is no doubt that this has produced an enlivened economic geography, but at the expense of the construction of knowledges that are considered by the policy-making community as suspect. It is difficult to inform policy by drawing upon the findings of research that is heavily informed by the cultural turn, the positionality debate and a multitude of complex but frequently considered by policy makers to be partial qualitative methodologies (Pollard et al. 2000)” (Bryson, UK).

John Bryson also points to the increasing use of “the metaphors of performance and stage …
in geographical and sociological narratives” and traces this back to methodological innovations in anthropology (“from ritual to performance”), which means that individuals’ actions as well as events in space are increasingly being depicted in the sense of performance. Especially convincing here – and especially central to services studies – is the title of an article by Clark and Salaman (1998): “Creating the ‘right’ impression: towards a dramaturgy of management consultancy”. Playing roles, forever a facet of urbanism, is again at the centre; also taken up in feminist research (McDowell 1995, 1997). Along with this there is the continuing relevance of the “image” which a person, or a place, creates for himself/herself/itself (also mentioned in Bryson, UK, following Lash and Urry 1994).

Of comparable interest is an application of the cultural explanation to the service employment debate, which in Germany is still the “service gap debate”. Martin Baethge (2000) offers such an approach in his highly original contribution. He emphasises once again the observation of an employment gap in Germany in comparison with other economically leading countries, which for him is essentially due to the adherence to a specific “industrialist” (or more correct: “manufacturalist”) model of economic and societal organisation in Germany, where services never really had a chance to realise specific patterns of specialisation, labour organisation, formation and qualification procedures and interest representation of their own or a services-oriented concept of efficiency and productivity. Service work has in many respects been incorporated into and subordinated to manufacturing work, a fact which is also reflected in the minor role which services have played in business studies and national economics in Germany for a long time (Baethge 2000, p. 151f.). ‘Work’ for Germans has traditionally been manufacturing work². This phenomenon must also be looked at from the demand side: With the considerably smaller labour participation rate of women in Germany, household services are much less in demand in the country. This is the fundamental reason why a great proportion of the job potential realized in other countries in the last two decades has not been transformed into employment in Germany. In the end, work culture in Germany is characterised by a smaller degree of (formal) division of labour than in other countries. Baethge concludes, however, that this situation will not survive as the foundations of the old “industrialist” model of the German economy, challenged by international competition, are already trembling.

2.4. Cultural institutions as a subsector of services – a double growth sector: in reality and in research

The analysis of the economic and regional economic implications of the existence (and of the public financing) of ‘cultural institutions’ has been a topic for research – and consultancy work – for a number of years, and ‘cultural economics’, i.e. the economics of cultural institutions, its economic factors and consequences, has expanded substantially in the 1990s and seen a number of case studies, following strands of thought in the international discussion: Among the ‘models’ for many of the European studies are Baumol and Bowen’s classical study on the economics of the performing arts (1966), Blaug’s reader “The economics of the arts“ (1976), the New York - New Jersey study (Port Authority of New York and New Jersey 1983) and Myerscough’s “Economic importance of the arts in Britain” (1988), in the 1990s also very much Zukin’s work in cultural urban sociology on New York City. In addition, Herrero Prieto mentions Becker and Stigler 1977, Benhamou 1996 (as a basic textbook), Throsby 1994, Urrutia 1989. With the “Journal of Cultural Economics“, started as early as 1976, and the “Association for Cultural Economics International”, the subdiscipline has strong international institutions. The Association for Cultural Economics International held its 10th biannual conference in Spain in 1998, which shed bright light on the discipline in this country, reported in Herrero Prieto’s contribution.

Since these cultural or arts institutions – theatres, museums, music etc. – are, of course, invariably services, we are dealing here with the economic or regional economic analysis of an important subgroup of services.

² – if not bureaucratic or academic, of course, for special groups of society, C.E.
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The Spanish contribution to this report is an excellent overview of cultural economics in general (Herrero Prieto, E) and includes a concise introduction to the subdiscipline and some of its basic concepts, approaches and methods, among them the special characteristics of culture as a product (additive-cumulative character, “unquenchable” nature, intangible asset, cost-disease problem, non-reproducibility – or if reproducible: problems of copyright and royalties, problems of definition and data)³. Herrero Prieto also emphasizes the importance of growth in the sector which is often underestimated. This is, above all, due to a high income elasticity: rich regions show expanding spending on culture (Herrero Prieto, E). In addition, Herrero Prieto discusses very interestingly the problem of self-servicing in culture (by recorded music, video, tv etc.) as well as questions of commercialisation and commodification of leisure activities. The strong links to tourism, however, seem somewhat problematic, as only a special subsector of tourism can be regarded as “cultural” – where is the culture in sunbathing? – unless one adopts a totally different concept of “culture” (see above).

As a rule, the authors of the regional cultural economy studies seek to highlight the relevance of the arts for the local/regional economy in question beyond a simple description and attempt to calculate a “culture multiplier index”, i.e. a multiplication factor which indicates how much local/regional turnover is induced by the public spending on culture in that region. Apart from these, there are studies which focus on the growth of cultural services themselves; they also treat culture as an economic (sub-)sector. Thirdly, it is held that the “cultural equipment” of a city has many indirect effects on its economic performance: It improves the attractiveness for knowledge-bearing elite personnel, it contributes to a positive perception of the region elsewhere and it helps to strengthen identification processes and something like “social pride” in the regional population (Dziembowska-Kowalska/Funck 2000, p. 5). Here, culture is seen as a special and (more and more) important factor of production. On top of that there is, fourthly, the observation that the existence of cultural institutions and their activists has positive effects on creative processes in creative businesses which are not based in the arts sector themselves but closely connected to it, like advertising, design or architecture. This approach considers culture to be more than just one location factor but rather an essential resource for the economic activities mentioned. Here, however, empirical work, beyond theoretical speculation (as in Dziembowska-Kowalska/Funck 2000, p. 5) is rare.

2.4.1. The multiplier effect of public spending for culture

An often cited pioneer work on the local economic impact of public spending on the arts in Germany is the study on Bremen by Taubmann and Behrens (1986), which was followed by the one on Neuss (near Düsseldorf) by Gerwien and Holzhauser (1989). This was also produced in the Bremen University Geography Department, which has since become a special research place for urban cultural research: It is Gerwien and Holzhauser’s multiplier equations which have been used in most of the later studies; and in 1997 Engert delivered his thesis on culture in Milano at the Bremen department, which includes a short history of “urban culture and urban economy” studies. Before that, a first survey and summary of the approach in German was given by Behr et al. in their 1989 book. In the 1990s a number of case studies have followed, among them Behr/Gnad/Kunzmann 1990, Haubrich-Gebel 1995 (Göttingen), Dziembowska-Kowalska et al. 1996 (Karlsruhe), Blum et al. 1997 (Dresden).

The studies have produced – mainly for larger cities and conurbations – fundamental data and statements about the size, role and impact of the cultural sector within the urban economy. They are generally very descriptive. Their major question is: how much turnover in the local/regional economy is generated by the public subsidies that go into the cultural sector? The factor is usually rated at slightly more than 1.0, i.e. more money is earned somewhere else in the regional economy than the local

³ These characteristics result essentially from the fact that culture is basically “knowledge in various forms of materialization” (C.E.). That is also why most of the criteria which apply to knowledge as an economic entity are valid for culture as well.
state spends on culture. Beyond the analysis and into policy measures, in one of the most recent publications, Blum et al. give some interesting pieces of advice, for instance that the most expensive tickets for the opera and other “high-culture” institutions should be sold at auctions, as this would probably raise their prices.

Through the 1990s there is a discussion about the legitimacy of these implication studies and especially about the calculated multiplier values regarding the effects of expenses for the arts. The basic questions are whether turnover is in fact created through the subvention of cultural institution or rather turned away from other branches and whether the cultural services are indeed basic functions (in the sense of export base theory) or rather non-basic functions.

More recently, Sonja Clausen (1997) studied in a (regional) economic analysis the “implications of public financing of cultural events”, using the example of the Schleswig-Holstein music festival (the second largest music festival in Germany after Bayreuth’s Wagner event). She gives a comprehensive survey of the problems involved in using a multiplier factor to assess the regional economic impact of the subsidies involved, also criticising a number of earlier studies which neglect parallel losses in turnover in culture or other (sub-)sectors. Using a welfare economic approach and a total-benefit-calculation she arrives at the result that public subsidies for cultural attractions cannot be justified by regional economic gains. In addition, the author looks into the economic effects of an improved location image by subsidising a given cultural event, i.e. using this for marketing purposes. These image effects may be indeed substantial, but they are difficult to assess in comparison with the zero signalling situation (“no festival”).

Perhaps it is this criticism that makes researchers in other countries refrain from such studies; they are mentioned in no other report. In Italy, instead, there is a discussion on public versus private management of culture and heritage (of which Italy has got such a lot), and apparently this discussion moves towards a balance between commercialisation (box-office income), subsidies, non-profit organisation (as a “third way” of institutionalization) and volunteer work (Bergami/Senn, 1). A well-established alternative approach to assess the legitimacy of public spending on culture is through the Contingent Valuation Method (CVM) which measures willingness-to-pay by taxpayers, a method designed for research in environmental economics and transferred to cultural economics. An example for such a study is presented in the Danish report: an investigation by Trine Bille Hansen for the Royal Theatre in Kopenhagen (Bille, DK and Bille Hansen’s various publications which also deal with theory and methodology). From outside, the approach appears most problematic, asking probands and customers of a public good how much they would pay for a given public good (usually a service!) if it was not a public good (or a public good with a price tag on), be it a nature reserve or an opera house. The abyss between assumed or imagined and actual payments is surely enormous! And for how many of these institutions are the interviewees supposed to pay? Just one, the one in question? What happens to other institutions? Are they (virtually) paid for by other proband groups?

2.4.2. Culture as an important source of income and employment

Besides the largely state financed cultural institutions which form the focus of the multiplier studies, there is a range of cultural businesses which are in fact vital sources of income and act as export services for metropolitan areas, especially the film business and related services, music production and distribution, photography, design and also advertising. In addition, there is the new integration of media and arts elements with computing in the evolving “multimedia” industry. With parallels to research in the U.S., by Allen Scott for example, Stefan Krätke and Renate Borst (2000) emphasize in their new Berlin book the relevance of these branches (essentially services, but with linkages to material production like copying etc.) for the economy of the city. They find interesting local concentrations of the film business and related services at the edges of Berlin’s central business districts and interpret them as production clusters (although this has not yet been proved in an interaction analysis of the businesses concerned).
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research shows, to be sure, that these “cultural industries” form indeed an important category for economic and spatial research in metropolitan areas.

The Spanish studies assess the contribution of the cultural sector to GDP at 4.5% in 1997, risen from a mere 3.1% in 1992 only recently (García Gracia et al. 1997, 2000; Herrero Prieto, E). But here, tourism is included, which in a tourism country of world reputation is somewhat “drowning” the cultural subsector proper. The extent of branch studies in Spain concerning individual elements of the arts is striking (or the other contributors did simply not bother listing them). In addition, there is the strong importance of heritage in the discussion of the “value of culture”, with a lot of potential in Spain (Herrero Prieto 1998, 2000). In this respect, Slovenia tries to follow the example of other countries, such as Spain, developing heritage as one foundation (beside nature) for tourism; Metka Stare lists two relevant master’s theses here as well as journal articles from Slovenia (e.g. Pauko 1996). The link between culture and tourism is also followed in Norway (Sletvold 1998).

Ifo-Institut in Munich has published a number of studies on the economic importance of the cultural sector to state institutions, for instance Hummel/Waldkircher 1992. They show that in Germany at the end of the 1980s the cultural sector comprises 2.5% of total value added of the German economy, 2.9% of persons employed and 2.0% of fixed capital investments; growth was higher than the economy as a whole during the 1980s, but there was a minor loss against the total economy in the early 1990s due to the unification expenses. The figures also reveal the labour intensity of the sector. Definition of the cultural sector is a problem; the Munich researchers include the media in total (which should perhaps be separated into a special sector) as well as (non-university) libraries.

Especially in urban economics and planning studies, “cultural economics“ has been on the agenda. So for instance in Norway, where the West and East Norway Research Foundations have commissioned work on this topic. Here, “cultural institutions, by their very nature, still reap most benefits in the capital city region with its well developed cultural infrastructure notwithstanding the extensive public funding which has been in favour of more peripheral regions” (Sjoholt, N). The economic role of “culture“ and its institutions has been assessed for a number of cities and conurbations during the 1990s. Studies of this kind have become more or less standard work. The Spanish reports also lists a considerable number of urban and regional studies in that direction (Herrero Prieto, E). These studies treat cultural services not as a cost sector for public spending, but as a dynamic sector in its own right and a contributor to regional growth. The federal state of North Rhine-Westphalia has commissioned a voluminous (third) report on the “culture economy“ in the state (Arbeitsgemeinschaft Kulturwirtschaft 1998), i.e. on the arts sector (music, painting, sculpting, film, theatre, dance, excluding the media but including literature and book publishing). It assesses the growth of value added as well as employment of this sector, both of which are substantially above average. In addition, it attempts to find linkages within specific sub-sectors and between these and other parts of the regional economy; these results are rather general: In some branches there are notable regional linkages (mainly understood as regional markets, like specialised music schools or lighting equipment rental firms), in others there are none (as in record production or book publishing).

For Denmark, Trine Bille Hansen and collaborators have produced a number of studies in cultural economics, on the total size of the market for the arts in the country (Bille, DK).

2.4.3. Culture as a (soft) location factor

Extensive work on “soft“ location factors in regional and urban development research has included the arts as one major factor in this category. The leading study in that direction which was conducted in Germany in the 1990s (Grabow et al. 1995; it includes a longer summary in English) sums up the discussion around the relatively new distinction between “hard“ and “soft“ location factors and holds that soft location factors are of increasing importance in locational decision-making; one reason for this is the fact that the differences in availability of hard location factors between regions are decreasing. Soft location factors – a term apparently difficult to translate into
English – are defined as those location factors which are rather subjective and intangible and which are generally difficult to measure on the one hand (like the business climate of a region or the co-operation quality of the local administration etc.) or those which are relevant for employees and decision-makers as persons on the other hand, determining or at least influencing the “reproduction quality” of a location (like residential qualities, amenities etc.). Soft location factors, too, can be either more business-oriented or more person-oriented. The attractiveness of the cultural sector in a given location counts as a person-oriented soft location factor. Empirical results (from a questionnaire to about 2000 enterprises) on the relevance of soft location factors for a selection of towns in Germany and Austria does, however, not attribute a substantial importance to this factor: “Many other person-related soft locational factors, including cultural facilities, a field frequently addressed in the public debate on the subject, rank far down in the salience hierarchy of locational factors“, and “rating diverges widely (by industry, size of business etc.)” (Grabow et al. 1995, p. 33). As a consequence, increasing efforts by local governments with respect to developing “high culture“ institutions and costly festivals, which are usually in the interest of only a limited number of people, are not regarded as really favourable for improving local factor conditions (Grabow et al. 1995, p. 39). The issue is also addressed, with similar results, in the Spanish discussion (Herrero Prieto, E).

2.4.4. Culture as a specific resource

In connection with the increased role of knowledge and creativity in economic and regional development (Ellger 1996, Bryson et al. 2000), the arts receive revived attention from a rather different angle of (regional) economic research: For a number of branches of the “creative economy“, among them industrial design, advertising, architects, perhaps also writing, journalism and publishing as well as the new businesses where information technology, media and arts overlap, the existence of a lively arts scene appears to be much more than one among several location factors. It must be regarded as the decisive factor of production, the essential source for ideas. This idea is taken up in Klaus Engert’s thesis (1997), in which he studies the importance of the arts sector for the economy of the city of Milano where about 1% of the persons employed can be regarded as the personnel of the arts sector. Engert uses a postal questionnaire sent to advertisers, designers, architects, publishers, software producers and manufacturers in the furniture and the garment industry to assess the importance of arts institutions for their work, using elaborate quantitative techniques (causal analytical) to process the statements (of a sample of 219) from the questionnaire study. As a result, urban agglomeration advantages seem most important as location factors, qualified personnel comes second and the creative environment is also rated among the top factors.

Notwithstanding the achievements in Engert’s study, it seems more adequate to use more qualitative techniques in investigations on the importance of the arts sector for “creative“ businesses, tracing interaction paths and sources of knowledge and ideas. A small step in that direction is Katrin Jürgens’ dissertation (2000) on the Spandauer Vorstadt quarter in central Berlin, an inner-city area characterised by an agglomeration of arts and creative businesses. Jürgens is able to show – though on the basis of a very small sample (10 in-depth interviews) – that creative businesses in the quarter (designers, architects, advertisers) confirm the relevance of soft factors for the quality of the location (such as the atmosphere of the quarter or its image as a lively and creative place) as well as agglomeration effects. In addition, the local arts scene, mainly the ‘off’ institutions, plays an important role in giving and stimulating ideas, making the quarter a specific urban environment of arts and creativity with substantial economic effects.

In a different approach to the relationship of culture, economy and society, recent studies in urban sociology highlight the arts as a major arena of conflict: In the field of culture, ideologies and lifestyles compete for hegemony. Under the heading “economy of symbols“, this critical approach stresses the importance of the use of ‘culture’ by the ruling classes (or “growth coalition“) to promote their interest: 1) to determine the aesthetics of spaces, especially public spaces, showing the power of the investors, 2) to increase the trading value of
properties by decorating it with culture, and 3) to help to define the identity of the ruling class with the means of the built environment, in specific shapes of office buildings, shopping malls, factories etc. (Kirchberg 1998, p. 48f.). One of Germany’s major enterprises, Volkswagen, seems a good example for this recent development in the relationship between culture and the economy, with a new „vitreous factory“ in Dresden and with the newly opened „Autostadt“ (automobile city) in Wolfsburg, a gigantic mixture of sales department, showroom, information desk and entertainment centre, propagating a corporate culture which aims at integrating the purchasers and drivers of Volkswagens into it. Here, culture is being exploited as the main instrument in a new stage of marketing strategy, marketing being one of the essential service tasks in capitalist industrialism at the beginning of the 21st century, thereby integrating several of the meanings of the word ‘culture’ mentioned above: culture as cultural institutions and cultural events – the factory, the showrooms and the building for the delivery of the car to its new owner as a cultural institution offering a specific form of event; culture as a set of commonly held values and interaction patterns – the formation of a cultural community consisting both of car producers and purchasers (“the Volkswagen family”) transcending the mere economic aspects of interaction in the economy and carrying them further into the realm of the meaningful symbolic.

In a similar way, the cultural foundations for the design of shopping premises are being investigated in British (and American) economic geography (Bryson, UK names for instance Shields 1989, Goss 1993), namely the way in which (on the basis of a lot of knowledge in [media] psychology), design and staging are exploited to maximise consumption in the shopping mall – “the ultimate in designed spaces” (Bryson, UK).

A glance at the other extreme of the socio-spatial ladder also shows, in a very different context, that development without culture seems improbable to achieve: Frahm et al. (1994) emphasise in their extensive survey the role of culture for rural development in theory and practise.

2.5. Further aspects of ‘culture and services’

2.5.1. Telecommunications and cultural change

The internet as the new frontier of telematics is profoundly changing social communication, both in the business world and in the private sphere. This in turn has effects on service demands, for instance in banking, an aspect which the Italian report depicts à la longue. Interestingly, none of the other reports takes up the internet, perhaps because it is so self-evident and all-pervading now (and there are enough “cultural” topics apart from the new information and communication technology arena).

2.5.2. The culture of services

This aspect is mostly treated in business studies. It concerns the quality of services, i.e. (given the nature of services as producer-client interactions) essentially consumer orientation and consumer satisfaction. The problem is that the producer’s performance is difficult to measure. The user’s appreciation is decisive for the quality assessment, but again, this is not easy to assess (Bergami/Senn, I). The same themes are beginning to appear in Slovenian research (Stare, SLO).

2.6. An (interim) conclusion

Questions of “services and culture” constitute an enormously wide field of investigation and there can be no doubt about the fact that they will feature as a major research area in the future. Linked to economic, social and political questions, “culture” will continue to rise in relevance for social science research, both “pure” and applied. And there will certainly be demand for studies, nationally and internationally, also in the EU (and especially in an expanding Union!).

It seems that with the disciplinary, inter- and transdisciplinary knowledge acquired in the teams and individuals of RESER – with an emphasis on economics and applied business studies on the one hand and economic geography on the other hand, but also with a strong base in political economic sociology and “cultural studies” –, the network seems excellently equipped for research in this field, in all the
sub-subjects which are expressed in the report, connected to the different meanings of “culture” and the different steps of analysis of the impact of “the arts” in society, economy and space. One aspect makes me especially optimistic about this: I have outlined earlier that culture (once again in the sense of “the arts”) is basically “knowledge in various forms of materialization”. Having gone thoroughly through the ‘knowledge debate’ (in the service and information society discussion, when working on business services etc.), it is certainly very interesting for RESER to apply this meta-knowledge to the questions of culture mentioned in this report and the national reports. This is especially valid for the investigation of “creative spaces” (or non-spatial creativity networks/milieus/associations for that matter), where culturally and economically relevant creativities merge. Little is as important for economic advancement, urban and regional policy and politics in general (also considering education and training!) as the promotion of creativity. It must form a task for RESER (and associated researchers).

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3. Country Reports
3.1. Denmark:
Research and Publications in Cultural Economics from 1995 to 2000

by Trine Bille

3.1.1. The art market in Denmark

The object of this study has been an examination of the economic conditions for the visual arts in Denmark, through an analysis of the total size of the art market (Bille Hansen/Ibsen/Nielsen 1998, Bille Hansen 1998, Bille Hansen 1998a, Bille Hansen 1999). The statement is built on the gathering of data from a large number of different sources, including questionnaires sent to municipalities, counties, art societies, the Danish Artists’ Associations and art galleries. In addition, the quantitative data have been supplemented by a large number of telephone interviews and talks with important key figures. All in all, the results of this study indicate that the total market for visual art – i.e. first-time sales of works of living Danish artists in one year – is of the order of 200-225 million DKK (or ca. 26-30 million €). However, there is obviously a big uncertainty regarding this estimate.

3.1.2. Ph.D. dissertation in cultural economics

The overall theme of the dissertation (Bille Hansen 1996) can be formulated in the following way: How can economic theory and methods be used in relation to decisions on (public) resource allocation for cultural and leisure-time activities? The dissertation consists of four parts which deal in different ways with this subject, either theoretical or empirical.

3.1.3. The Danish population’s valuation of the Royal Theatre in Copenhagen

The main purpose of this study (Bille Hansen 1996a, Bille Hansen 1997, Bille Hansen 1997a, Bille Hansen 1998b, Bille Hansen 2000, Bille Hansen/Hjorth-Andersen 1996) is to assess the public valuation of the Royal Theatre using the Contingent Valuation Method (CVM), i.e. to evaluate the theatre on the basis of the Danish taxpayers’ willingness to pay (WTP) through taxes as revealed by an interview-based survey. Focus is on the methodological aspects. CVM has gained wider and wider use in recent years – especially for valuation of environmental benefits –, but there is still great disagreement among economists about its usefulness. In this study the general usefulness of CVM for valuation of cultural goods is tested and discussed. It is concluded that CVM is suitable for measuring the value of a cultural institution or other cultural activities because it is the only method that is able to measure the total value, including non-use values and option demand. It has been possible with CVM to arrive at some reasonably realistic bids concerning the Danes’ WTP for the Royal Theatre, and the results show that the public grants received by the Royal Theatre can be justified on the basis of the taxpayers’ WTP.

3.1.4. Liberal enlightenment from an economic perspective

On January 1, 1991 the “Act on Allocation of Financial Support to Folkeoplysning (Liberal Enlightenment)” came into force, replacing the Act for Leisure-time Instruction which had by and large functioned in an unchanged form since 1968. The Liberal Enlightenment Act must be regarded as a break away in several aspects from the rules formerly applicable – not least in the administrative area. An investigation has, on a practical level, tried to evaluate the consequences of the new liberal enlightenment act, and on a more theoretical level, it is the purpose of the study to discuss leisure-time education and liberal enlightenment as a small element in the whole complex of problems concerning the public sector’s duties, the optimal size of public expenditures and, finally, existing theories about the growth in public expenditure (Bille Hansen/Thagesen
1994, Bille Hansen 1995, Hansen/Bille Hansen/Sloth 1995). Regarding the former, i.e. the practical level, the study shows that no huge changes have taken place – apart from a reduction in total subsidies to the activities concerned and probably a rise in productivity. The opportunities for an actual prioritization of content, increasing the municipalities’ opportunities for pursuing a culture and leisure activities policy within the framework of the law, do not seem to have been sought. At the theoretical level the conclusion is reached that the growth in public expenditure for liberal enlightenment can to a great extent be explained by the citizens’ demand. And there is no confirmation for the argument that pressure groups are the decisive factor for the growth of expenditure on culture and leisure. On the other hand, the financial regulations set down in the new legislation (legislatively-bound subsidy contrary to budgetary limit) seem to be relevant for the growth dynamics and has led to a shift in “the motive” for the activities.

3.1.5. General works on Cultural Economics, including methodology and measurement problems

Methodology and measurement problems in cultural economics are discussed in Bille Hansen/Christoffersen/Wanhill 1996 and Bille Hansen/Christoffersen/Wanhill 1998. More general on the economic importance of culture is Bille Hansen 1996b, using three examples from Denmark, as well as Bille Hansen 1995a on Cultural Economics and Cultural Policy, a discussion in the Danish context, Bille Hansen 1995b and Bille Hansen 1997b.

The state of the art in Cultural Economics in Denmark is depicted in Bille Hansen 1996c, Bille Hansen 1997c and Bille Hansen 1998c.

3.2. Germany:

Beyond the Economic? Cultural Dimensions of Services – A Report on Literature in German

by Christof Ellger

3.2.1. Introduction

A wider bibliographical search for books, articles, texts and studies has shown that „cultural dimensions of services“ does not exist as an independent and explicit theme in German services research. Nevertheless, it is treated as one aspect among several in the literature, the main focus of which usually lies on other aspects of services. In addition, there is the large body of literature dedicated to cultural economics, understood in at least two different ways: as the economics of cultural institutions on the one hand, and the study of non-economic, cultural factors and their role for the economy on the other. And, in addition, there are specific aspects of the theme, „cultural services“, „services culture and culture in services“ or „services as elements of culture“, which are treated in several recent publications.

This means that a „cultural turn“ in social science, which is generally acknowledged (and made explicit, for instance by Lackner/Werner 1999), has not yet reached services studies as such (which are traditionally based in disciplines like economics, business studies, sociology and geography) – or only indirectly, as we will show here. Service research in Germany

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as well as in the other German-speaking countries – this also applies to Austria and (German-speaking) Switzerland – is still essentially focused on economic, functional aspects in a narrower sense, not transcending the boundaries of the economic realm, i.e. on aspects like employment, input-output relations, contribution to (national) income and growth, but with some interesting exceptions.

With regard to ‘culture’, however, two fields of interest have figured prominently on the research agenda in the 1990s: ‘culture and the economy’ and even more intensely: ‘culture and the city/the region’. These approaches in cultural economics and ‘cultural geography’ – in the sense of both a culturally informed geography as well as a geography of cultural institutions – have been playing an increasingly important role in both economics and regional studies.

3.2.2. But what, then, is ‘culture’?

We are dealing here with a difficult term, even more so as the word “culture” probably has varying connotations in our RESER languages (which, seen in a global perspective, are still rather close together, after all). For instance, one aspect of „Kultur“ in German, is perhaps better expressed in French or English by „civilisation“ (Thus, Huntington’s [terrible] book “Clash of Civilisations“ has been translated as „Krieg der Kulturen“ in German).

There are at least four dimensions of the word "culture“ - or rather of the German word „Kultur“ - which should be mentioned here (see also Rassem 1995, pp. 746ff.):

1) = the opposite of nature: man’s realm through cultivating the earth; beginning with "agri-culture“ (and bu-colos = shepherd) and continuing with all forms of division of labour in society; the concept of culture is similarly implied in „socio-cultural“; implied is here basically the unity notion of one human culture: humanity as culture;

2) = a (larger) subgroup of mankind with commonly held concepts, visions, ideas, values, traditions, activity patterns, beliefs, norms, habits, attitudes etc. etc. (perhaps more usually termed civilisation in English and French, see above); this leads to an understanding of culture on earth as not unified but varied: the variety of cultures/civilisations studied, above all, by ethnology and anthropology, more precisely „cultural (!) anthropology“;

3) = the arts (or even „fine arts“) and their institutions: the ensemble of functions and institutions which are not directly useful (l’art pour l’art), transcending the material necessities of life; in this sense also understood as: achievements, treasures – a specific realm of society, often understood in an elitist sense, distinguishing the „cultural“ from the „uncultural“, barbaric, „low“.

4) = an opposite to ‘the economic’ in society, i.e. the non-economic dimensions of human societies (sometimes also understood as the all-encompassing concept which would include the economic). Like in 3) above, this involves the concepts, traditions, activity patterns, beliefs that underlie the functioning of a given culture-civilisation. It comprises all that which an individual acquires in the process of “Enkulturation” (socialisation „inculturation“) into his/her society; this acquisition/learning process is always incomplete; ‘culture’ is an unfinished, open process of societal communicative interaction in which an individual is always only partially involved, but as an active agent – thus, a concept which is very much founded on social interaction, agency, communicative interaction and common interpretation (cf. also Lackner/Werner 1999, p. 46).

It is especially this last meaning of ‘culture’ which is relevant for our purposes here. It is, however, of course related to the other meanings. For instance, as ‘culture’ requires a certain degree of organisation, cultural institutions (3) emerge from the cultural process (4) in the culture communication community (2), which, however, does not necessarily have to be a language community, a nation, a nation state etc.. Often, the definition of ‘culture’ includes human/societal action and also artefacts; a narrower definition, however, like that used in
cognitive cultural anthropology (Panther 2000, p. 165f.), restricts culture to the realm of cognitive concepts, thus enabling research to distinguish between culture and action and look for cases of determination of action by culture (Panther 2000, p. 165).

3.2.3. ‘Culture’ in the humanities/social sciences: the „cultural turn“

There is widespread recognition that a change of orientation and methodology has swept through the social sciences and humanities during the last three decades of the 20th century. This can be called the „cultural turn“. It is the realization that explanation in terms of causal or systemic relationships in the disciplines concerned is constructed less on the basis of socioeconomic factors, ‘functional’ or – in an economic sense – ‘rational’ (Lackner/Werner 1999, p. 34) dimensions of phenomena and processes but rather around „cultural“ aspects or factors, by transferring theoretical cornerstones from ethnology and („cultural“) anthropology into other disciplines, in the first place history, then sociology, economics and political science, as well as geography. In a different setting, the disciplines of modern languages are evolving into „cultural“ or even „area studies“ (Lackner/Werner 1999, p. 30ff.).

The theoretical basis goes back to a number of scholars. The German discussion mentions especially Clifford Geertz for the early evolution in the 1970s and Pierre Bourdieu and Anthony Giddens for the period since the late 1970s, but beyond those Max Weber and Margaret Mead or Thorstein Veblen in economic sociology (Herrmann-Pillath 1999) are also important pioneers and protagonists of this line of thought.

Furthermore, the cultural turn can, of course, also be regarded as a swing back from „modern“ economic, socio-economic, rational explanation to „pre-modern“ cultural explanation which traditionally has been associated with concepts like „mentality“ or even Hegel’s „Geist“. No doubt, the cultural turn has produced and is producing achievements as well as pitfalls. The „relapse“ into cultural modes of explanation leads to a certain unquestionability of statements about culture – very much in the sense of a „black box“ – and to an exaggeration of factors which cannot be scrutinized further.

In addition, and perhaps most interestingly, there is the „cultural turn“ in economics, i.e. the observation that „cultural“ factors – in the sense of „non-economic“, „non-rational“ – have been gaining an increasingly strong position in explaining, for example, paths and conditions for economic growth and success. These cultural factors play a strong role in investigations on the transformation process of the former socialist states (Herrmann-Pillath 1999), based on the realization that there are influences on this process beyond economic rationality (or power, for that matter, which would lead to a political economic approach).

„Culture“ understood in this latter direction encompasses „informal institutions“, „mental“ models (Herrmann-Pillath 1999), attitudes of economic agents (be they consumers, entrepreneurs, inhibited entrepreneurs, managers, workers etc.) as well as modes of interaction (especially communication). Insights about the theory and methodology of such economic-cultural approaches are provided by Herrmann-Pillath 1999.

In his concise article on the cognitive cultural anthropologist approach in cultural economics, Stephan Panther revisits Max Weber’s famous „protestantism thesis“ – doubtlessly a cornerstone of both economic sociology and cultural economics – from the position of the achievements of cognitive cultural anthropology in the 1990s: Between the positions of both economic and cultural determinism, he opts for a mediating approach of reciprocity and coevolution between both realms. Ideas are born and nurtured in the cultural sphere; whether they are adopted and operationalized in everyday economic action, is a question of how strongly they can be matched with prevailing (institutional) interests.

In one respect, this phenomenon of „culturalisation of economics“ is nothing new to services studies. It is, in fact, well known from the work on networks, creative and innovative milieus and from the notion of „soft“ location factors. Here, a lot of work that has been done on services interacting in networks and creative milieus can be classified as studying „cultural dimensions“ of services.
In addition, the “cultural turn” has reached urban and regional analysis as well as development studies in the sense that ‘culture’ is increasingly recognized as the main frame of reference for analysis and planning. It is being treated as the major arena for social evolution and societal struggle – alongside of and beyond “the economic”. In Germany at the beginning of the 1990s, a lively discussion about extra-economic influences on regional development was stimulated by a study by Meinhard Miegel and his collaborators (1991) on differences in economic culture and work culture in different regions of the country. The authors compared work ethics and collectively held attitudes towards work performance in (peripheral) areas of North and South Germany and their effects on regional economic development. This is taken up again in the article by Hartmut Häussermann and Walter Siebel (1993) on “culturalisation of regional policy”. In a similar way, “lifestyles” (as a categorisation for subgroups of society) are defined by cultural factors rather than by economic factors. An urban socio-spatial analysis based on such a “lifestyle” approach would also emphasise aspects of cultural quality and change (Helbrecht 1997).

Culture, to be sure, is essentially an urban phenomenon and the city is / cities are a cultural entity / cultural entities. Consequently, there is a strong link between urban studies and cultural studies, documented in sociology in Germany, where urban sociologists turned to “culture in the city”, producing a reader covering a wide range of aspects, from critical approaches towards the instrumentalization of culture by capital and towards the built environment as “built-up culture” to the problems of local cultural policy (Kirchberg/Göschel eds. 1998). An excellent (critical) summary and synthesis on “culture and the city” is given by Lindner in his concise contribution to a dictionary of urban studies (Lindner 2000), expanding the theme into the concept of urbanity and the notion of culture as the traditions, conventions, specific lifestyle and interaction elements of specific groups (in the city in the sense of definition 2, see above): “High culture” and those forms of culture that are involved in consumption and entertainment are currently intensely discussed because of their economic potential, because they are useful for the advancement of (export) turnover in the city (by attracting elite population and visitors). But beyond these there is “urban culture as urbanity” and the co-existence and encounter of various “cultures in the city”. The first aspect implies the idea of civil society, self-government, equal rights and chances and open, productive communicative interaction in the city, to a great extent utopian, but still traceable in cities. The second aspect highlights the heterogeneity of urban cultures – in the plural form! – discernible by ethnic or social origin, economic and non-economic activities (professional cultures). And finally, there is the idea of ‘the culture of a city’ differentiating one given city from all others – in terms of modes of interaction and representation.

3.2.4. Services research in Germany: the service gap discussion

German research on services in general is still very much dominated by the „services gap“ debate, i.e. the question whether – and why – the German economy is comparatively „over-industrialised“ and lagging behind in the global and secular process of tertiarisation, of evolution towards a service economy with ever smaller shares of turnover and persons employed in manufacturing.

In research on this question, analysts usually compare employment data for the US and other countries with those for Germany. It is now generally accepted among scholars in Germany that the German economy suffers primarily from an employment gap that must be interpreted as a relatively slower dynamism in the service sector. The labour participation rate is substantially lower than in other countries, mainly due to the low labour participation rate of women. A new study by Cornetz and Schäfer, improving the data processing of the preceding investigations, confirms that there is in fact a service gap in Germany. A careful comparison of occupational data from CPS (current population survey) in the US and the socio-economic panel (SOEP) in Germany reveals that in the US in the mid-1990s, over 80% of the workforce are in service jobs, whereas the quota for Germany is around 75%. Taking labour participation rates into consideration, the gap widens enormously. There
are 310 service jobs per 1000 inhabitants in Germany as compared to 418 service jobs (per 1000 inhabitants) in the US (Cornetz/Schäfer). However, Germany appears to be catching up, as the service occupation proportion is increasing more strongly in time than in the US.

Concerning the type of service occupations with the most striking quantitative differences between the two countries, the results are highly interesting. It is not disputed that the range of wage distribution is wider in the US than in most European countries including Germany. However, contrary to common assumption, it is not underpaid “Mac-jobs” which account for the markedly different employment share in services, but the far higher proportion of (mostly well paid) producer services, requiring skilled personnel, that make up for most of the difference in the employment structure of the US. Per 1000 inhabitants, 183 work in producer services in the US as opposed to just 100 in Germany. In particular, Cornetz and Schäfer hold that there is a lower share of managers in Germany (rather than one of engineers, scientists or other business service occupations). How can the discrepancies be explained? Could it not be the case that either in the US many more occupations on lower levels in the industrial hierarchy are classified as “managerial” than in Germany, or that the German (and European) economy on the whole can do with a smaller share of managerial occupations, being more efficient in that respect (“fewer chiefs for more Indians”)? Regarding value added figures, the contribution of the service sector to total value added in the German economy is around 40%, whereas it is about 65% in the US. This, however, is partly explained by the comparatively smaller importance of outsourcing of service functions from manufacturing enterprises in Germany.

3.2.5. The service gap discussion and ‘culture’: one step forward

Baethge (2000) takes the service-gap discussion one step further and offers in his highly original contribution a „cultural“ interpretation of the German peculiarities in sectoral and functional structure. He emphasizes once again the observed employment gap in Germany in comparison with other economically leading countries, which for him is essentially due to the adherence to a specific „industrialist“ (or more correct: „manufacturalist“) model of economic and societal organisation in Germany, where services have never had a chance to realize specific patterns of specialisation, labour organisation, formation and qualification procedures and interest representation of their own or a services-oriented concept of efficiency and productivity. Service work has in many respects been incorporated into and subdued to manufacturing work, a fact which is also reflected in the minor role which services have played in business studies and national economics in Germany for a long time (Baethge 2000, p. 151f.). ‘Work’ for Germans has traditionally been manufacturing work (if not bureaucratic or academic, of course, for special groups of society ...). This phenomenon must also be looked at from the demand side: With the considerably smaller labour participation rate of women in Germany, there is much less demand for household services. This is the fundamental reason why a great proportion of the job potential realized in other countries in the last two decades has not been transformed into employment in Germany. In the end, the „work culture“ in Germany is characterised by a smaller degree of (formal) division of labour than in other countries. Baethge concludes, however, that this situation will not survive as the foundations of the old „industrialist“ model of the German economy are already trembling.

3.2.6. ‘Cultural institutions’ as a subsector of services – a double growth sector: in reality and in research

The analysis of the economic and regional economic implications of the existence (and of the public financing) of ‘cultural institutions’ has been a topic for research – and consultancy work – for a number of years, and ‘Kulturökonomie’, i.e. the economics of cultural institutions, its economic factors and consequences, has expanded substantially in the 1990s and seen a number of case studies, following strands of thought in the international discussion: Among the ‘models’ for many of the German studies are Baumol and Bowen’s classical study on the economics of the performing arts (1966), Blaug’s reader „The economics of
the arts” (1976), the New York - New Jersey study (Port Authority of New York and New Jersey 1983) and Myerscough’s „Economic importance of the arts in Britain“ (1988), in the 1990s also very much Zukin’s work in cultural urban sociology on New York City. It should also be remembered here that 1976 marks the year when the international „Journal of Cultural Economics“ was started.

Since these cultural or arts institutions – theatres, museums, music etc. – are, of course, invariably services, we are dealing here with the economic or regional economic analysis of an important subgroup of services.

The new (and first) textbook in German on cultural economics (Bendixen 1998) emphasises the widening scope of relevant studies in Germany, transcending the simple theoretical underpinning of the existing number of courses in cultural management in the country. Operating from a largely critical position towards the current state of economics and established in a more leftist institution (Hochschule für Wirtschaft und Politik, Hamburg) Bendixen highlights the situation of reciprocity between ‘arts’ and ‘the economy’ and their common origin in (Western) historical evolution (especially with the rise of individualism) and traces common aspects in both (or the one aspect in the other domain). Informed by international literature, he calls for a transdisciplinary and historical approach. The observation that the economy serves as a necessary basis for the arts is, of course, a truism. On the other hand, culture acts as a fundamental requirement for the economy, providing institutions, rules of interaction, education (for producers as well as for consumers!). Especially interesting for him are arenas of interpenetration of culture and economy, e.g. advertising and the changes in financing of the various arts through their history.

Looking at the narrower question of public finances and the arts, a considerable number of studies seek to describe the relevance of the arts for the economy in question and establish a „culture multiplier index“, i.e. a multiplication factor which indicates how much local/regional turnover is induced by the spending of one DM for culture, beyond a simple description of the cultural (arts) economy. Here, culture is treated as an economic (sub-)sector. In addition, it is held that the „cultural equipment“ of a city has indirect effects on its economic performance: It improves the attractiveness for knowledge-bearing elite personnel, it contributes to a positive perception of the region elsewhere and it helps to strengthen identification processes and something like „social pride“ in the regional population (Dziembowska-Kowalska/Funck 2000, p. 5). Here, culture is seen as a special and (increasingly) important factor of production. On top of that there is the observation that the existence of cultural institutions and their activists has positive effects on creative processes in creative businesses which are more closely connected to the arts, like advertising, photography, design, architecture; this is an approach which considers culture to be more than just one location factor, but rather an essential resource for the economic activities mentioned. Here, however, empirical work beyond mere theoretical speculation (like in Dziembowska-Kowalska/Funck 2000, p. 5) is rare.

The topic and the approach, after all, is not really new for the 1990s. All through the 1980s the regional economics discussion was enriched with „cultural“ elements, when competition between the highest-ranking cities and urban agglomerations in Germany for leadership in cultural matters was already very strong, and big cities tried to excel themselves with new museums, theatres, art galleries and concert halls (e.g. Neue Pinakothek in Munich, Staatsgalerie in Stuttgart, Museum Ludwig and Philharmonie in Cologne etc. etc.).

3.2.6.1. The multiplier effect of public spending for culture

An often cited pioneer work on the local economic impact of public spending for the arts is the study on Bremen by Taubmann and Behrens (1986) which was followed by the one on Neuss (near Düsseldorf) by Gerwien and Holzhauser (1989), also produced in the Bremen University Geography Department, which has since formed a stronghold for the topic. It is Gerwien and Holzhauser’s multiplier equations which have been used in most of the later studies; and in the late 1990s Engert published his thesis in Bremen (1997), which includes a short history of the „urban culture and urban
economy” studies. Before that, a first survey and summary of the approach in German was given by Behr et al. in their 1989 book. In the 1990s a number of case studies followed, among them Behr/Gnad/Kunzmann 1990, Haubrich-Gebel 1995 (Göttingen), Dziembowska-Kowalska et al. 1996 (Karlsruhe), Blum et al. 1997 (Dresden).

The studies have produced – mainly for larger cities and conurbations – fundamental data and statements about the size, role and impact of the cultural sector within the urban economy. They are generally very descriptive (especially Dziembowska-Kowalska et al. 1996, who are nevertheless also hinting at the importance of arts institutions as a source for creative impulses for a number of branches, like advertising, photography, design). The major question is: how much turnover in the local/regional economy is generated by the public subsidies that go into the cultural sector. The factor is usually rated at something above 1.0, i.e. more money is earned somewhere else in the regional economy than the local state spends on culture. Beyond the analysis and into measures, in one of the most recent publications, Blum et al. give some interesting advice, e.g. that the most expensive tickets for the opera and other „high-culture“ institutions should be sold at auctions, as this would probably raise their prices.

Through the 1990s there was a discussion about the legitimacy of these implication studies and especially about the calculated multiplier values regarding the effects of expenses for the arts. The basic questions are whether turnover is in fact created through the subvention of cultural institution or rather diverted away from other branches and whether the cultural services are in fact basic functions (in the sense of export base theory), rather than non-basic functions. This critique is taken up by Monika Haubrich-Gebel in her study on the arts in Göttingen (though not adhered to in her own multiplier chapter).

More recently, Sonja Clausen published a (regional) economic analysis of the „implications of public financing of cultural events“, using the example of the Schleswig-Holstein music festival (the second largest music festival in Germany after Bayreuth’s Wagner event). She gives a comprehensive survey of the problems involved in using a multiplier factor to assess the regional economic impact of the subsidies involved, also criticising a number of earlier studies which neglect parallel losses in turnover in culture or other (sub-)sectors. Using a welfare economic approach and a total-benefit-calculation, public subsidies for cultural attractions cannot be justified by regional economic gains. In addition, the author looks into the economic effects of an improved location image by subsidising a given cultural event, i.e. using this for marketing purposes. These image effects may be indeed substantial, but they are difficult to assess in comparison with the zero signalling situation („no festival“).

3.2.6.2. Culture as an important source of income and employment

Beside the largely state-financed cultural institutions which form the focus of the multiplier studies, there is a range of cultural businesses which are in fact vital sources of income and act as export services for metropolitan areas, especially the film business and related services, music production and distribution, photography, design and also advertising; in addition, there is the new integration of media and arts elements with computing in the evolving „multimedia“ industry. With parallels to research in the U.S. by Allen Scott for example, Stefan Krätke and Renate Borst emphasize in their new Berlin book the relevance of these branches (essentially services, but with linkages to material production like copying etc.) for the economy of the city. They find interesting local concentrations of the film business and related services at the edges of Berlin’s central business districts and interpret them as production clusters, although this has not yet been proved by an interaction analysis of the businesses concerned. The research shows, to be sure, that these „cultural industries“ indeed form an important category for economic and spatial research in metropolitan areas.

Ifo-Institut in Munich has conducted a number of studies for state institutions, among them a survey of the economic role of the cultural sector in Germany, a study for the German Ministry of the Interior (Hummel/Brodbeck 1991; Hummel/Waldkircher 1992). It shows that the cultural sector comprises 2.5% of total
value added of the German economy, 2.9% of persons employed and 2.0% of fixed capital investments; its growth was higher than the economy as a whole during the 1980s, but there was a minor loss against the total economy in the early 1990s due to the unification expenses. The figures also reveal the labour intensity of the sector. Definition of the cultural sector is a problem; the Munich researchers include the media in total (which should perhaps be separated and transformed into a sector of its own), as well as (non-university) libraries.

Especially in urban economics and planning studies, „cultural economics“ has been on the agenda. The economic role of „culture“ and its institutions has been assessed for a number of cities and conurbations during the 1990s. Studies of this kind have become more or less standard work. These studies treat cultural services not as a cost sector for public spending, but as a growth sector in its own right and a contributor to regional growth.

The federal state of North Rhine-Westphalia has commissioned a voluminous (third) report on the „culture economy“ in the state (Arbeitsgemeinschaft Kulturwirtschaft 1998), i.e. on the arts sector (music, painting, sculpting, film, theatre, dance, excluding the media but including literature and book publishing). It assesses the growth of value added as well as employment of this sector, both of which are substantially above average, making the sector a real growth sector. In addition, it attempts to find linkages within specific sub-sectors and between these and other parts of the regional economy; these results are rather general: In some branches there are notable regional linkages (i.e. regional markets, like specialised music schools or lighting equipment rental firms), in others there are not (record production or book publishing).

3.2.6.3. Culture as a (soft) location factor

Extensive work on „soft“ location factors in regional and urban development research has included the arts as one major factor of this category. The major study in that direction which was conducted in Germany in the 1990s (Grabow et al. 1995; it includes an extensive summary in English) sums up the discussion around the relatively new distinction between „hard“ and „soft“ location factors and holds that soft location factors are of increasing importance in locational decision-making; one reason for this is the fact that the differences in availability of hard location factors between regions are decreasing. “Sanfte” (“soft”) location factors – a term apparently difficult to translate into English – are defined as those location factors which are rather subjective and intangible and which are generally difficult to measure on the one hand (like the business climate of a region or the co-operation quality of the local administration etc.) or those which are relevant for employees and decision-makers as persons on the other hand, determining or at least influencing the „reproduction quality“ of a location (like residential qualities, amenities etc.). Another distinction can be made between business-oriented and person-oriented soft location factors, most important among the former is again the business climate of a region (also perhaps a „cultural“ aspect, though in a different sense of the word), among the latter the housing situation and the residential environment. The attractiveness of the cultural sector in a given location also counts as a person-oriented soft location factor.

Empirical results (from a questionnaire to about 2000 enterprises) on the relevance of soft location factors for a selection of towns in Germany and Austria does, however, not attribute a more substantial importance to this factor: „Many other person-related soft locational factors, including cultural facilities, a field frequently addressed in the public debate on the subject, rank far down in the salience hierarchy of locational factors“, and „rating diverges widely (by industry, size of business etc.)“ (Grabow et al. 1995, p. 33). As a consequence, increasing efforts by local governments to develop „high culture“ institutions and costly festivals, which are usually in the interest of only a limited number of people, are not regarded as really favourable for improving local soft location factor conditions (Grabow et al. 1995, p. 39). Insisting on (and exaggerating) the relevance of culture as a location factor, Dziembowska-Kowalska and Funck (2000) seem to misread Grabow et al.’s study in that respect, even more so as the latter’s results are by and large confirmed in another study by Heinrichs et al. (1999), who
asked citizens and investors for their appreciation of the importance of culture (heritage, institutions, highlights) for the attractivity of medium-sized cities as residential or investment locations. The studies clearly show that businesses rate cultural activities as rather unimportant for their location decisions. As part of the marketing of their products (and sometimes their locations) they want and cultivate culture predominantly in the form of spectacular events, they are not interested in mediocre commonplace everyday offers. And: Large companies engage in large-scale, nation-wide cultural events, smaller (more locally oriented) companies would also sponsor local activities.

Still, cultural amenities, the “state of the arts” in a given commune or region, are an essential element of the quality of life in the area, and through this they help to retain or improve the quality of location conditions as well. Development without culture seems improbable to achieve: Frahm et al. (1994) emphasise in their extensive survey the role of culture for rural development in theory and practice. But it is much more the unspectacular work by libraries, music schools, local museums and cultural clubs that is essential for the needs of the local population. Olaf Martin (1999) reports on efforts to promote cultural activities for the population, and not for investors or tourists, in rural areas in Southern Lower Saxony. Information, coordination, variation and qualification of activists are listed as essential aspects of a successful strategy. In the case study region, a regional magazine and local radio have proved to be valuable instruments for information and coordination of activities, and the internet is going to offer additional possibilities for setting up a regional calendar of cultural activities.

3.2.6.4. Culture as a specific resource

In connection with the increased role of knowledge and creativity in economic and regional development (Ellger 1996), the arts are receiving revived attention from a rather different angle of (regional) economic research. For a number of branches of the „creative economy“, among them industrial design, advertising, architects, perhaps also writing, journalism and publishing as well as the new combinations of information technology, media and arts sometimes called „multimedia“, the existence of a lively arts scene appears to be much more than one among several location factors: the decisive factor of production – as the essential source for ideas. This idea is taken up by Klaus Engert, who studies the importance of the arts sector for the economy of the city of Milano (!), where about 1% of the persons employed can be regarded being in the arts sector. Engert uses a postal questionnaire sent to advertisers, designers, architects, publishers, software producers and manufacturers in the furniture and the garment industry, trying to assess the importance of arts institutions for their work, using elaborate quantitative techniques (causal analytical) to process the statements (219) from the questionnaire study. As a result, urban agglomeration advantages seem most important as location factors, qualified personnel comes second and the creative environment is also rated among the top factors.

Notwithstanding the achievements in Engert’s study, it seems more adequate to use more qualitative techniques in investigations on the importance of the arts sector for „creative“ businesses, tracing interaction paths and sources of knowledge and ideas. A small step in that direction is Katrin Jürgens’ dissertation on the Spandauer Vorstadt quarter in central Berlin, an inner-city area characterised by an agglomeration of arts and creative businesses. Jürgens is able to show – though on the basis of a very small sample (10 in-depth interviews) – that creative businesses in the quarter confirm the relevance of soft location factors (e.g. the atmosphere of the quarter, its image as a lively and creative place) and agglomeration effects for the location quality and that, in addition, the arts scene, mainly the “off” institutions, plays an important role in giving and stimulating ideas, making the quarter into a specific urban environment of arts and creativity with substantial economic effects.

In a different approach to the relationship of culture, economy and society, recent studies in urban sociology emphasise the role of the arts as a major arena of conflict: in the field of “culture” ideologies and lifestyles compete for hegemony. Under the heading “economy of symbols”, a critical approach stresses the im-
The importance of the use of ‘culture’ by the ruling classes (or the ‘growth coalition’) to promote their interest. This happens in several ways: 1) by determining the aesthetics of spaces, public spaces, thus showing its power, 2) by increasing the trading value of properties, real estate, by decorating it with culture, and 3) by using the power in and over the built environment to define the identity of the ruling class with the means of the built environment, in specific shapes of office buildings, shopping malls, factories etc. (Kirchberg 1998, p. 48f.).

One of Germany’s major enterprises, Volkswagen, seems a good example for this recent development in the relationship between culture and the economy, with a new “vitreous factory” in Dresden and with the newly opened “Autostadt” (automobile city) in Wolfsburg, a gigantic mixture of sales department, showroom, information desk and entertainment centre, propagating a corporate culture which aims at integrating the purchasers and drivers of Volkswagens into it. Here, culture is being exploited as the main instrument in a new stage of marketing strategy, marketing being one of the essential service tasks in capitalist industrialism at the beginning of the 21st century, thereby integrating several of the meanings of the word ‘culture’ mentioned above: culture as cultural institutions and cultural events – the factory, the showrooms and the building for the delivery of the car to its new owner as a cultural institution offering a specific form of event; culture as a set of commonly held values, schemes and interaction patterns – the formation of a cultural community consisting both of car producers and purchasers (“the Volkswagen family”) transcending the mere economic aspects of interaction in the economy and carrying them further into the realm of the meaningful symbolic.

3.3. Italy:

Beyond the Economic? Cultural Dimensions of Services – Literature Report

by Andrea Bergami and Lanfranco Senn

3.3.1. Introduction

Culture can be defined as “how humanity came to be where it is today”.

National cultures have a direct bearing on their national economies, and particular kinds of culture are best suited to economic success while others hold nations back. What had been considered a set of purely economic processes has now become a central part of cultural processes and institutional settings.

What is decisive for nations is not less relevant for organisations. The kind of culture an organisation has will determine its economic destiny. Cultural value assessments achieve business improvement through the identification and rectification of issues affecting employee performance, customer service and competitive advantage.

The relationship between culture, economy and institutions is at the core of the interest of today’s economic research.

Particularly, the service economists’ attention is focused on four aspects:

- How do cultural factors modify the demand of services?
- culture as a service;
- culture of the services;
- regulation and deregulation in the service economy.
This short paper outlines some of the conclusions drawn from studying the Italian literature of the period of about between 1995 and 2000.

3.3.2. Cultural Factors in the Demand for Services

Internet culture has already changed the economic landscape considerably and caused the emergence of new kinds of services.

As the internet is continuing to attract users and commercial content suppliers around the globe, its relevance for the operation of major commercial banks and other financial institutions is increasing (Magimi 1999, La banca virtuale 1998, Dainese 1999, Faletti 1999, Masetti 1999).

As a matter of fact, moving financial services to the internet creates a totally new competitive landscape. Instead of operating within clear-cut service boundaries, well-established financial organisations suddenly find themselves competing for customer loyalty and liquidity in a far less stable environment. The advent of web-based commerce has added new layers of complexity and unpredictability to the worlds of commercial and retail banking. It is obvious that the momentum to move to web-based business models is increasing and that traditional distinctions among service providers are becoming blurred. New partnerships and announcements for new electronic products have become a daily routine for the financial services industry. As the Web begins to replicate core banking functions, a variety of non-bank institutions are ready to move into the transaction settlement business and to assume online trust broker roles.

Secure electronic commerce is driving change in financial services and the internet can become a universal channel for trusted settlements and the exchange of value. Technical advances in managing networked security and digital trust are intersecting with increased consumer activity and expectations on the Web. Attracting a significant percentage of customers to web commerce, however, will require enhanced convenience, value added, integrated information and simple user interfaces.

In addition to concerns about security and uncertainty about how to select appropriate services, home internet users are still affected by low dial-in connectivity speeds and substantial hardware requirements for delivery of multimedia information and services.

Online retail banking has instigated a desperate positioning battle among competing companies from all kinds of sectors of the financial services industry. The number of strategic alliances among banks, software companies, online services, telecommunications firms and credit card companies is increasing.

There are four major reasons for the growth in online banking:

1. New distribution channels: Financial institutions now have a variety of technological means to initiate online banking programs without incurring the heavy capital investments needed to develop their own systems;

2. No barriers to entry: Technology is creating a level playing field where fast moving non-banking firms can easily provide banking products. This trend can be seen in the area of bill payments where recent innovations have provided an opportunity for non-banks to break into the banking business, threatening one of the most profitable services provided by banks. The present nature of online payments is a clear indication that if the banking industry fails to meet the demand for new products, there are many industries that are both willing and able to fill the void;

3. Changing customer expectations demanding agility and flexibility on the supply side: New technology is not only producing an ever-increasing range of products, it also has far-reaching effects on consumer expectations. Financial institutions understand that to meet consumer expectations they need to be flexible by separating the content (financial product) from the distribution channel (the branch);

4. Digital convergence of financial management transaction: Technology lets a broad range of financial management activities converge, which previously were experienced as separate.
Online financial services refer to the general ability to conduct bank transactions from home (or office) using a telephone, television or personal computer. Examples of transactions include reviewing and checking savings account balances, transferring funds between accounts, paying bills, reconciling checking accounts or opening new accounts.

Characteristics that differentiate winners in the competitive online banking industry from losers are the willingness to take risks in terms of being a first mover, the strategic choices involved in deciding whether to partner with a software provider and the products and services to offer online.

With the explosive growth in internet use, banking via the World Wide Web will undoubtedly catch on quickly. Its aim is to provide superior customer service and convenience in a secure electronic environment.

The competitors in this segment are banks that are setting up their web sites and firms that can easily move their products to the Internet.

What is important to stress is that banking on the Internet is not the same as banking via online services. Internet banking means that consumers do not have to purchase any additional software (the Web browser is sufficient), they can conduct banking anywhere as long as they have computers and modems. Consumers can download their account information into their favourite programs, which means that they do not have to follow the dictates of the service provider. Internet banking also allows banks to break out of the hegemony of software developers.

The term of electronic commerce has now become a popular label for all the relatively recent efforts to handle financial transactions over public networking media such as the internet, cable television or telephone systems. Current electronic commerce initiatives attempt to place the consumer/buyer, merchant and potentially the bank together in an online environment in which the payment transaction can be initiated and processed without human mediation. Online commerce still represents a rather minor percentage of total commerce but it is likely to become a major force in the future.

The factors driving this push to automated online electronic commerce are: convenience, reduced cost of operations, lower risk and more timely information.

In addition to the impetus provided by the rapid growth of internet users, there are other factors driving the growth in electronic commerce payment solutions today. Selling digital objects over the web offers many advantages over more traditional forms of business:

- It provides customers with more choice and customisation options.
- It reduces time and cost of search and discovery.
- It expands markets from local and regional to national and international, with minimal capital and equipment requirement.
- It permits just-in-time production and payment.
- It reduces high transportation and labour costs.
- It facilitates increased customer responsiveness, including delivery on demand.

Consumers are motivated to go online because it is more timely, cost-effective and convenient to do business electronically.

Finally: The debate about security of online transaction is open: Although the initial services introduced used credit cards as the purchase instrument, the similar use of debit cards, online cash or a digital equivalence of checks is being explored.

3.3.3. Culture as a Service

The relation between the public and the private sector is the central theme of publications and articles on the field of culture as a service. The fundamental question is: How to manage cultural activities most efficiently? (Merlo 1996, Modelli di gestione 1998, Cantiere cultura 1998).

The deteriorating financial situation of many countries, Italy included, is an important incentive to implement privatisation programmes but next to financial considerations there is also an administrative motive behind privati-
sing cultural institutions. Privatisation in culture is an important but also controversial phenomenon.

It is, however, considered wise to separate the responsibility for cultural supply and the responsibility for cultural policy.

In the case of a privatisation of cultural institutions (museums, theatres, orchestras etc) in order to eliminate bureaucratic restrictions and to rationalise management, the so-called third sector, based on non-profit organisations (like foundations, associations, co-operatives), is probably best at achieving a reasonable compromise between public goals and private efficiency. In the cultural sector in general, voluntary work is growing rapidly, in terms of both associations and individuals. Its potential in the field of heritage conservation and its contribution to the operation of museums, libraries and performing arts centres should by no means be undervalued.

It should also be mentioned that a less explicit but frequently used form of partial privatisation consists in an increase in ticket prices and user fees for cultural goods and services to make up for cuts in public funding. In particular ticket prices for the performing arts rose at a rate higher than inflation over the past several years. This privatisation strategy might present an obstacle to wider access to the arts; excessively high prices may limit the availability of artistic performances to the most privileged. The right balance between box-office income and subsidies should be more actively and effectively pursued.

Any privatisation strategy may succeed or fail depending on the solidity of the institutional and cultural policy framework of which they are part.

The contribution of the private sector is necessary not only for economic reasons. In fact, pluralism, and especially the pluralism of funding sources, is a precondition of cultural democracy. Seen from this perspective, the privatisation process contributes to a less monopolised power game in the cultural sector.

The mix of public financing and private funding, necessary for an interesting and diverse cultural life, can be realised through various strategies and technical devices.

Finally, the position of privatised cultural institutions between state and market has opened up new possibilities for co-operation between governments, market and non-profit institutions. These new possibilities do of course not develop without problems and difficulties.

To widen the scope of their activities cultural institutions will have to intensify their fundraising and attract money from scattered sources. Generally speaking, arts managers have an enlarged set of options to realise projects: subsidies from governments and private funds, donations, sponsoring and the help of volunteers.

3.3.4. Culture of the Services

Concerning the culture of services the focus in the Italian literature is on service quality, particularly in public services. Quality has become an immensely popular term where the organisation of public services is concerned.

In many service branches, such as health care (Primicerio 1998), education, personal social services, fire services or the police, there is now a strong commitment to improve quality and responsiveness towards customers (clients, patients, students, users).

Measuring performance in services, however, seems fundamentally difficult, largely because production and sale occur simultaneously. In addition, intangibility, perishability, simultaneity and heterogeneity, all those factors which characterise the service sector, make it hard to assess a firm’s capability to produce in the absence of an immediate demand.

Furthermore, there are distinctions that make public services differ from private sector services. In the private sector, i.e. in the commercial market, the feedback links between seller/producer and customer/user are very direct and constantly remind the producer of the importance of meeting consumer wants. Quality deficits necessitate immediate reaction., especially if a rival producer has found a way of offering the same quality at a lower price, or a higher quality service at the same price.

In public services, feedback on quality is much less forceful. To begin with, the service is frequently provided free of charge, or at least at a
charge which is only weakly related to costs, i.e. subsidised. Because of this public services often face the problem of how to limit demand. Whereas a fall in demand can actually be a relief – less pressure, more time for professional development, research or leisure, provided that there is little or no reduction in the budget, an increase in demand, by contrast, may be very unwelcome because it means more pressure on staff and facilities but probably no increase in budget.

Concerning service quality in the public sector there are two major points of view: Firstly, there is a producer or provider point of view. Here quality is related to output and to meeting predetermined requirements. Since producers are usually not internally homogeneous, there may be tensions over who is to determine the requirements for output. In some professionalised public services the tension is currently between managers and professionals. Nevertheless, despite these frequently occurring internal complications we may define producer quality as the intrinsic features of the good or service itself, as seen by those producing it.

Secondly there is a consumer view on service quality, i.e. the quality of the service as perceived by the user. It should immediately be pointed out that the user may or may not share the view on features or attributes of the service with the producer(s). As a matter of fact, many organisations have discovered that, when they research users’ wants, they had previously possessed only a highly imperfect picture of what their users actually wanted.

User quality pertains to the effects (outcomes) of the goods or services that are consumed, to their utility and capacity in satisfying user wants. Satisfaction (or dissatisfaction) is the result of the confrontation of expectations (individual or collective) and perceived quality. If the quality of a service is perceived as medium but the expectations have been very high, there will be dissatisfaction. On the other hand, if prior expectations are rather low, then even quite a poor service may result in user satisfaction.

Service industries need to know the service quality factors relevant for their service products and understand the complex relationship between performance and perception in order to design, measure and control their services.

Much of the discussion in this subsection applies to the private sector as much as to the public sector. There are, however, two factors which play an important role in public services: Firstly, there is the absence of market-type competition in considerable areas of the public service sector. This may restrict high expectations by users who have little with which to compare the services they are receiving. Absence of competition may also remove the incentive for producers to find out exactly what their users want.

The second special feature of public services is the role of governments. In a sense they blur the producer/user distinction, because they represent both. They own and finance the services in question. On the one hand they will seek to define very closely the maximum that will be on offer (regarding both quantity and quality), to restrict public expectations and to economize in order to please bankers and taxpayers. On the other hand they will put pressure on public service organisations to be more responsive to users and to constantly raise quality in order to please the service users who elect them, to enhance the legitimacy of the system.

3.3.5. Regulation and Deregulation in the Service Economy

One important topic in the Italian discussion highlights the question of regulation or deregulation in the service economy (La concorrenza nei servizi 1998, La liberalizzazione 1997, la privatizzazione 1996, Bani 1999, Prosperetti 1998, Valotti 1996). A number of studies point out the problem of a general inadequacy of publicly administered services in a period of decreasing financial resources and increasing citizens’ demands. This debate predominantly concerns telecommunications, water services, energy (both gas and electricity), transport (motorways, railways, airports), but also health and educational services. One may sum up the Italian debate on privatisation and liberalisation of public services by stating that it is generally seen as a process that does not necessarily require changes in the structure of the sector but a complex system of rules.
Indeed, foreign experiments usually serve as a model and they prove that reorganisation of the sector is the first step to any regulation.

From an economic point of view, the idea of public services is mainly linked to the notion of infrastructure – especially in energy, transport and communications services. These activities are characterized by:

- their tendency towards natural monopoly, due to economies of scale and scope;
- their generality – i.e. the fact that they serve nearly all individuals, firms and organisations;
- their transversality – the fact that they are indispensable for the functioning of other sectors.

The free play of the market would lead these activities not only towards private monopoly but also to an especially dangerous kind of monopoly with control over vital sectors for society as a whole.

Different degrees of intervention are possible. It may be a simple case of asking the suppliers that they abide certain ethical principles (equality of access to services, equality of tariff treatment etc.). But a society might also wish to manage the social and economic externalities more directly.

The origin for public services generally is social-political: The community feels a need, and a public authority responds with a political decision. This is voluntary intervention in the natural evolution of the market in the name of the general interest. Precondition for this intervention is the existence of institutions capable of carrying out these initiatives and facing the consequences in terms of funds and in political terms.

Bearing in mind the political origins of public services, it is possible to group them into two broad categories, according to the relative precision of their tasks. In the first case the authority that creates the public service can set clear targets in advance. It can therefore draw up a precise, exhaustive set of regulations, then leave the sector to its own devices, run by one or more operators, public or private. It would require only occasional checks to ensure that these operators respect the regulations. In the second case the authority is unable to state its expectations from the outset. Since no regulations can completely cover their expectations, the public authorities must engage directly in the decision making process, applying a “public monopoly”.

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3.4. Norway:


by Peter Sjøholt

3.4.1. Introduction

The themes referred to in the headline have not been explicitly illuminated in earlier reports on research of service activities in Norway for RESER by the author. These reports mainly concentrated on organisational, regional, international and innovative aspects of the industry. One of the reasons for this seemingly lack of
interest in institutional and cultural perspectives has been scarce in recent years.

3.4.2. Institutional aspects of services

As far as the institutional dimension is concerned, this lack of engagement is somewhat surprising, since Norwegian scholars relatively early emphasized the importance of institutional economics, particularly governance systems and issues in overall economic and industrial development (Hernes 1978, Olsen 1978). This orientation was not explicitly transferred to services research, however, at the same time, and much of it seemed to be lost during the period with extreme neo-liberal tendencies and inclinations with concomitant emphasis on the neo-classical paradigm in the research community.

Interest in institutional questions seems to have revived of late and there are signs of a resurgence of the topic in the recent research literature, reaching services, however, only indirectly. Three aspects have to be mentioned: 1) the interface between public and private services and deregulation of the service economy, 2) the role of institutions contributing to shape the service economy, and 3) institutional certification of services.

During most of the five-year period from 1995 to 2000 projects on compulsory competitive tendering of public services (Bogen/Nyen 1998) as well as the privatisation of public services (Brekk/Hagen 1999) have been in progress both at the research foundation of the Norwegian School of Economics and Business Administration (SNF) and the Trade Union Research Foundation (FAFO). At the former also private manpower provision through bureaus has been researched on, all these issues with explicit reference to institutional regulations (Hersvik/Nesheim 1998). Results are somewhat inconclusive. A shift towards the private market has by and large taken place. So far, few negative consequences as to quality of services and working conditions of employees have been documented. Although profitable in certain fields, outsourcing has, not always been the general panacea hoped for (Nesheim 1997, Nesheim/Rokkan 1997). In addition to these projects research has also been conducted on deregulation and reorganisation of telecommunicated services and information services, concluding that integrated semi-public solutions are better than more loose alliances.

Affiliated to the University of Oslo, the STEP research group has done research on innovation systems in services with a main emphasis on the role of the knowledge intensive sector (Hauknes/Miles 1996, Hauknes/Hertog/Miles 1997, Hauknes 1998, Hauknes/Nordgren 2000). This research, which is partly comparative, viewed in an EU perspective, culminated in an analysis of distribution and dissemination of new knowledge and the needed infrastructure, seen in an institutional light. An institutional drift from predominantly public provision of services and innovation policies to more market based knowledge production and organisation could clearly be verified. This has led to a discussion of the role of public and private institutional arrangements for the dissemination of innovation on more general terms.

Becoming visible in the research landscape, with some relevance to service aspects, are programs initiated at the Research Council of Norway, like SKIKT which stands for Social and Cultural Preconditions for Information and Communication Technology. Of interest in our context is a project in this program on certification of electronic signatures, also dealing with the implementation of systems for use in commercial transactions, which are growing in magnitude but still lacking necessary institutional control and guarantees (Riisnaes forthcoming). Another project seeks to highlight theoretical aspects of electronic commerce (Ulset 1997). In the same program one project investigated the extent to which tacit learning and knowledge is of superior or inferior quality in evaluations and predictions. The project “Clinical professionalism and technologically disseminated expertise” connects knowledge studies, psychology and medicine. The authors hope that the results will have a wider and more general application. Of course, the prospects should be considerable for advanced producer services.

Finally, under the new regional research programme of the Research Council, started in 1999, institutional determinants for the growth of service based industries have been given
ample space. An approved project, consisting of four case studies in different regional contexts, will try to uncover the importance of formal and informal institutional arrangements for the development of service-related industries (Selstad 1999). These are to be seen in a broader contextual and historical perspective and emphasize the role of endogenous development from below.

3.4.3. Services research with cultural perspectives

Regarding the cultural dimension of services, too, research activity has been rather modest in Norway. But both the West and East Norway Research Foundations have committed themselves to some research on the cultural economy. The platform has been rather broad, as cultural activities are viewed not primarily as a means to generate employment and income but as legitimate pursuits in their own right.

One of the projects under this headline which can be classified under the sub-theme of cultural industries was focused on the importance of the cultural sector in economic, industrial and welfare development in metropolitan areas (Osland 1995). Cultural industries were seen from the supply side, dealing primarily with employment, production, management and dissemination, media being an important part of the latter function. Although the report, worked out at the SNF, could document the growing importance of a market for cultural products, it was emphasized that transfers of public resources are still essential. Through this, substantial growth of employment in its own right was possible. Cultural institutions, by their very nature, still reap most benefits in the capital city region with its well developed cultural infrastructure notwithstanding the extensive public funding which has been in favour of more peripheral regions.

Astonishingly little research has been conducted on the differentiating role of cultural factors in service provision to enterprises and as determinants for the demand for services in the same enterprises. On the other hand, there is growing research on cultural factors and their role in creating demand in specific sectors, mainly the tourism sector and affiliated activities. The program on tourism research at the Research Council of Norway during the four-year period 1994-1997 was explicitly committed to cultural aspects of tourism, in clear contrast both to the preceding and succeeding programs. After 1996, this was reflected in four projects on cultural issues in tourism. They concentrated on cultural resources as a factor for the development of tourism, on the choice of cultural attractions given the educational level of visitors, on festivals, the viability of which was found to be dependent on enthusiasm of volunteers (Elstad/Thrane 1997), and, last but not least, on the importance of considering cultural attractions in context (Vaagland/Vorkinn 1997).

The results of the research point to the need for considering natural and cultural attractions on the trip in tandem. Many natural attractions are modified by human action and intervention, even encroachment, the best example being the cultural landscape itself. Nature and culture are important prerequisites for a sustained demand for tourism, especially taken together. The fact that the trip as much as the destinations may be an apex of enjoyment and experience puts heavy requirements on organising supply in a more holistic way than what has been done in conventional marketing of tourism before. Combinations, or rather product packages of natural and cultural attractions, are also imperative in an attempt to take optimal advantage of potential demand. In addition, there has been a project on the trip as part of the tourism production system, where ample space is given to cultural factors, exemplifying good and bad aspects of organising the cultural product (Osland 1997).

Ethno-cultural research has been pursued particularly at the Finnmark Regional Research Foundation. An important theme has been the interface between tourism development and ethnic identity, where conflicts and compromise between modern tourism and Sami culture have been important subjects on the research agenda. One of the objectives has been to demystify the culture and debunk tendencies towards making the area a kindergarten for international tourists. On the other hand attempts have been made to revaluate old manifestations of material and spiritual culture and put them into a context of active tourism through action research. Evaluations of disseminating cultural knowledge by way of museums are part of this research, focusing on
those aspects of reality which are featured most in these institutions – and why they are featured most (Olsen 1997b). Simultaneously the duality between Sami and old Norse culture has been sought to be unearthed (Olsen 1997). The legacy of Viking culture and its modern commodification have thus been put into a northern context in a couple of research projects (Sletvold 1996, Sletvold 1998).

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3.5. Slovenia:
by Metka Stare

3.5.1. Methodology
The survey takes account of articles, books and informal literature written by Slovenian authors and published in Slovenia or elsewhere in the period 1996-2000. To identify the range of relevant publications as broad as possible we started with applying the combination of the following descriptors: services and culture, services and institutions, business culture and entrepreneurship, services and business culture, regulation and services, private and public services. This mix of descriptors, encompassing the explicit use of the term service as one of the descriptions, failed to provide larger number of bibliographical entries. In the second stage, we used only two descriptors: institutions; culture. In that way we obtained a much broader basis of “potential units” which were carefully scrutinised and identified as fit under the umbrella of “institutional and/or cultural dimensions of services”. After a lengthy and tiresome process we arrived at 22 bibliographic units in total. It needs to be emphasized, however, that the discretion of the author of the survey may have produced greater selectivity and bias towards units which explicitly conform to the proposed theme. In that way institutional dimension of services might have been set aside.

3.5.2. Comments on the Literature
The result of the survey suggests that institutional and cultural dimensions of services have not been a matter of high importance in service research in Slovenia so far. This comes as no surprise taking into account the survey of published literature on service issues in Slovenia for RESER in 1998. This survey had established that service issues were continuously being underestimated in strategic policy orientation of the Slovenian government and, to a certain extent, also in the research sphere which is financed predominantly from the government budget. Given the fact that the research sphere did not say much on the economic dimension of services in Slovenia in general, it is only understandable that institutional and cultural dimensions of services are only beginning to appear in the research. This is confirmed by the fact that out of the 22 identified studies 9 were published in 1999 and that the majority of studies (12) is classified as more or less unpublished literature (diploma theses dominate). There is, as yet, not a book monograph dealing with these aspects of service research in question here. Other publications are articles and conference papers. The articles are mainly short texts without a serious analytical or empirical background.

4 Although the first four months of the year 2000 were also investigated, no publication related to the topic could be identified.
Overall, the evidence on the literature on institutional and cultural dimensions of services in Slovenia reveals that no systematic or comprehensive research is undertaken. The analysis of broader institutional aspects of services development is neglected in particular. The evidence also confirms the fragmented character of published literature and the dominance of partial approaches on institutional or cultural dimensions of services. Most publications, in fact, deal with business culture or tourism-culture interlinkages.

The research of business (organisational) culture is approached from the point of view of identifying its main elements and of how it affects the management of firms and its success (Kolar 1997, Cunk 1997, Kajzer/Kolar 1999, Ivanuša-Bezjak 1999, Vavpetič 1999). Other topics are the quality of services provided (Čiček 1999), customer satisfaction (or dissatisfaction; Simonič 1999) and the question of how international perspectives of entrepreneurship and culture are reflected in Slovenia (Glas 1997, Kovač 1997). Business culture is understood as a social cement of a firm and as a way of managing business changes in a firm. It is argued that an improvement of the business culture is easier when firms open up to external cultural institutions to a larger extent.

Resorting to professionalism is also suggested as a means to develop the internal business culture.

On a sectoral level, institutional and cultural dimensions of services are most frequently explored in tourism, revealing the importance of the tourist industry for Slovenian economy and foreign trade. The discussion concentrates on the marketing of cultural “goods” as a generator of faster development of tourist services at the country level (Slovenia) (Schiemann 1998) as well as at the local level (towns) (Kovač 1996, Lipovšek 1996, Bezeljak 1999).

Specific aspects of the discussion refer to innovation and information culture (Miličič 1997), to social and legal aspects of quality guaranteeing (Rebernik 1998) and to links between culture and economy at the local level (Miličič 1996).

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3.6. Spain:


by Luis César Herrero Prieto

3.6.1. New Approaches towards the Analysis of Leisure, Culture and Services

Concerning the transformation in the economy of production during the last twenty years, all studies agree that the industrial sector has been playing a lesser role than the service sector. Indeed, the Spanish economy nowadays is increasingly tertiary. Not only does the service sector account for approximately two thirds of total employment and almost 60% of national production, but it is also leading the recent Spanish boom.

In this vein, services aimed at production (mainly corporate services) are undeniably growing in importance as a highly innovative sector. This sector is complementary to industry and shows a pro-cyclical trend toward the

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5 Acknowledgement: Thanks go to Ms. Velasco-Sacristán for the English translation.
Beyond the Economic? Cultural Dimensions of Services

Overall economic development. Beside these producer services there are the services aimed at final consumption – especially tourism, recreation services and leisure activities – which also play a crucial role.

It is interesting to note that these changes produce territorial implications. Thus, over the last decades, the new emergence of major centres linked to the development of the service sector has led to a decline in traditionally manufacturing areas. This can be well illustrated by the case of the Spanish economy where the Autonomous Regions in the Mediterranean Arch and the Canary and Balearic Islands have grown stronger as development axes for the whole country. In particular, and due to its locational advantages, they have taken part in a process closely linked to the dynamism of the services, especially of the tourist sector.

Furthermore, it is worth mentioning that all activities concerning leisure, recreation and culture are now gaining prominence in modern economies. As evidence to support this we can quote a recent study carried out at the Autonomous University of Madrid (García Gracia et al. 1997 & 2000) where the contribution of the cultural and recreational industry (Industria de la Cultura y el Ocio en España) to the Spanish GDP has been estimated by means of tax variables:

The figures provided are very considerable; the contribution of this sector to GDP rose from 3.1% in 1992 to 4.5% in 1997. Moreover, gross value added is mainly generated by the private sector and not by the public sector, which only yields 8% of the total value. This supports the view that maintains that culture and leisure are rather market-driven activities than public and non-marketable. Likewise, the figure of new jobs in this sector, which accounts for 7.8% of the national sum, is substantial. Employment in culture and recreation increased by a handsome 34.8% between 1982 and 1997; this increase is well above that of employment in the economy as a whole which rose by 6.9%. These figures illustrate the size and dynamism of the culture and leisure sector. There seem to be, nonetheless, reasons to suggest that this productive branch is still somewhat underestimated, the major arguments being the following:

1) The culture and leisure sector is now spreading all over the productive system giving rise to wide-ranging linkages, both forward and backward. This is why three types of activities are usually considered structuring the cultural sector: (a) the core of the cultural sector which corresponds to the processes involved in the creation and production of goods and services related to leisure, entertainment and culture; (b) the activities that promote the use, diffusion and trade of cultural and recreational goods; and (c) the jobs that provide the necessary inputs to the core of this sector. It is interesting that, in this vein, considering the close link between the sector and the demand for its final consumption, the activities in group (b) play a key role inasmuch as they are involved in the distribution and diffusion of cultural and recreational services. All this, indeed, accounts for the most characteristic activities in the services sector.

2) Linked to the first argument, there is no explicit definition for the cultural sector itself in the available sources on economic variables. The reason why an official definition is non-existent appears to be consistent with the neglect of economic studies on the significance of consumption and cultural production. One usually resorts to ad hoc definitions adapted from the sources of information used.

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6 International comparisons are telling in spite of the call for caution due to differing methodologies and non-homogeneous sources of information: The cultural sector contributes 2.5% to GDP in the United States (Throsby 1994) and 3.7% in France (Benhamou 1996). In the United Kingdom it accounts for 2.9% of total employment and 3% of total exports (Myerscough 1988).


8 These are stricto sensu the activities that generate royalties and copyright.

9 Indeed, according to García Gracia et al. 2000, in the private field of the Spanish culture and leisure sector, the indirect activities for its diffusion and use are 63.3% of total GVA as opposed to 27% supplied by creative activities and 16% by of provision functions.
3) It is also worth taking into account in analysing the underestimate of the culture and leisure sector the recent social behaviour commonly known as „cocooning effect“. It accounts for the fact that an increase in demand for leisure (essentially a function of rising incomes) is not satisfied by an increasing consumption of services but by an increasing consumption of domestic (self-service) goods, such as CDs and videos, which are, eventually, substituting opera, concert or cinema visits etc\(^{10}\). In view of this, we can conclude that the traditional links between cultural consumption and public provision of goods and services have disappeared and that it is necessary to draw attention to a more and more important service sector: the private industry of cultural goods.

4) Last but not least, there is a more qualitative, and therefore less objectively assessable factor: the symbolic element of culture. Indeed, culture as a manifestation of people’s identity, folk wisdom and history implies the development of certain preferences (demand for choice, demand for legacy, demand for prestige etc.) which are not directly unveiled in the market but appreciated and modified by people’s behaviour toward cultural consumption. Likewise, companies find their investment for promoting culture and restoration a means of social income-producing, obtained independently from the objective benefits that come from patronage or sponsoring. All in all, culture and economy constitute two inseparable sides of the same coin: on the one hand, a source of wealth; on the other hand, a symbolic element and support to people’s identity.

In any case, despite these statistical and definitional deficiencies, the culture and leisure sector turns out to be a productive branch on the increase. This is due to the fact that the goods related to it are characterised by a high income elasticity: Demand rises with increasing per capita income. This can be proved if we analyse the regional distribution of family expenditure on recreation and culture\(^{11}\). The analysis shows that regions with a higher per capita income (Cataluña, Madrid, País Vasco) and, at the same time, with a greater attraction for tourists (the Canary and Balearic Islands) spend more on this type of services. We can similarly assume that the substantial increase in the contribution to GDP by the culture and leisure sector has also favoured the Spanish economic growth over the last years.

There is another, more sociologically-rooted, reason that explains the current increase in expenditure on leisure and culture. This refers to new cultural behaviours in contemporary society. Culture has evolved from a rare leisure to a new must for many citizens, from a good for distraction to a routine consumption and, from being minority and elitist to be mass-consumed. This can be understood in the light of the specific nature of the societal phase known as „Leisure Civilisation“ („Civilización del Ocio“). Its basics lie less in the fact that citizens now live in an affluent society where it is easy to rest and needless to work, but more in the fact that leisure has now become crucial in the citizens’ hierarchy of values, and work is considered to be a necessary servitude and toll. It must also be noted, in this sense, that leisure has passed from a characteristic of an extreme segment of the population (childhood and old age) to be a must for adults who have exchanged the typical values of production and diligence ethics of the XIX-century industrial society for a prevailing hedonist attitude in contemporary culture (Ruiz 1996; Harvey 1989).

Seen in this light, the creation of new jobs in the leisure sector seems to be understandable. These include the boom in sports, the growth of tourism, the consumption of culture, and even some societal diseases, like drug addiction. What is truly important of these social behaviours is that they are economically significant, insofar as the decisions taken with regard to people’s use of their spare time respond to individual preferences. Hence, the different types of leisure activities become marketable goods and make their way into economic estimates. In short, recreation has been privatised,

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\(^{10}\)In an attempt to assess this informal economy, Gershuny & Miles 1988 point out that in the United States 70% of the leisure expenditure is satisfied by the consumption of goods and only the remaining 30% by services consumption.

and in its transformation into a good it takes part in the system of economic societal flows\textsuperscript{12}. Concerning the main theme of this review article – culture and services – we have to admit that one of the manifestations of leisure: tourism, has become a very important hallmark in our contemporary society – and especially cultural tourism, which has become one of the most relevant components of the sector\textsuperscript{13}. This would not only be a part of the overall profitability generated by the cultural sector, but it would also be necessary to add up the contribution of the general cultural industry, i.e. reading-writing (press, leading articles), image and sound (TV, radio, cinema, registered music, books), performing arts (shows, theatre, concerts) as well as activities which are cultural in an accumulated sense, such as cultural heritage, restoration activities, the market of arts, exhibitions etc.

The economic analysis of both cultural consumption and the production of culture-related goods and services as well as of the provision and public attention to them implies a certain analytical specificity given the characteristic nature of the majority of these cultural goods. They are not only commercially important but also subjective elements of people’s identity and behaviour. This is the reason why a new discipline, Cultural Economics, is consolidating. We will look at its analytical foundations in the following section.

3.6.2. Analytical Foundations of Cultural Economics

Given the fact that economics attempts to explain human behaviour, it is scientifically agreed that microeconomics can account for some aspects of this behaviour, i.e. the consumption and production of culture. Cultural Economics is, thus, consolidating as a fertile field for the theoretical reasoning and empirical testing of human and institutional behaviour towards present and accumulated\textsuperscript{14} culture.

Economists have only recently paid attention to these issues. Yet classical authors, like for instance Adam Smith, already argued that professions such as musicians, painters, dancers, jesters and comedians did not contribute to the country’s wealth and were classified as non-productive jobs (Smith 1776, II Book, Chapter III, page 99). Nowadays Cultural Economics as a scientific field is receiving growing institutional and academic acknowledgement, essentially on the basis of three main factors\textsuperscript{15}:

(i) Culture and cultural activities constitute a key source for producing economic flows, income and employment, as already proved in the previous section.

(ii) Culture is a field “par excellence” for government intervention, not only because of the public nature of a great deal of its products but also because of its utility for identifying and transforming „places“ and, therefore, forming part of the strategies for local and/or regional development\textsuperscript{16}.

(iii) Finally, from a theoretical point of view culture is an excellent field for the implementation of „new economic improvements“ in more heterodox circles than those traditionally studied. Among them are the question of non-marketable goods, the review of cases in which economic agents

\textsuperscript{12} It is well worth mentioning illustrative examples of this “leisure corporatisation” in different markets (sports, culture and entertainment): consolidation and power of sportswear multinational companies, transformation of present museums into places for mass attraction where the souvenir shop occupies a strategic place in the museum design; and finally, the building of theme parks and leisure centres in urban areas as one of the most profitable real estate sectors.

\textsuperscript{13} According to a study commissioned by the European Commission, the visits related to European cultural tourism went up by 100% between 1970 and 1991 (Richards, 1996).

\textsuperscript{14} Cultural goods are here understood as „live“ creations and expressions, i.e. present-day performing and plastic arts as well as items belongings to the cultural heritage in an accumulated sense, that is, from a historical and hereditary viewpoint.

\textsuperscript{15} Cf. Throsby 1994 and Benhamou 1996.

\textsuperscript{16} See for instance the case of the regeneration of Bilbao by means of a designer architecture and cultural donations; or the one-year events of European Capitals of Culture set up to transform cities or to boost their local economy and especially to position their international images. Likewise, cultural tourism itself is gaining prominence as a developing factor for a large number of cities and historical monuments in rural areas.
are supposedly rational, the economics of information and uncertainty as well as the analysis and assessment of public institutional behaviour.

Concerning the last point, we can argue that Cultural Economics constitutes a truly heterodox discipline due to the specific nature of its target field and its numerous approaches. In what follows we are going to summarise, under four headings, the top research carried out on four sub-fields of the (sub-)discipline: demand, supply, markets and cultural policy.

3.6.2.1. Cultural Demand

The distinguishing hallmark of this field springs from the specificity of cultural goods and the difficulty to unveil demand for them in the market. It is worth pointing out the following features:

(i) Cultural goods have an additive nature: They unveil a growing utility, in contrast with what is customary of most goods in an economic orthodoxy. This means that pleasure and desire for consuming cultural goods rise as long as the level of consumption grows; i.e. pleasure is unquenchable. And the consumption of this type of goods is estimated not only according to present-day satisfaction levels but also according to experiences from the past.

(ii) Concerning the demand for culture: what the consumer actually requests is not simply a particular good but rather certain value components and/or derived services of the good. This is especially telling in the case of goods related to historical heritage. When one visits a museum, a cathedral or a specific historical building one does not really demand (meaning: enjoy) the good itself but its values and derived services. These include aesthetic emotion along with cognitive and value formation, the social value as a sign of identity as well as, obviously, the economic value of derived goods, i.e. the sale of tickets, catalogues, image rights etc. as well as visual services of recreation and tourism.

(iii) Cultural goods are not an output as any output, they, instead, entail a cultural experience of qualitative relevance (i.e. aesthetic emotion while listening to a concert or looking at a picture). This experience is not only influenced by wisdom and experience but also by uncertainty and „information signs“, such as experts’ judgements on the markets of arts, cinema etc. or advertising and asymmetric information on the strategies for selling cultural and recreation goods. Likewise, the goods related to culture and heritage also have a prestige value, associated with the interest and concern for preserving the heritage as a sign of people’s identity and history. Hence, citizens are willing to pay a fee for this, even though they would not consume the good itself. These types of demand – known as demand for option, demand for existence and demand for estate – constitute, along with the previous point, a difficult aspect to be assessed or transformed into prices in the market. They are, indeed, part of the economics of an intangible asset: culture as „meaning“.

(iv) Connected to the previous issue is the observation that the difficulties to unveil

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17 In this sense, we do not intend to provide a comprehensive description but rather a simple checklist of the major issues and stances in Cultural Economics. For a more detailed account see Urrutia 1989, Throsby 1994, Pommerehne & Frey 1993 and Benhamou 1996.

18 Let us consider, for instance, the liking for classical music or history of arts: Consumers visit concerts or museums and their temporary satisfaction only results in increased knowledge and desire for more. In this sense, taste is cumulative, and the time devoted to wisdom (human capital) and previous experience determines future demand; on this aspect see Becker & Stigler 1977.

19 Given that the demand for culture and heritage elements refers to cultural values rather than the goods itself, it seems adequate to apply an analytical approach to K. Lancaster’s (1966) „demand for features“ as a tool for interpreting consumer behaviour. There is yet a further problem: Numerous cultural goods present two types of features: ex ante ones, related to the prospects of a desired good, and ex post ones, which „assess“ the merchandise once the consumption has taken place. In the former, the „market of reviews“ plays a crucial role in generating preferences.
demand for cultural goods get worse when demand is usually collective or for groups of goods. Moreover, the prices paid for them are frequently subsidized, and, therefore, do not unveil the genuine degree of shortage or desire for cultural goods

3.6.2.2. Cultural Supply

Cultural supply is as complex and diverse as the typology of potential goods and services related to it. This section will outline major problems, related to three branches of cultural supply: the performing arts, cultural heritage and artistic production.

(i) One of the most characteristic problems of cultural supply, at least as far as the performing arts are concerned, is what Baumol & Bowen (1966) called „cost disease“. The authors posited the idea that live events in the cultural realm (opera, theatre, concerts etc.) are abided by continuously growing costs. Thus, remuneration of the labour input grows at approximately the same rate as wages do, whereas the output of artistic performances grows at a constant pace. This can be explained by the immutable nature of, for instance, the artists’ virtuosity, or the size of a quartet by Mozart. This means that the performing arts can only survive if the public subsidies grow nonstop.

(ii) As far as culture as historical heritage is concerned, the main feature lies in the fact that we are not dealing with a fixed type of supply, inasmuch as assets and property are unique and irreproducible. They are, indeed, valueless themselves, though worthy in terms of the income generated by their derived services. This is the basic dislocation that heritage economics encounters: Whereas demand for services is elastic, as seen above, supply is inflexible, corresponding to that of a fixed source which has an ex post value due to the demanded services. In short, this is an economics of income rather than of prices, as would be expected of most marketable goods.

(iii) Finally, it is well worth mentioning the cultural supply generated by artists, i.e., painters, sculptors, novelists etc, whose occupational activity consists basically in applying their creative work to the production of commercial output, which is at the same time a cultural or artistic creation. In this context, two simultaneous problems of optimisation are posited: firstly, the supply of artistic works, that is, the artist’s choice between work and recreation while making this compatible with budgetary shortages, i.e. the coverage of basic individual needs; and secondly, financial decisions as regards their self-holdings, inasmuch as the cultural production (i.e. paintings) is a profitable asset in the primary, secondary and other financial markets (indeed, its profitability depends on the artists’ work, his or her reputation or criticisms). Moreover, given the prices of the works of art, the problem can be reduced to decide on the quantity of work to be carried out (and consequently on the quantity of recreation), the quantity of works entering the market and the quantity of works to be kept for posterior sale (cf. Urrutia 1989, Throsby 1994). In addition, we should include here the

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20 Given these problems, it is becoming customary to use methods, such as the incidental assessment and travelling cost method, as tentative estimates of the individual’s intention to pay for the consumption of certain usages of non-marketable goods – the environment or cultural heritage. In this sense, see Azqueta 1996, Pérez & Pérez 2000 and Herrero et al. 1999.

21 This is likely to justify interventionism and cultural policy in the performing arts, but nowadays there are two new possibilities to increase output and income and to strangle the „cost disease“: on the one hand, the tax exploitation of audiovisual creations (discs, CDs, video etc); and, on the other hand, as on the Edinburgh or Granada festivals (they are outdoors and in major heritage settings), to have less fixed costs; moreover, they are, at the same time, a source for provisioning the audiovisual industry, hence, becoming a further stage of the production process in those industries.

22 While specific elements of heritage are unique, their derived services (tourist usage, image rights, catalogues etc.) have a substitute nature and are reproducible. As a consequence, they give rise to a more orthodox economy, where prices play a key role (Herrero 1998).
problem of copyright and fraudulent uses of it, which gives rise to interesting theoretical contributions on royalties and copyright as well as a business sector which is booming at present: the companies that manage royalties (cf. Bautista 1999).

3.6.2.3. Cultural markets

In the markets for cultural goods it is necessary to make a basic distinction between unique and reproducible goods, since their market conditions will vary according to which type they belong to. In any case, and due to the nature of the objects, the intrinsic composition of creative originality on the one hand and speculation in the financial markets on the other hand never disappears. This has consequences on the formation of value for artistic works.

(i) Many cultural goods, especially those belonging to the historical heritage, have a unique but not substitute nature. This is the reason why they have seldom been marketable goods, but items for collecting. They, nonetheless, generate income through the services and values related to heritage that can be demanded. Hence, and given its status of fixed supply, the owner of the resource or whoever exploits it can monopolise the incomes as spatial monopolies or, at least, as monopolistic competence if there is a relatively rich heritage where different resources compete in order to make the cultural supply more elastic.

(ii) There is a special feature about works of arts: Although they are unique works, they can, nevertheless, be resold, thus becoming financial assets. This may be proved by the comparison between the rate of return generated by works of art and that generated by other assets, i.e. securities. Several studies have focused on this comparison, despite the special conditions of the market of arts: heterogeneity of works, less demand elasticity, market shortage, quotation unknown a priori, generation of surpluses but not of real income etc. The difference in profitability between an artistic asset and a financial one is, eventually, the value of cultural consumption or simply the price for the aesthetic pleasure.

(iii) Regarding goods from cultural industries (books, discs, cinema, television etc) we enter a market of reproducible products with a more orthodox nature. As mentioned above, the essence of the creative originality is never eliminated and this is somehow mirrored in market trends. In this section it is nevertheless worth considering other economic aspects growing in importance: the distribution of works, the policies with respect to concentration and mergers of companies, the globalisation of markets, the role of new technologies in visual reproduction etc. The study of cultural industries becomes, then, a fertile field for analysing the new industrial economy.

3.6.2.4. Government intervention and cultural policy

Culture is one of the ‘par excellence’ fields for government intervention, as already acknowledged in various national or regional legal documents, which try to preserve the individuals’ access to cultural goods. Yet nowadays, we attach a prominent role to the private sector, insofar as the consumption of culture depends, as a last resource, on individual preferences. Next, two strictly economic arguments for government intervention in cultural issues are outlined, as well as several criticisms against cultural policy.

(i) Numerous cultural goods and historical heritage elements are considered public or semipublic goods, which means that they show problems of monopolising their consumption or production results. Consequently, they encounter problems for the optimum provision in a free market economy. This is the reason why in a pluralistic and anonymous society the government is in charge of caring for and paying attention to these elements and of preventing market failure. This, nonetheless, does not marginalise the possibility of alternative formula for provision, such as corporate patronage or sponsoring, usu-

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23 Consider, for instance, the impact of best-sellers or films represented by famous movie stars.
fruits in the use of heritage, the matching of funds in the provisions etc.

(ii) Investment into culture produces numerous effects on the overall productive system: on the one hand direct effects on income, employment etc., and on the other hand indirect effects on other sectors (tourism, construction, finances etc.). Moreover, culture and heritage are becoming factors for attracting other economic activities as well as an occasion for urban restructuring and the improvement of the image of a given city. This is why government authorities are increasingly considering the cultural factor within their strategies for local and regional development.

Government intervention through cultural policies has come under criticism on three major grounds (cf. Benhamou 1996, Grampp 1991): firstly, the lack of efficiency of cultural institutions with regard to the market, and therefore everything concerning government failures, organisations’ behaviours, delegation of individual preferences to the government, multiplicity of cultural authorities etc.; secondly, the overestimate of external effects and the necessary assessment of the alternative use cost of cultural investments; and finally, the antidistributive effects of cultural subsidies, in the sense that they give rise to the development of income searchers on the one hand; and, on the other hand, the final cultural goods may have a reduced target market (the cultural elite) rather than a mass market.

3.6.3. Review Article on Cultural Economics in Spain

This section deals with the bibliographical review on Cultural Economics in Spain from 1990 to today, a period long enough to unveil a number of different approaches in research on the field. As mentioned above, this object matter has only recently received due attention by economists. In Spain, cultural studies have mainly been promoted by the Ministry of Culture (Ministerio de Cultura) as well as by the different regional departments (Consejerías Autonómicas), which have been responsible for most cultural ruling since 1978, the year when the Spanish Constitution was passed. These, are, nonetheless, descriptive studies that somehow set up checklists of the cultural sector and its circles. Yet, they turn out to be essential for subsequent analyses.

Two academic studies constitute landmarks in the field: a monograph on ‘Industry and Culture’ published in Economia Industrial in 1989, and the papers and proceedings of the X International Congress of the Association for Cultural Economics International held in Barcelona in 1998 (e.g. Herrero et al. 1998). The former was the first study of this kind in Spain: although it was limited to the economic analysis of mass media, it already included a reference article by Juan Urrutia on the analytical definition of Cultural Economics as an independent academic branch (Urrutia 1989). The latter event, and its associated publications, represented the final consolidation of the field in the Spanish academia and caused a particular boost in further research into questions of cultural economics.

The bibliographical survey following here is a very specific account. It deals with studies published by Spanish scholars between 1990 and May 2000. It has been compiled through systematic reviewing the following sources of information: (i) the database on the Social Sciences (ISOC) at the Centro Superior de Investigaciones Científicas; (ii) the database on Ph.D. dissertations (TESEO) at the Consejo de Universidades; (iii) the database on the Spanish National Bibliography at the Biblioteca Nacional; (iv) the catalogue of the Centro de Documentación Cultural del Ministerio de Educación y Cultura; (v) the Proceedings of the X International Congress of the Association for Cultural Economics International held in Barcelona in 1998, and (vi) the General Library of the Universidad de Valladolid. It is, therefore, a broad but not comprehensive review, there may be omissions or mistakes. In addition, there is a list of studies documented only through photocopied literature (working papers etc.) or publications by local authorities which is necessarily even less comprehensive.

All in all, we consider this review to be sufficiently substantial to bear witness to the Spanish research on Cultural Economics. The literature review is divided into five topical

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24 For a more detailed account on Cultural Economics in Spain see Rausell 1999, p. 95ff.
groups which are consistent with the thematic organisation of the field: (i) theoretical insights into Cultural Economics; (ii) scale of the cultural sector and analysis of economic agents’ behaviour; (iii) cultural industries; (iv) the market of arts and heritage; and (v) cultural policy.

3.6.3.1. Theoretical insights into Cultural Economics

This section presents all the studies on the theory of cultural economics, in accordance with the analytical foundations outlined in the previous chapter. Some papers on the use of time for work and recreation have been included, as this accounts for the individuals’ decisions on cultural consumption, as well as other studies on royalties and copyright which are associated with cultural creation.


3.6.3.2. Size of the cultural sector and analysis of economic agents’ behaviour

This section contains information on three different issues: firstly, checklists and catalogues on relevant quantitative cultural data, produced by the Ministry of Culture and other regional authorities (there are, in addition, studies carried out by the private sector such as the Sociedad General de Autores); secondly, methodological studies on the systematic assessment of the scope of the cultural sector in terms of its territorial production, employment, income, expenditure etc; and thirdly, studies on the economic agents’ behaviour towards culture, particularly studies on audiences and patterns of cultural consumption.

Ajuntament de Barcelona (1990): Dimension y estructura del sector cultural a Barcelona, Area de Cultura. [Dimensions and structure
3.6.3.3. Cultural Industries

Studies on Spanish cultural industries have traditionally dealt with the production and distribution of reproducible goods (books, dics, press, and, to some extent, cinema films), but there are now more and more studies on ‘live’
non-reproducible goods like the performing arts. There is, likewise, worth noting a sector closely linked to avant-garde technologies: the audiovisual industry and the mass media.

This section could well include activities related to cultural tourism as a specific industry, given their economic prominence and abundant literature; it has, nonetheless, been preferred to include them in the following section which dwells on one of the major tourist appeals: the historical heritage.


Fernández Blanco, V. (1996): Diferencias entre la asistencia al cine nacional y extranjero. [Differences between the aid to the national film industry and that to the foreign film industry]. Documento de Trabajo núm. 118/96, Facultad de CC. Económicas y EE. Universidad de Oviedo.


The Market of Arts and Historical Heritage

This section contains the studies on the cultural heritage, namely on those unique items that somehow mirror the people’s history or artistic creativity. In this view, most Spanish studies have dealt with property as heritage and real assets, namely historic monuments, specific buildings, museums etc. It goes without saying that these studies dwell extensively on problems of conservation, restoration, cultural and historic tourism as well as on the management and profitability of heritage components.

This section also draws attention to the increasing studies on the markets of arts, i.e. auctions, value formation in works of art, scope of the sector, quotations, artists’ behaviours etc.


3.6.3.5. Cultural Policy

This last bibliographical section contains descriptive accounts of the cultural policies of various authorities, drawing attention to a number of cultural subsectors and industries as well as general issues on the funding of and public attention towards culture. Under this heading there are some remarkable studies that posit alternative formula for the public provision of culture, such as business patronage (sponsoring, tax exemptions, donations etc). Likewise, there are now more and more studies on jobs related to economic flows, namely on
the relationship between the cultural and local and regional economic development. There is, on the other hand, a lack of general studies on the assessment of cultural policies and on behavioural analyses of institutions and societies related to cultural management.


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by John R. Bryson

3.7.1. The New Economic Geography
It has long been recognized that academic disciplines do not evolve in a steady, incremental and cumulative manner, or indeed according to any mechanistic pattern. It is also apparent that there are important disparities or differences between the research approaches and current salient questions that are central to the research agendas of academics living in each member country of the European Community. Like the evolution of an academic discipline there is no simple explanation for these differences except perhaps cultural differences, path dependency and the impact of intellectual sunk capital. The historical evolution of a discipline involves periodic shifts and changes as new empirical events, theoretical movements, methodologies and new generations of academics promote the development of a new paradigm or research programme. It is during such times that a sense of intellectual excitement and challenge pervades the subject. Since the late 1980s, economic geography in the United Kingdom has been in the throes of such a wave of renewal and expansion. This period of reinvention of the discipline of economic geography is the consequence of the development of a ‘cultural turn’ in the social sciences (Bryson et al. 1999, p. 13ff., Ray and Sayer 1999) that has produced what has become termed ‘the new economic geography’. Most economic geographers in the United Kingdom would accept that:

“this turn to culture is apparent in the framing of intellectual gazes both beyond the academy – suddenly culture and the cultural are absolutely everywhere – and within it – particularly through the emergence of cultural studies as a central interdisciplinary field” (Crang 1997, p. 4).

The complexity of the impacts of the cultural turn in geography and in the sub-discipline of economic geography makes it very difficult, at this point in time, to construct a detailed history of this movement. Suffice it to say the new economic geography embraces both theoretical and methodological developments that have altered, and are still altering, the types of economic geographies constructed in the United Kingdom. Methodologically the cultural turn has introduced economic geography to a new set of qualitative methodologies, for example textual analysis, iconography, semiotics, ethnography, participant observation and action research (see Bryson et al. 2000 for examples). It is also informed by the postmodern challenge as to how the world is theorized and represented. The postmodern turn encourages multiple voices and accounts, but it also compels an examination of the positionality and authority of knowledge claims. The consequence is that it has become commonly accepted that the texts of economic geography represent selective and partial readings of the relationship between the economy and space. The validity and partiality of metanarratives, for example the neoclassical approach, is constantly questioned and has been replaced by a concern with the construction of what is sometimes termed a “modest” geography (Law 1994). This modest approach recognizes the positionality of the author and highlights the partial nature of the economic geography that has been constructed in a journal article or monograph. One consequence of this movement is the apparent fragmentation of economic geography into a discipline of multiple and sometimes conflicting approaches to understanding the geography of the economy. There is no doubt that this has produced an enlivened economic geography, but at the expense of the construction of knowledges that are considered by the policy-making community as suspect. It is difficult to inform policy by drawing upon the findings of research that is heavily informed by the cultural turn, the positionality debate and a multitude of complex but frequently considered by policy makers to be partial qualitative methodologies (Pollard et al. 2000).
The central role of culture in the current reconfiguration of economic geography in the United Kingdom makes it difficult to construct a review of the literature. It is possible to argue that all geography produced over the last five years has been informed by the cultural turn to a greater or lesser extent. There is a multitude of papers and debates to choose from. Without a doubt the best overall review of this movement is to be found in the collection edited by Lee and Wills (1997). Given the complexity of this debate and, of course, the positionality of the author this review will explore four aspects of the new economic geography: the relationship between culture and the economic, hybrid identities, culture and the firm and the increased importance of geographies of material culture. I am aware that these four are a selection of material from a complex set of debates. Other topics that could be explored relate to the globalisation of culture (Featherstone 1994) and the cultural construction of regional economies.

3.7.2. Culture and the Economy

Since the early 1990s economic geographers have recognized that the ‘economic’ and the ‘cultural’ are ‘hybrid’ categories (du Gay 1997a, p. 2). This realization comes from drawing upon the literature of industrial sociology and especially the work of Marc Granovetter (1985) and Sharon Zukin and Paul DiMaggio (1990). To Zukin and DiMaggio “[c]ulture sets limits to economic rationality: it prescribes or limits market exchange . . . [C]ulture may shape terms of trade . . . Culture . . . prescribes strategies of self-interested action . . . and defines the actors who may legitimately engage in them”.

Economic sociology draws attention to the embeddedness of economic activity, embedded in networks of social, political and cultural relationships. Thus, the economic cannot be conceptualized as distinct from the cultural, the political or the social; these four spheres of activity are part of a single system. It is important, however, that the cultural does not become an explanation of last resort; processes, organizations and geographies differ because of the impact of distinctive cultural systems. This type of explanation is meaningless as it undermines the requirement for social research since everything can be explained by cultural factors.

Paul du Gay uses the term cultural economy to highlight the conceptual shift away from a political economy that objectifies economic processes to one in which: “‘[e]conomic’ processes and practices – in all their plurality, whether we refer to management techniques for re-organizing the conduct of business, contemporary strategies for advertising goods and services, or everyday interactions between service employees and their customers – depend on meaning for their effects and have particular cultural ‘conditions of existence’” (du Gay 1997a, p. 3f.).

Meanings are constructed, reproduced and modified in particular spaces from the office, factory floor up to the level of a global city. Understanding the construction of such meanings and their geographies has become central to the geography project.

Some of the most important work to draw upon the insights provided by the cultural turn are found in the influential work of Scott Lash and John Urry (1994), in the growing geographical literature on global cities or service spaces, and in the new industrial spaces debate (Storper 1995). Lash and Urry argue that economic and symbolic processes are interrelated or to use their language “interlaced” and that the economy is “increasingly culturally inflected and . . . culture is more and more economically inflected” (1994, p. 64). Their complex argument revolves around the growing importance and growth of cultural industries. The argument is based around the complex interplay between symbols (signs) and economic activities that range from various kinds of service economy to forms of post-industrial space. In this argument goods are increasingly emptied of material content and what are increasingly produced are signs that have cognitive or an aesthetic content, for example branded goods and identities constructed around the relationship between pop music and fashion or more precisely dress.

Some of the key papers working in this area explore the relationship between culture and work in the City of London, especially in fi-
nancial services. One of the most cited papers is Nigel Thrift’s exploratory analysis of the social and cultural determinants of international financial centres (1994). The primary message of this work is that the centralized global financial centers will not disappear as this activity relies on information, expertise and contacts. Financial centres are centres for social interaction and face-to-face contact that are essential for the creation of trust and for the exchange of information and expertise. Thrift explores these three processes in a detailed case study of the City of London highlighting this area’s distinctive social and cultural structures. This type of social network is not restricted to spaces like the City of London but also operates in many other places and industries. For example, Bryson et al. (1993) demonstrate that social networks are extremely important in the relationship between consultants and their associates as well as the relationship between clients and experts. Thrift’s work has encouraged a significant body of work that builds upon the emphasis that he places on culture and the City of London. Two papers deserve further attention. First, Lash and Urry draw attention to the growing importance of image and identify this in their new economy of signs and spaces. This emphasis is mirrored in a paper by Thrift and Leyshon that explores the ways in which an individual’s identity and the stage on which he or she projects his/her image can be manipulated to present the correct appearance (Thrift and Leyshon 1992). Workers in the City of London can use their annual bonus payments and high salaries to purchase the right education for their children, buy houses in the right locations etc. The right education provides access to the right social networks and friends and will eventually lead to their children developing the right careers. The relationship between consumption, lifestyle and success is thus extremely important (Miller et al. 1998). Image, and especially image articulated through consumption (education, accent, dress, cars, house etc.), determines to an extent the ability of an individual to obtain and retain well-paid employment. This work highlights the relation between wealth, and especially new wealth, and the ability for individuals to construct forms of cultural and social capital that can be used to access new forms of wealth, knowledge and power (see also Schoenberger 1997).

Second, research into the relationship between service businesses and clients and the latter’s use of knowledge-intensive producer service companies has highlighted both the importance of trust in these relationships as well as the social and cultural nature of both the relationship and the search process. The key finding is that in most cases the relationship is based on a set of social and cultural criteria that can be interpreted by drawing upon Granovetter’s concept of embeddedness (1985) and weak-tie hypothesis. For example, large client companies search for the best management consultancy advice, irrespective of location (Bryson 1997), whilst significant proportions of small and medium-sized enterprises (SMEs) search locally. This restricted search process is both a product of cost as well as the imperfect market that exists in the ways in which potential clients identify business service companies. The location of the consultant relative to the client influences the overall cost of the project with regard to the time and cost of the expert’s travel. A company searching for external expertise usually employs consultants of which they have some direct or indirect experience. Personal contacts and weak-ties with friends and business acquaintances are used by the majority of SMEs to identify external advisers, and for the SME owner-manager the majority of these weak- and strong-ties will be based in the local area. This research is closely related to Storper’s (1995) work on the regional economy as a network of untraded interdependencies and Amin and Thrift’s concept of institutional thickness (1994). Institutional thickness is defined as the combination of factors (shared languages, institutions – trade associations etc., local cultures etc.) that stimulates entrepreneurship and consolidates the local embeddedness of industry. It is in this way that institutions matter, and especially institutions that are
cultured and cultivated in a particular regional setting. Untraded interactions and institutional thickness are usually socially and culturally constructed. A good example of such social construction is the operation and activities of ethnically based trade association that function to ensure that their members maximize the business advantages provided by distinctive forms of ethnicity.

3.7.3. Work and Hybrid Identities

The nature of service work and employment has generated considerable interest in the UK and the USA. Much of this work is heavily influenced by Hochschild’s (1983) important book that addresses the commercialization of the body and feelings of flight attendants. There are three important developments of Hochschild’s work. First, John Allen and Paul du Gay (1994) explore service work as a hybrid identity. By this they mean that service work is a qualitatively different form of work. In this analysis the presentation, communication and display aspects of service work imply that it cannot be conceptualized solely as an economic performance, but should also be understood as ‘cultural’. In this sense culture refers to the production of meaning. Service work’s hybrid identity implies that the boundaries between the economic and cultural activities that are involved in service work are blurred. For example, in financial services information networks are global networks and these are essentially social networks in which success depends as much on a set of social and cultural factors as it does on economics. The work of Tyler and Abbott (1998) on the airline industry replicates much of Hochschild’s well-known argument concerning the ways in which airlines ‘make-up’ their employees in terms of presentation that ranges from recruitment to weight policies. Another good example of the hybrid nature of service work is found in the work of Clark and Salaman (1998) who explore management consultancy as a dramatic art and act rather than as an economic relationship. Impression management is, thus, a key feature of the work of management consultants as is the ways in which they present themselves and interact with clients.

Second, the work of Linda McDowell on gender at work in the City of London draws upon the earlier of work of Thrift (1994), but develops it by exploring the gendered nature of workplace relations. Through case studies of three merchant banks McDowell investigates the embedded and embodied character of work in the financial services industries. One of the key findings of this work draws upon some of the insights provided by Hochschild. One of the issues involves the programming of an individual’s appearance that can be directly related to success or failure in employment. For example, Disney theme parks have stringent appearance criteria for staff – from a clean shave for men and “the maintenance of an appropriate weight and size” (McDowell 1995, p. 77). At Disneyland, the self-proclaimed “Happiest Place on Earth”, the identities of new employees are “not so much dismantled as . . . set aside as employees are schooled in the use of new identities” as they learn the Disney codes of conduct (van Maanen 1991, p. 73). The work of McDowell (1997) on the embodiment of financial workers in the City of London emphasizes the importance of appearance in the workplace. Dress can be used to fit into a social situation or appearance can be manipulated to achieve a desired result. Women can play “on their femininity to achieve visibility” (McDowell and Court 1994, p. 380). McDowell shows the way in which women can become more or less female, depending on the circumstances and the location. Thus, one female manager noted that her dress:

“Depends who I’m going to be seeing. Sometimes I’ll choose the ‘executive bimbo’ look; at other times, like today when I’ve got to make a cold call, it’s easiest if I’ll blend into the background. I think this [a plain but very smart tailored blue dress] looks tremendously, you know, professional. No statement about me at all. ‘Don’t look at me, look at these papers I’m talking to you about.’ But I wear high heels too, so I’m six feet tall when I stand up. And I think that commands some small sense of ‘well, I’d probably better listen to her, at least for a little while’. I do dress quite consciously because you’re got to have some fun in life, and sometimes wearing a leather skirt to work is just fun because you know they can’t cope with it” (quoted in McDowell 1997, p. 199).

Third, Wellington and Bryson (2001) build on the work of Hochschild, Tyler and Abbott and
McDowell in the first study to be undertaken into the growth and consumption of the new industry of image consultancy. This study suggests that the literature concerning image and performance in both private life and in the work place needs to be treated with considerable scepticism for two reasons. First, image and performance have always been important aspects of the employment relationship. What has altered is the number of people able to develop highly visible images in various forms of media. The current period is one of increasing media hype and image construction, but it is important to remember that like all images much of this is only a façade, a form of unreality that does not impact on the lives of the majority of people. Second, image consultancy provides one means of conceptualising the relationship between the economic and the cultural, but Wellington and Bryson suggest that this new profession is more about gender than image. The consultants are selling recipes for the construction of particular socially accepted or preferred forms of bodily identity. What is at issue is not a big sociological debate concerning for example Lash and Urry’s (1994) new economy of signs, but an older debate about the gendered nature of employment and forms of implicit and explicit ageism. Image consultancy reminds employees that being good at a particular job may not be good enough and that a preferred image (clothes, age etc.) may be required for promotion as well as during the initial selection process. Companies recruit employees that will fit into the culture and image of the organisation. However, the role of image should not be over-emphasised as its importance may decline with seniority. Being good at a particular job may actually be good enough as long as one is far enough up the promotion ladder.

The gendered nature of image consultancy both in terms of consultants and clients raises a series of interesting questions concerning the masculine control of symbolisation of women’s bodies. Image consultants and their clients are attempting to create a particular Western male version of the female body. Unlike men, women inhabit a space that is subject to a thousand piercing male as well as female eyes. This explains why image consultancy is a women’s industry, but it also may explain why men are been increasingly incorporated into the industry. Either they are experiencing forms of ageism or men are increasingly becoming objects to be viewed by women as well as men.

3.7.4. The Transformed Firm

The complex interplay between culture and the organization, behaviour and competitiveness of business organizations or firms deserves to be explored in greater detail. Reference can be made to the influential work of Meric Gertler (1995) who highlights the importance of spatial context in determining the successful transfer of machine tools between countries. Operators of machine tools imported from Germany into Canada found them more difficult to operate than Canadian produced machines. The argument concerns the spatial distance between the users and producers of advanced technologies. In this case culture matters defined in terms of work practices, training cultures, educational systems and shared codes of communication or embeddedness. Gertler’s work needs to inform further research especially into identifying and understanding the influence of cultural factors that work to undermine the European Union’s political project towards greater economic, political, social and by inference cultural harmony amongst member states.

Some of the most interesting work on the transformation of the firm explores the relationships between recruitment practices and the development of a corporate culture. Hanlon’s (1994) analysis of the Irish accountancy profession reveals that a degree is not a real requirement, but that the requirement of a degree is used as a screening mechanism. The selection process tries to identify recruits that will be controllable and who will fit into the culture of the firm. The degree criteria provides largely middle class recruits and other social criteria are used to identify individuals that will conform. Culture in accountancy is closely related to

“presentation, the ability not to antagonize clients, capability to reach the right conclusions (there were set down by the management), ability to uphold the practice’s ‘good name’ and so on” (Hanlon 1994, p. 118).
Hanlon’s argument is part of the service class debate that is associated with growing social polarization that results from the growth of well-paid professional service jobs that are supported by low-paid contract-style insecure service jobs.

3.7.5. Consumption, Culture and Identity

The relationship between the economy and culture is played out in space and through social interaction. This relationship has been explored in three influential works. First, John Urry’s (1990) construction of a sociology of tourism argues that a ‘tourist gaze’ exists or in other words that there is a systematic way of ‘seeing’ what we as tourists look at. The tourist gaze juxtaposes constructed cultural symbols or stereotypes with observation. Thus:

“The gaze is constructed through signs, and tourism involves the collection of signs. When tourists see two people kissing in Paris what they capture in the gaze is ‘timeless romantic Paris’. When a small village in England is seen, what they gaze upon is the ‘real olde England’. As Culler argues: ‘the tourist is interested in everything as a sign of itself . . . All over the world the unsung armies of semioticians, the tourists, are fanning out in search of the signs of Frenchness, typical Italian behaviour, exemplary Oriental scenes, typical Italian, American thruways, traditional English pubs’ (1981:127)” (Urry 1990, p. 3).

Urry’s work explores working conditions under the tourist gaze drawing upon some of the well-known service debates concerning the service relationship. Thus, the service relationship is infused with social characteristics – race, age, gender, and educational background – and provides a range of intangible contacts. He draws upon Gabriel (1988) and his ethnographic study of working in catering. One of Gabriel’s case studies involves craft cooking in a gentleman’s club in which the members of staff provide more than just food but an intangible ambience that would be lost if the catering was rationalized.

This last point leads on to the second set of literatures that need to be explored. C. White Mills’ classic study of white collar work (1951) highlights what Allen and du Gay (1994) would term the hybrid nature of service work. To Mills: “a] new aristocracy is springing up in the world today, an aristocracy of personal charm” (1951, p. 187). Note the different language to Allen and du Gay, but the similarity of meaning. Mills notes that salesladies (sic) borrow prestige from customers as well as from working for high class stores (1951, p. 173) and that salesgirls frequently attempt to identify with customers but are often are frustrated. Mills’ drawing upon James B. Gales’ unpublished observations of working life in big department stores constructs a sociology, or micro-geography, of work. This account is similar to Zola’s novel that describes working conditions and sales techniques in a late nineteenth century Parisian department store (1995 [1883]). Researchers studying the spaces/places and methodologies of consumption, attempting to identify their construction, have much to learn from this novel. Mills identifies seven different types of sales technique of which “the charmer” attracts customers with her [sic] modulated voice, artful attire and stance and notes that:

“It’s really marvelous what you can do in this world with a streamlined torso and a brilliant smile. People do things for me, especially men when I give them that slow smile and look up through my lashes. I found that out long ago, so why should I bother about a variety of selling techniques when one technique will do the trick? I spend most of my salary on dresses which accentuate all my good points. After all, a girl should capitalize on what she has, shouldn’t she? And you’ll find the answer in my commission total each week” (Mills 1951, p. 175).

Gales’ work has been developed by Phil Crang (1994) in his detailed account of the micro-geography, or workplace geography, of display, in an American-themed restaurant. In this account the waitress or waiter plays a different part depending on whether they are servicing a stag party, hen night or family. The role played:

“was not simply being a waitress or waiter ... rather, it was about, quite consciously, being oneself being a waitress ... [this performance] left no simple refuge for one’s ‘own self’, no simple division of workplace role and other Phil(s), no clear split of self, labour, and indeed product (service was the product, and
“being yourself” was good service” (Crang 1994, p. 696).

Crang’s analysis reveals the ways in which the staff buy into the culture of the restaurant as well as the way in which staff are recruited that possess the right type of cultural capital – informal, young, friendly and with the right sort of body and skills in presenting it in performance. Note the similarities to the recruitment of Hanlon’s (1994) Irish accountants and Hochschild’s (1983) flight attendants. To Crang service workers have to locate their customers in terms of a range of cultural categories and to adjust their performance to suit each situation.

The metaphors of performance and stage are becoming dominant analogies in geographical and sociological narratives. The growing dominance of the performative metaphor in geography is derived from the shift that has occurred in anthropology over the last fifteen years away from an emphasis on ritual to performance. In anthropology, as in geography, performance concerns actions rather than exploring texts. To Schieffelin “performance is . . . concerned with . . . the creation of presence” (1998, p. 194). It is also important to note that much of this work has been influenced by the work of Goffman (1959) and the belief that there is something fundamentally performative about the world that we inhabit and construct. It does not take much imagination to see how this work can be used to inform service research.

Drawing upon the concept of performance Rapport (1998) provides a deconstruction and self-reflexive account of the hard sell techniques that are used to persuade people to purchase time-share holiday apartments. This paper has to be read to be appreciated; it is a classic service experience and text in its own right. The description is of a standard sales technique with a programmed story line that convinces the recipient (Rapport) that sometimes he becomes part of the salesperson’s category of “conventional member of the public and their mindset” (1998, p. 185). The account is one of the playing out of a learnt commercial language game and of the attempts to target this text at potential customers. Rapport’s text provides an account of the experience of the attempt to sell him a timeshare in Lanzarote for £6,850, but along with this story of a service interaction comes an adjacent academic text.

The final set of texts that deserves attention explores the construction and consumption of shopping spaces. The space of consumption is as important as the physical activity of consumption; the shop is endowed with cultural meaning, for example Harrods versus M&S or Wal-Mart. And all these elements say something about the consumer. Thus, catalogue shopping provides a basic resource for social groups “precluded from mainstream, leisure imbued formal shopping” (Clarke 1998, p. 98). Shoppers with limited budgets frequently use catalogues to avoid the trauma of “shopping around’ with a restricted income” (Clarke 1998, p. 92). Spaces of consumption are either exclusive or inclusive. Exclusive spaces are designed to attract the wealthy and repel the not so wealthy. Designer boutiques, Saville Row tailors and expensive jewellers try to maintain an air of exclusivity to ensure that they only attract those that can afford to consume in such spaces. Inadvertent browsers may occasionally wander into such stores only to be shocked by the price tags or absence of price tags.

Inclusive spaces attempt to attract all types of consumer except those too poor to consume. Such spaces range from inner city department stores through to out-of-town shopping malls, charity shops and car boot sales (Crewe and Gregson 1998). Each space of consumption is associated with a set of unwritten rules for the consumer. Thus the shopping mall is designed to encourage people to consume and to discourage window-shopping, conversation and anything which distracts from consumption. The shopping mall is the ultimate in designed spaces; designed on the basis of psychology and economics (Shields 1989; Goss 1993, Goss 1999). They are spaces of consumption, but also spaces to be consumed (Philio and Kearns 1994). In some cases they constitute cultures and townscapes (for example West Edmonton Mall (WEM), Canada (Goss 1993); or the Metrocentre, Gateshead, UK). Some malls have become tourist attractions in their own right, as tourists come to “gaze upon or view a set of different scenes, of landscapes or townscapes” (Urry 1990, p. 1). WEM is “a world where Spanish galleons sail up Main
Street past Marks and Spencer’s to put in at ‘New Orleans’, where everything is tame and happy shoppers mingle with smiling dolphins” (Shields 1989, p. 154). The Metrocentre (Gateshead, UK) contains 3 miles of shopping mall with over 350 shops, 50 restaurants, a 10-screen cinema, a bowling alley and a fantasy-land of fairground rides and attractions. It also has four themed areas: a ‘Mediterranean Village’ with bubbling fountains and pavement bistros, a ‘Roman Forum’ with classical-styled Tavernetta, a ‘Garden Court’ with luscious greenery and waterfalls and an ‘Antique Village’ with a village pond and ‘olde worlde tea shop’ with water wheel (Metrocentre Guide). Within the confines of the Metrocentre the tourist can gaze and consume a variety of different landscapes, entertainments and shops. Malls are spaces in which to see and to be seen. The same is also true for particular shopping streets, for example Bond Street in London, or Faneuil Square, Boston (Zukin 1991). This goes as far as involving the acquisition of the right set of shopping bags with the right brand images. It is these bags, as well as the costume of the consumer, that are read by others, including shop assistants.

The shopping mall is an extremely interesting type of space. The Metrocentre appears to be in no way dissimilar to the main shopping street of a large city, except that it is an enclosed heated space. The mall, however, is a privately owned and regulated space subject to high levels of surveillance. Only certain types of behaviour will be tolerated and the mall’s ‘police’ force will ensure that only desirable people are permitted to consume its spaces. Thus, the homeless and unemployed are excluded. Shields (1989) suggests that people can enter the world of the mall and pretend that they have just shopped or are just about to shop. They are able to gaze, stroll and be gazed upon (Urry 1990, Shields 1989) and to consume the space rather than relate to the mall as a space of consumption. Selling WEM or the Metrocentre is similar to the process of selling cities (Philo and Kearns 1994). Cities sell themselves to attract inward investment, out-of-town shoppers and increasingly exhibitions, fairs and trade shows (Rubalcaba-Bermejo and Cuadrado-Roura 1995). The same place marketing processes are at work in the city and the shopping mall. The Metrocentre has to attract shoppers whilst cities like Birmingham have to develop and maintain their position in the European urban system. Such inter-urban competition is all about the development of a national and increasingly ‘international presence’.

3.7.6. Conclusion

Readers of this review of the literature that explores the relationship between services and culture may consider that everything and anything can be explored using the term culture. There is an element of truth in this statement as economic experiences are social experiences and consequently also political and cultural experiences. It matters that events occur in particular places and times and are performed and experienced by particular people – age, gender, ethnicity, class, culture etc. Understanding the geography of service activities at the micro and macro scales is as much about understanding the cultured nature of workplace performances and the social and cultural networks that link people together as about understanding pure economic processes. There is, of course, no such thing as an acultural or even asocial economic process.

The main problem with much of the work explored in this review is the failure to undertake detailed comparative work that explores the relationship between culture and the economy drawing upon a research design that encompasses more than a single member country of the European Union. The classic study is Gertler’s comparison of German and Canadian tool production and consumption. Culture has been used to inform the construction of micro geographies of the workplace (Crang 1994) and regional geographies of industrial and service spaces (Thrift 1994). There is plenty of room and opportunity for detailed comparative research to address these issues within the European Union. The key problem is that many of these issues are considered by economists to represent the softer, more difficult (impossible) to quantify and model parts of the economic. The difficulty in unlocking the understanding of these issues by the deployment of traditional economic tools should not lead to culture being discounted as an unimportant or unknown influence. Such discounting is poor social science as it simplifies the economic at
the expense of understanding. We need to break away from the constraints of our current mindsets and explore the impact of culture on some of the more basic elements of the economic. A good starting point would be to undertake a discussion of the cultural and institutional factors that are influencing and maybe controlling higher education in some of the member states of the European Union. By comparing our own practices we may come to better understand the cultural and institutional structures that contribute to the differences that exist between the research programmes of the different member states of the European Union.

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