

## The Paradoxes of Culture as a Market

Looking at the markets of information, communication and entertainment, or, more specifically, of culture, from a somewhat distant perspective, one might be surprised by the amount of confusion, of contradictory assessment and arbitrary assumption in this field. Paradoxes, one may think, are just the normal parameters for defining the cultural game. Maybe we should take a closer look, to collect and analyse facts.

### Why Culture?

The British Labour Prime Minister Tony Blair made one of the most telling comparisons in a speech at the Trades Union Congress in Brighton in September 1997, only a few days after the sudden death of Princess Diana. Blair's subject was the "Modernisation of Britain," and to put across what he had in mind when urging for the "modernisation of Britain," he reminded his audience of trade unionists of a shocking fact: "Overseas earnings from rock music are bigger than those from the steel industry."<sup>1</sup> In other words, some cultural activities—the creation of British intellectual property—contributed more to the wealth of the nation than traditional manufacturing. And this, as Tony Blair underlines, is not just a far-fetched contrast, but a case of hard economics, of real earnings.

Blair's speech is noteworthy in several respects. In his opening remarks, he refers to Princess Diana's memory as a powerful force bringing together in their grief "people of all parties and none, of all trades and none, of all races, of all ages". Then, after a moment, among the four modernisations that he has in mind, he says that the fourth, which is "to create a clear identity and role for ourselves in the outside world", was the most compelling.

So again, his subject is how to bring a nation together to meet "the modern competitive challenge", and this is when he chooses to take the "Creative Industries" as his example for characterizing what is new and what is necessary. There are two reasons for this. On the one hand it is the traditional assumption that culture helps provide what is needed for a more civilized and just society, a society for everyone, and on the other hand—and this is indeed new—because the many products and services based on culture and on intellectual properties have recently developed into a major factor for a nation's wealth.

However, by combining the good and the useful, the British Prime Minister's vision also marks the potential trap when it comes to the more sober, more analytical approach of, say, an investor who probably likes the glamorous aspects of the "Creative industries", but at the end of the day will nevertheless be more concerned by the return on his financial involvement. So, cultural markets are almost by definition caught in the ambivalence between these two factors, the creative dynamism, and the unpredictability of its effects. Still, it might be rewarding to look more closely at how these markets are currently shaped, and how they have recently evolved.

### How much Culture?

Media as a core segment of the “Creative industries”<sup>2</sup> were recently subject to all the hype of the “New Economy,” and all those skyrocketing expectations naturally crashed back to Earth as the bubble burst. Nevertheless, the current turmoil that confronts all the media is just as real as the prospect of the continuous growth of the sector for more than a decade.

A study commissioned by the International Intellectual Property Alliance (IIPA) recently showed that even by the generally high standards of the year 1999, “the U.S. copyright industries continue to be one of the fastest growing segments of the U.S. economy.”<sup>3</sup>

It further argues: “In 1999, the core copyright industries contributed an estimated \$457.2 billion to the U.S. economy (...), accounting for approximately 4.94% of GDP (...). This 1999 contribution represents an increase of 10.9% since 1998 when these industries accounted for \$412.3 billion in value added (in real 1999 dollars). Between 1977 and 1999, the value added to GDP by the core copyright industries increased by 360%.”

To get an idea, from these US figures, of the value created by the core copyright industries on a global scale, one might reasonably apply an approach used in a recent study at the University of California in Berkeley on the amount of information available worldwide.<sup>4</sup> Referring to data from the *US Industry and Trade Outlook 2000*, the authors of the study take, as a rule of thumb for several extrapolations, the fact that the US produce about 40% of the world’s printed material. This is probably a rather conservative figure when it is applied to the US share in other media industries such as movie or TV content, but it hints at another 618 billion dollars of copyright value created per year in the rest of the world. Put together, some 1,000 billion dollars’ value based on copyrighted material is created per year. In other words, it is a really substantial industry that we are talking about here.

A similar pattern of growth is described by UNESCO for the global trade in strictly “cultural goods” alone, when the organisation states that overall imports of cultural goods more than quadrupled from 47,8 billion US dollars in 1980 to 213,7 billion in 1998 (or, per capita, from 12 dollars in 1980 to 44,7 dollars in 1997). That considerable growth is definitely not evenly distributed over the planet, as the flows take place overwhelmingly between wealthy nations. In 1998, member states of the organisation for Asian Pacific Economic Cooperation (APEC) and the European Union alone represented 91 percent of these imports, and the gap is ever widening.<sup>5</sup>

### What Culture?

It is in fact rather difficult to produce exact—and comparable—figures to draw an overall picture of the various sectors of the copyright industries. For some segments like movies or music, industry associations do compile statistics that allow us to compare global and national markets. Others such as, oddly enough, the publishing industry, are still organized to a large extent along national boundaries and markets and as a result, there are—at least to my knowledge—no proven global business data available.<sup>6</sup> Still, the data that are available do enable us to generate at least a general map of the market landscape.

The three largest segments of the cultural markets I want to focus on are

- Audiovisual (including both film and TV), producing worldwide revenues of 197,3 billion US dollars<sup>7</sup>

- The book trade, with sales of ca. 80 billion US dollars<sup>8</sup> and
- Recorded Music, with a global value of 37 billion US dollars.<sup>9</sup>

### Audiovisual (Film and TV)

For many, a first surprise is perhaps the considerable volume of book-publishing as compared with the much more media-savvy music sector. But many more surprises are hidden in the details.

Hollywood for all its fame is hardly conceivable without the continuous revenue streams that come from TV: "The television market accounts for 78.5% of total revenues" in the audiovisual market (with, on a global scale, 45 percent provided by TV advertising, and another 24 percent from Pay TV; here of course, shares vary widely between countries like the US with a predominantly private TV landscape, and countries as in Europe with considerable public programming).

The predominance of revenues from the TV screen compares with just 6 percent coming from theatres, less than half of the earnings contributed by couch potatoes watching home video and DVD.

All the cultural markets are first of all markets defined by just a few wealthy states, namely the US, the countries of the European Union, and Japan. The audiovisual market shares reflect the more general proportion in size, with the US accounting for roughly 102 billion dollars, followed by Europe with 60 billion, and Japan with 29 billion in revenues.

Interestingly enough, both in Europe and in Japan, earnings from home video are (with respectively 10 and 9,5 percent) much less important than in the US, whereas movie theatres contribute around 7 percent fairly evenly.

### Book Trade

As already mentioned, the US alone comprises roughly 40 percent of the global market in printed materials, and contributes some 32,5 percent to the world book market.<sup>10</sup> Based on 1996 data this compares with 9,8 billion for Germany (12 percent) and 9,1 billion for Japan (11 percent).

Thus, in the conservative book trade, the weight of the US market is slightly smaller (with 32,5 percent) than in the more commercial segments of music (40 percent) and, of course, audiovisual (with a significant 55 percent).

Still, the general picture with very few markets defining the landscape, and with the top 10 group making up over four fifths of what is sold between book covers in the whole world is very much the same as the other sectors of the copyright industries.

One more crucial element has gone unmentioned so far. With the fast-progressing consolidation of the book trade (and, even more drastically, of all copyright industries), revenues from various national markets and sectors from around the globe end up in the pockets of ever fewer trans-national media conglomerates whose headquarters are located in a very limited number of media cities, e.g. New York, London, Paris – or, in the case of Bertelsmann, Gütersloh.

(It would be desirable yet difficult to produce a study that shows the difference in cultural markets including—and excluding—the share of trans-national corporate flows. But to shed light on these flows would require most difficult analyses of information and data, as even basic figures like the value of the international trade in rights and licences is—at least to my knowledge—largely unknown.)

## Music

The music market has made the headlines most recently as, instead of the familiar expectations of continuous growth, the market shrank. Both global unit sales and revenues sank recently, according to the industry association IFPI, mostly due to large scale copyright piracy from downloads over the Internet and illegal copying with cheap off-the-shelf CD burners.

In 2001, for the first time, more blank CD-ROMs were sold than pre-recorded music CDs<sup>11</sup> in major markets like Germany. Yet other factors certainly have contributed to the decline as well. Over-production in sensitive segments like classical music, with countless new releases of the same pieces of repertoire, fierce battles over discount prices, and, at the same time, relatively high prices for commercially attractive top releases, and complex changes in the preferences of the audiences resulted in the past boom of the music CD seeming to be largely over.

A few examples may serve to illustrate the complexity of the situation.

Classical music for instance occupied 14,6 percent of the French music market as recently as 1988, to drop to only 6,2 percent in 2000. The market in general became, even by the industry's own account, dramatically fragmented as there was an "explosion in the number of musical genres." Plus, surprisingly enough in an era of globalisation, the "popularity and sales of music from local artists and record labels" rose on average: "Local repertoire increased its share of music sales from a worldwide average of 58% in 1991 to 68% by 2000."<sup>13</sup>

The market was already under severe pressure from all these factors, and now another foundation stone of "tin pan alley"—as music bosses and journalists lovingly call their turf—is crumbling, the music stars. BMG, the music branch of Bertelsmann, recently took everyone aback with a statement to the media saying that the company would no longer "depend on super-stars." An unspoken reference was made to super-star Whitney Houston who, according to rumours, only two years ago had received a 100 million dollar deal from BMG for six new albums and two collections of greatest hits, but now was probably unable to deliver due to alcohol and drug problems.<sup>14</sup>

Very similar issues are currently being debated among professionals from Hollywood and from the publishing industry, as revenues at the box offices more and more frequently do not reflect the profitability of a movie, due to similar problems with stars and their fees, and with best-selling authors claiming astronomical advance payments through their literary agents for books as yet unwritten.

## Whose Culture is it, anyway?

Culture, as it seems, is a conservative marketplace. Again, there is an element of surprise hidden in this point as, throughout the 20th century, the "arts" were equated with "avantgarde" by society in general. However, during the last decades of the century, particularly in Western Europe, that same society defined much of its social consensus as a cultural coherence, with the arts, cultural habits and richly funded cultural institutions fondly mirroring their diverse cultural identities.

Yet, during the same period of time, these European societies opted for liberalism of the American kind, deregulating and opening markets, including those of culture and communication, and largely did so with considerable success. "Design in Britain today", to take up again Tony Blair's argument, "is worth some 12 billion pounds a year and employs more than 300,000 people." And even if such a number looks a

bit exaggerated, there are other facts which leave no one in any doubt about Europe's success-story. Germany's Bertelsmann took over major US publishers like Random House. France's Vivendi Universal spectacularly expanded to be now the world's second largest media group, right after the US behemoth AOL Time Warner. Pearson, based in the UK, is a global player in information and educational publishing. Two Dutch groups, VNU and Reed Elsevier, largely divide global professional publishing between them.

But in fact almost every single success story of this kind collides violently with that other aspect of culture, at least in the European theatre, namely with its vocation to host and express cultural identity in some clearly pre-defined local, or even national form.

Culture, in Europe, is about consensus, long before it is about markets and revenues.

The most controversial case is, of course, France. Vivendi Universal's outspoken CEO Jean-Marie Messier ran up against a brick wall in not wanting to accept that his group should put spending on "culture" in a different box than that of the overall profitability of his conglomerate. He rudely urged the loss-making pay TV channel "Canal plus" to become profitable within two years. But this TV channel, disregarding its recent economic crisis, was according to two pre-eminent French journalists, not only "la plus grande réussite du monde des médias" ("the greatest success story in the world of media");<sup>15</sup> it had also been designed to be the number one financing instrument to the French and to much of the European and international independent movie industry. To accomplish this "cultural" task, which affected a significant number of jobs in many places and companies outside, "Canal plus" was the subject of a formal French government decree, and Messier thought that, calling from New York, he could amend that. This was possibly a misconception of the very social and political order that had made him an industry leader in the first place.

Culture is subject to regulations beyond economics. In Germany, books have a fixed price, and for many years, consecutive commissioners of the European Commission tried—unsuccessfully—to abolish this system. At the end of the day, what was decisive was possibly not that Federal Chancellors from the conservative Helmut Kohl to the social democrat Gerhard Schröder ended up issuing statements and even legislation to further guarantee the book price system, and thus keep largely intact a uniquely tight web of bookstores even in the smallest towns throughout the country. The real backbone of the system is the unbroken cultural consensus beyond any competition on the marketplace. Even Bertelsmann or major chain bookstores have so far been sticking to the rule rather than breaking it. When, as an outsider, the Austrian Libro group tried to undermine the consensus, it finally ended up filing for bankruptcy.

So what is the moral to the tale? Certainly not a case of "culture" as being anything "special", out of reach for the capitalist wolves. It is more about the rules within a pack of wolves, a flock of sheep, and a group of shepherds—namely the national states—in times of turmoil and change. They are all interdependent, and they seem to be aware of this. Yet this is still not a peaceful setting for a "scène de bergers," but a fierce fight, with losses included.

- 1 "The Modernisation of Britain." Speech by the Prime Minister, Mr Tony Blair, at the Trades Union Congress, Brighton, 9 September 1997.
- 2 There are various names and definitions of what the British call the "Creative Industries", like "ICE" or Information, Communication and Entertainment", or in Germany "Kultur-industrien" or "Kulturwirtschaft. But basically it is the sectors where "intellectual property" defines much of the value of a product or a service. A rather useful formal definition is provided by the International Intellectual Property Alliance (IIPA) for the "core copyright industries": "The 'core copyright industries' encompass those industries that create copyrighted works as their primary product. These industries include the motion picture industry (television, theatrical, and home video), the recording industry (records, tapes and CDs) the music publishing industry, the book, journal and newspaper publishing industry, the computer software industry (including data processing, business applications and interactive entertainment software on all platforms), legitimate theater, advertising, and the radio, television and cable broadcasting industries."
- 3 *Copyright Industries in the U.S. Economy—The 2000 Report*. By Economists Incorporated for the International Intellectual Property Alliance (IIPA). Executive summary.
- 4 *How much information?* Peter Lyman, Hal R. Varian et al. University of California at Berkeley 2000, Executive Summary, p. 4. ([www.sims.berkeley.edu/how-much-info/](http://www.sims.berkeley.edu/how-much-info/)). Regarding public accessibility, the authors write: "In the future we expect the distinction between 'individual' and 'public' to become increasingly blurred." P. 14.
- 5 *La circulation internationale de biens culturels sélectionnés 1980–98*. Résumé. UNESCO 2000, p.7. For a more detailed discussion of cultural inequality, see also my *Ars Electronica* 2002 update "Cultures unplugged. Charting the Divide." [www.aec.at/unplugged](http://www.aec.at/unplugged)
- 6 UNESCO as the amplest trans-national source of information counts only the number of titles, not their value, and it is focused on imports and exports, not on domestic consumption.
- 7 The reported year is 1999. *The World Film and TV Market*, April 2001, produced by IDATE.
- 8 The reported year is 1996, compiled from various sources, particularly *Euromonitor*, and *Publishers Weekly*; but as growth in publishing is slow, and despite the ongoing consolidation among publishing companies both on national and international levels, there was no fundamental change in the structure and scale of the industry, so that the general pattern is still valid.
- 9 The reported year is 2000. *The Recording Industry in Numbers, 2001*. IFPI, ([www.IFPI.org](http://www.IFPI.org)).
- 10 US book publishing had a turnover of 31.174 million dollars in 2000; to allow comparison with all the other book-publishing markets, my basis is 26 billion dollars in 1996. Still, proportions remain roughly the same
- 11 "Erstmals mehr selbstgebrannte als verkaufte Musik-CDs." *Financial Times Deutschland*, 29.12.2001
- 12 "Le déclin du disque classique, symptôme d'un marché en crise." *Le Monde*, 18.01.2002.
- 13 *The Recording Industry in Numbers, 2001*. IFPI ([www.IFPI.org](http://www.IFPI.org)).
- 14 "BMG will nicht länger nur auf Superstars bauen—Hohes Risiko." dpa-AFX via Yahoo Deutschland Finanzen, 18 .03. 2002.
- 15 Jacques Buob, Pascal Mérieau. *L'aventure vraie de Canal+*, Fayard, Paris 2001. Quotation from back cover. Buob is editor in chief of *Le Monde*, Mérieau is cinema critique at *Le Nouvel Observateur*.