

# THE ECONOMICS OF A GOOD PARTY: SOCIAL MECHANICS AND THE LEGITIMIZATION OF ART/CULTURE

By Elizabeth Currid\*

## Abstract

*Putting value on cultural goods is a messy business. Cultural value is not just an economic act but instead part of an intense social process of valorization and legitimization. Art/culture is socially consumed and socially aware. Economic value is determined by intangible (and ephemeral) social value formed from and within specific contexts by particular people, the “scene”, so to speak. What are the mechanisms by which the social dynamics of art/culture impact its economic legitimacy? This article looks at how art/culture attains market value, focusing on the social contexts by which culture is produced, evaluated and distributed.*

## Introduction

Putting value on cultural goods is a messy business. Cultural products are inherently taste-driven, not performance-driven, and as such the market does not evaluate a Warhol silkscreen in the same way that it evaluates a dishwasher. Cultural value is determined by form, not function. And thus, whether a painting, a new music single or a fashion designer’s fall collection, what makes “good art” (popular or elite) is seemingly arbitrary.

For most goods, successful, even satisfactory performance along with rarity (or scarcity) increases market demand. If a car runs faster, is safer, cheaper (or conversely, is luxurious), has better gas mileage and so forth, objectively speaking, it is better than a car that exhibits less of these qualities. Taste-driven products however are unpredictable and rely on subjective evaluation by gatekeepers and then consumers that reaffirm one another. In a recent controlled music experiment, the subjects’ “favorite” song was random when individuals were unaware of other participants’ favorite choice, with the ranking of song popularity only exhibiting a pattern when the subjects were aware of what other listeners chose as their favorite songs (Salganik et al., 2006). Increased consumption, market demand and perceived value are inherently tied to the subjective influence of other people (which can mean that everyone wants a particular shirt, book or tickets to the opera or conversely, that only a few elite, “in-the-know” people have access).<sup>1</sup> In turn these subjective and social dynamics impact economic variables. Price, in other words, signals aesthetic value.

Despite arguments that art is “nothing but” one example of how goods are valued on the market, price (value) is not just an economic act or a function of the resources put into producing a cultural good (Velthus, 2003). It is unlikely that Andy Warhol or Jackson Pollock used significantly (if any) more expensive paint or canvas than the countless artists who remain anonymous and unable to sell their artwork for pennies. The value of a concert ticket or a pair of limited-edition sneakers is also a function of the intangible value of “cool”, “stylish”, “hip” or otherwise bestowed upon it by those legitimate tastemakers and evaluators of art/culture.

It has long been noted that the social milieu is instrumental in these processes (Wolff, 1993; DiMaggio, 1987; Caves, 2000; Plattner, 1996; Zolberg, 1990; Currid, 2007; among others).

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\* School of Policy, Planning, and Development, University of Southern California, Los Angeles, CA, currid@sppd.usc.edu

<sup>1</sup> For example, some goods like the Lance Armstrong yellow bracelets for cancer were ubiquitous, *everyone* had one and thus *everyone* wanted one. Other goods, like limited edition handbags or sneakers gain cultural value because only those “in the know” are aware of their cachet and cultural value, and thus owning them is a sign of being prescient.

Art/culture is socially consumed and socially aware – people listen to music together, they form opinions about artwork based on others' assessments, they invest in fashionable clothing to garner status. Economic value determined by intangible (and ephemeral) social value formed from and within specific contexts by particular people thus creating a “buzz” around that particular art/culture (Caves, 2000; Plattner, 1996; Lloyd, 2006). As art markets and the fashion industry evidence, more important than physical inputs is the social construction of value placed upon particular cultural goods consumed, evaluated, and seen in particular social contexts. The gatekeepers, the intermediaries, the buyers and the sellers formulate the highly integrated network of assessing and formulating systems of thought on what is “good art/culture” thus informing the market. Art galleries, industry parties, nightlife and “scenes” are often the central nexus where economic meaningfulness of aesthetic goods is constructed. Economic value emerges from within the social system from which it emerges – the “scene”, so to speak. But what are the mechanisms by which the social dynamics of art/culture impact its economic legitimacy? The natural line of inquiry is pinpointing these “other” elements of cultural legitimacy and where they occur. This article discusses the mechanisms by which art/culture attains market value, and then looks at where and how legitimization of cultural goods and market value is constructed by discussing the ways in which the social context of art/culture informs its economic value.

## The Construction of Cultural Value: Concepts and Theories

### *The “Veblen Effect”*

Cultural goods and cultural economies have long (if sporadically) been studied in the social sciences. Particularly, art/culture has been studied for its role as a commodity form (Veblen, 1899; Leibenstein, 1950; Hebdige, 1979; Frank, 1998; Scott, 2000). As early as 1899, Veblen discussed the “theory of the leisure class” pointing towards the use of consumerism to demarcate higher socio-economic classes from the lower classes. Later, Leibenstein (1950) coined the term “Veblen effect” arguing that consumers attain their utility not only from the quality and composition of a good, but also the price paid for it. Similarly, Simmel (1901) and later Robinson (1961) focusing on a particular type of conspicuous consumption – fashion – argued that such consumption is a product of a class-based society, a way for higher classes to differentiate themselves from everyone else. “In consequence of the vertical contiguity of class groupings, new fashions tend to filter down by stages through the levels of affluence....For an object of fashion to lose its meaning for the top most class it is only necessary for it to be taken up by the second most and so on down the line” (Robinson, 1961, pp. 383). Part of market demand for a cultural good (and thus the assignment of value) is determined by its rarity and “demonstrability”, or the ability to display to others the rare cultural good (Robinson, 1961). A more democratic approach, Blumer (1969) argued that fashion’s value is determined by “collective selection”, meaning that the broader population (not the elites) is instrumental in selecting which types of fashion will be considered successful.

These earlier discussions focusing on fashion as the prototype of cultural commodities can be applied to various types of cultural or taste-driven products, where value is determined by factors other than the material benefits or performance of the good. Value for cultural goods is significantly controlled by quantity and access, but particularly *who* desires and is able to consume these goods.<sup>2</sup>

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<sup>2</sup> The black market or “knockoff” market for cultural goods provides a challenge to the maintenance of cultural value. The almost indistinguishable replicas of Louis Vuitton bags sold in Chinatown for a fraction of the price has prompted Louis Vuitton to hire its own police force to intersect and prevent transactions in the underground market.

### ***Gatekeepers and Cultural Intermediaries***

Inherent in cultural goods is the unpredictability of their success, despite rarity, and exclusivity. There are many unsuccessful fashion designers who have produced only one or two samples of their dress and yet cannot get anyone to buy them. As such cultural goods also attain status through an intricate network of gatekeepers, intermediaries and distributors that actively evaluate, distribute information and generate value and status for art/culture in a systematic way. Gatekeepers have long been instrumental in the art world, as dealers determine who will show where, and what work collectors (and the public) will see (Becker, 1982; Caves, 2000; Crane, 1989). Art dealers, movie critics, fashion editors all play official roles in determining what “good” or “bad” art/culture is and who produces it. In her study of Manhattan galleries and dealers, Crane (1989) found that only a few galleries represented almost all of the most visible and most successful artists, as determined by which museums bought whose paintings for their permanent collections and which artists were sought after the most by collectors and for exhibitions. Velthuis (2003) found that art dealers actively cultivated perceived value (and avoided depreciation) of their artists by assuming price inelasticity in their pricing of their artists’ works, avoiding decreases in the price of art work at all costs. That gatekeepers create economic systems by which to signal aesthetic value is part and parcel of their role as purveyors of cultural value. They give value where it may at first blush appear arbitrary. As Becker (1982) notes:

Aestheticians study the premises and arguments people use to justify classifying things and activities as “beautiful” or “bad art”. They construct systems with which to make and justify both the classifications and specific instances of their application. Critics apply aesthetic systems to specific art works and arrive at judgments of their worth and explications of what gives them that worth. Those judgments produce reputations for works and artists. Distributors and audience members take reputations into account when they decide what to support emotionally and financially, and that affects the resources available to artists to continue their work (p. 131).

Gatekeepers are central to the valorization of goods symbolically, they operate on the highest tier of the cultural value chain. But the physical *distribution* of art/culture is central to giving consumers access to which cultural goods are on the market (Hirsch, 1972; Walker, 2004; Entwistle, 2006). As such, gatekeepers act as officers of symbolic value while cultural commodity intermediaries (e.g. buyers for record stores, luxury clothing stores and so forth) are essential in the successful transformation (and transmission) of art/culture from symbolic to economic value (though many intermediaries take cues from gatekeepers). While fashion buyers do not write the editorials in fashion magazines that certify the legitimacy of a designer, they play significant roles in whether such symbolic value translates into economic livelihood for the designer. Fashion buyers determine which designers’ collections end up on the department store floor thus giving the access that consumers require to make purchases (Entwistle, 2006). They make decisions about which designers are marketable, and thus while an editor at a leading fashion magazine may hail a new designer, if the designer is not perceived as sellable such positive critiques are moot to department stores’ or boutiques’ bottom lines. Similarly, gallery and museum curators (working with artists’ dealers) are responsible for which artists’ work will be purchased by the art institution and thus accessed by the public, thus providing more exposure and visibility than purchases by collectors.

The need for distribution of art/culture occurs across cultural markets, as “contact men” act in official roles as distributors of these goods through various channels (Hirsch, 1972) so that the consumer has access to not just information but can exercise purchasing power. And thus, cultural industries have intermediaries working on their behalf who distribute information about the goods they are producing. “Entrepreneurial organizations in cultural industries require competent intelligence agents and representatives to actively monitor developments at their input and output boundaries. Inability to locate and successfully market new cultural items leads to organizational failure” (Hirsch, 1972, p. 650). Public relations, advertisers and cultural industry distributors who

organize parties, events and spokespeople to create buzz and legitimize their products all work towards informing the market of the cultural goods for sale and why they are worth buying.

### ***Cultural Commodification***

While historically art/culture has always been bought and sold on the market place, the increasingly formal system of drumming up value and distribution is tightly aligned with the larger commodification of art/culture witnessed over the last two decades (Scott, 2000; Molotch, 1996; Frank, 1998; Rantisi, 2004). Subcultures from South Bronx hip-hop to London punk have become widely accessible as cultural goods (sneakers, clothes, music) and are sold in department stores around the world. Indeed, Bourdieu's (1993) distinction between symbolic and large-scale cultural production seems increasingly blurred as artists struggle between producing for the mass market or niche markets – but either way producing goods that increasingly deviate from “art for art's sake” and are more in the way of designer T-shirts, soundtracks for movies, or logos for rap albums. Cowen and Tabarrok (2000) point out the ensuing tension where artists often repress their own taste or satisfaction to conform to mass market demands. Making money may require artists to redirect their creative leanings towards more profitable ventures, particularly in their efforts to seek approval from gatekeepers and intermediaries. “Artists therefore pursue artistic styles that are favored by the most prestigious critics...” (Cowen and Tabarrok, p. 244), which in turn provides more economic opportunities for their work.

### ***“Place in Product”***

Part of cultural value is derived from where it is produced. French art, New York fashion, Hollywood films, Nashville country music and so forth. Place, in other words, affirms the legitimacy and value of a cultural good and the artist, designer or filmmaker who created it. In other words, it brands the cultural good (Scott, 2000; Powers and Scott, 2004; Molotch, 1996, 2002, 2003). As Molotch (2002) points out in his discussion of the “place in product” of luxury goods, “...although more expensive than they would be if made elsewhere, would not be the same if made elsewhere” (p. 684). The cultural “lock-in” that some places have over others further reinforces itself as cultural producers (and gatekeepers and distributors) tend to locate in those geographies possessing the reputations for being centers for particular types of art/culture, as such any sort of competitive advantage in cultural production becomes even more concentrated. Not only do particular geographies possess reputations as centers of art, fashion, film and so forth, but this claim is backed up by the increasing jobs, media, gatekeepers and so forth that make such a reputation possible in the first place. For example, New York City may be world-renowned for fashion but this reputation is because of the fashion houses (Donna Karan, Calvin Klein, Marc Jacobs), design institutions (FIT, Parsons), publications (*Vogue* magazine, *Women's Wear Daily*) and events (Fashion Week) that are located in New York City. As such, place-specific cultural legitimacy is largely a function of the agglomeration economies located within one geography but not another (Christopherson and Storper, 1986; Blau, 1989; Coe and Johns, 2004; Rantisi, 2004; Scott, 2000, 2005). Thus the perceived value of producing culture in one geography over another is backed up by the tangible positive externalities of art/culture concentration.

## **The Social Production of Art/Culture**

Gatekeepers, place-specific reputation, exclusivity, rarity and distribution are the mechanisms by which art/culture attains value and legitimacy. The efficiency of these processes is a function of the degree to which they occur within proximity of each other, and the ease by which art/culture (and its producers) comes into contact with the necessary evaluators and distributors. That art/culture is taste-driven and thus needs an intense, subjective evaluation system partly explains the intense concentration of art/culture industries over other sectors (Currid and Connolly, forthcoming; Markusen and Schrock, 2006).

There is a long tradition in the sociology of arts pointing at the social construction of cultural value and its dependence on the social context in which it is seen and consumed thus forming “art worlds” (Becker 1982) which are simultaneously exclusive, but also act as the universal litmus test (and authority) for determining art/culture value for the broader market place. As Zelizer (1979) points out, “sacred” goods’ value is determined by non-market variables that determine price. And thus the tension in valuing “art/culture” is that between the market and the aesthetic. There are those who see culture and the market as “independent spheres”, while others see the market “contaminating” the aesthetic value of culture (Velthuis, 2003). But culture, like most goods, is bestowed an economic value. Its aesthetic value – determined, really, by taste – translates into market demand (and vice versa), and there are key people and contexts that determine the outcome of these dynamics for particular artists and cultural goods. As Caves (2000) puts it:

“Consumption of creative goods, like all other goods, depends on ‘tastes’, but for creative goods those tastes emerge from distinctive processes. People invest in developing and refining their tastes for creative goods. They consume them in social contexts, and the ‘buzz’ that circulates among them is important for organizing production. Although nobody knows its fate when a new creative good appears, social contracts transmit consumers’ appraisals at a very low perceived cost to them, giving ‘word of mouth’ its importance of a creative good’s ultimate success” (p. 173).

It is within this realm that art/culture is both evaluated formally and informally, part and parcel of the tendency for art/culture to be produced and consumed within dense social contexts. The social context operates in a binary role as both the formal event (art opening, fashion show, record release party) and the informal “scene”, where consumers, other cultural producers, and tastemakers (which, it’s worth noting, are not mutually exclusive groups) participate as unofficial evaluators of the culture being consumed. And this latter function plays no insignificant role in the legitimacy of art/culture. But what exactly happens within the social context that informs the economic outcome of cultural goods? There are four discreet ways in which the social milieu informs the broader mechanisms of evaluating art/culture: 1) Access to gatekeepers both formally and informally, 2) interaction across art/culture sectors, 3) establishment of “weak ties”, and 4) distinction and emergence of taste, genre and subculture. I will discuss each in turn.

### *Access to Gatekeepers*

Gatekeepers spend a lot of time in formal capacities writing editorials and reviews of cultural goods, organizing exhibitions for artists and so forth, but they often come into first contact with art/culture in social environments – here is where they get the first taste of what they are to evaluate. Gatekeepers attend events that are simultaneously formal and informal contexts for the consumption of art/culture. As such the critics, the reporters, the editors are thus in the same space as other consumers of art/culture. This interaction exhibits greater externalities when the consumers and patrons of art/culture events also happen to be other cultural producers (Becker, 1982; Ridgeway, 1989).

Some of these consumers are what Cowen (2002) has called “hobbyists”, those who “wish to specialize their cultural consumption, and engage in intense monitoring, if they can find the right opportunities” (p. 114) – in other words, the lay expert who makes it a point to be a part of the cultural milieu in which art/culture is produced and evaluated. Hobbyists are not official gatekeepers, but they are cultural tastemakers: What they consume and the events they attend send strong signals. Their sheer investment in and knowledge of the cultural field means that their presence adds cachet to the very scenes that they participate in and later report and evaluate through a wide variety of channels, particularly online communities and blogs. They are consumers of culture and often presciently so, which is crucial for gatekeepers and cultural intermediaries in their valorization and distribution of key cultural goods. As such, there is a complementary relationship between the hobbyist and the gatekeeper. Events and cultural goods that are supported by a strong hobbyist community let the gatekeepers know what art/culture is at

least being symbolically consumed prior to its full emergence on the mass market, and vice versa. This dynamic also allows gatekeepers and cultural intermediaries to conduct litmus tests on the market success of particular types of art/culture.

Art openings are filled with other artists who come to support their friends – other artists. Cultural producers acting as cultural consumers allows access to gatekeepers in a seemingly informal, “random” way that may further their career more efficiently than going through traditional channels of cold-calling or sending portfolios like everyone else (Currid, 2007). Artists can ostensibly be there for the show but also talk (casually, of course) about their own work and establish personal relationships that may further their career in the future.

### ***Cross-fertilization across Art/Culture***

Consumers and evaluators of art/culture are not limited to one sector. The significance of the social realm is in part because cultural producers are simultaneously creators, evaluators and consumers of art/culture more broadly (Currid, 2007). The social milieu offers the context where these different activities happen at the same time, and those from different realms are able to cross-fertilize in two important ways. First, cultural producers in one realm often act as gatekeepers in another. Successful artists are often looked to as purveyors of good taste in music, while musicians are often sought after to wear designers’ clothes. Marc Jacobs, fashion designer, is also influential in elevating a rock band’s status when he selects music for his fashion shows. In a very real way, these cultural producers act as tastemakers for other art/culture, and they do so by what cultural events they attend, the clothes they choose to wear in social contexts, the music they play at their art openings.

Second, the increasing commodification of culture means that the skills for one realm of art/culture are useful to other sectors. As hip-hop music became increasingly mainstream, transforming from a South Bronx street culture to a worldwide phenomenon, those with the skills to design record labels, T-shirts and other accoutrements were a necessary labor force in the production of the hip-hop lifestyle (as cultivated in fashion, music and magazines). The ability for art/culture producers to apply their skills to a variety of different sectors allows them to have flexible and longer career trajectories that extend past the decline of fads and fashion within culture (e.g. the graffiti art movement, punk music) or the fleeting of youth (e.g. ballet). In other words, art/culture producers have options if they meet opportunity.

Both of these dynamics are able to occur more efficiently through the events and activities that bring diverse groups of art/culture producers and gatekeepers together, creating almost a “micro-agglomeration” within a specific social setting. As art/culture producers brush up against one another the talk of jobs, projects, skills needed and skills on offer are exchanged in casual yet meaningful ways that can translate into real jobs and new projects long after the party is over. Fashion shows, music venues, and art galleries are pivotal attractors of a multitude of different types of art/culture individuals, and it is within these types of social settings that not only the culture at hand is being observed, valorized and consumed but informally similar dynamics are occurring among those in the audience. Clothing styles are noticed, attendance is taken (and scrutinized), background music is noted and so forth. Who came and with whom, what did they wear, what music was played, which cocktails were served. These different art/culture elements of people and place that compose the scene are also being evaluated and legitimized as much as the art, fashion or music that brought everyone there in the first place.

### ***“Weak Ties”***

The agglomeration of art/culture within the social milieu and the ensuing cross-fertilization brings together likeminded people into loose networks of “weak ties” (Granovetter, 1972) that can further advance the careers of art/culture producers, while symbiotically giving gatekeepers and tastemakers the art/culture to opine about. The legitimacy of a cultural producer is cultivated by

the very fact that he is in attendance. In turn, this credibility makes it far easier to interact with gatekeepers or those present who may offer jobs and advance his career.

Important to note is that much of these types of exchanges happen in a subtle and casual capacity and that is what makes them so effective. Art/culture producers actively cultivate personal relationships with those who can advance their careers, which stems from the inherently taste-driven nature of evaluating culture. Because the valorization of art/culture is subjective, getting gatekeepers, tastemakers or those with jobs on offer to “like you” is an effective way of getting them to at least look at one’s work, invest in one’s career, put one in contact with other gatekeepers and so forth. Social contexts provide the milieu for personal networks across art/culture to formulate in a way that is not possible in most parts of art/culture professional life that are regimented and secular and rely on formal methods of recruitment of labor and reviewing of art/culture. Those within the art/culture economy are cognizant of the efficiency of this social production system and actively participate in it with these goals in mind (Currid, 2007).

### ***The Emergence of Taste and Subculture***

Social contexts are not only where art/culture is evaluated but also where taste and genre is derived. People consume and imbue art/culture with significance in social contexts; they establish social relationships as a product of shared interests in art/culture (DiMaggio, 1987). Social contexts create art/culture communities that reinforce conceptions of “good” art/culture. Members trust each others’ opinions and evaluations, thus further creating subcultures geared towards particular niches within art/culture that attract like-minded producers and supportive gatekeepers and tastemakers (punk, pop art, folk music etc).

Social contexts are also where trends emerge and subcultures are translated into commodified goods. Street level and underground subcultures establish social contexts where their communities meet, and it only takes the bridge of one gatekeeper or entrepreneur into the mainstream cultural market to transform these symbolic communities into consumer products.<sup>3</sup> Mainstream art/culture producers often view these subcultures as pioneers and tastemakers for a larger public and thus seek out the places where they emerge (nightclubs, music venues, bars, gallery openings and so forth) for inspiration for consumer goods.

## **Conclusion: The Social is Not Spillover**

Cultural goods are consumed and evaluated simultaneously in social realms. This article has sought to define the activities and processes that occur within this context and how they enable the valorization of art/culture. Within this milieu, agglomerations of gatekeepers, intermediaries, consumers and producers engage in a variety of capacities, with diverse agencies and motivations. The clustering of these different, related activities makes the social the most efficient mode of exchange and valorization of art/culture. Cultural producers and evaluators are aware of this effectiveness and thus actively cultivate the milieu. As such, the social is not the accidental byproduct (a “spillover”) of art/culture agglomeration but the *raison d’etre* of its existence. The social is the most effective way to translate, consume and legitimize cultural goods, and art/culture participants are aware and actively seek out these environs. While economics has a tradition of looking at these types of phenomena in the abstract, it cannot be ignored that these things happen in particular geographies, institutions, “scenes”. In other words, place matters to the value of

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<sup>3</sup> It has long been noted that fashion designers like Dior Homme’s Hedi Slimane and the designers for Dolce and Gabbana actively seek out clubs and events where under the radar subcultures “hang out”. The skinny tie, skinny suit look cultivated by Dior Homme is partly a product of Slimane’s time hanging out with New Wave club-goers in Brooklyn nightclubs like Lxxx. Other fashion phenomena like punk, grunge and hip-hop emerged from distinct urban music culture, where designers observed what the musicians were wearing and translated it into clothing for a more mainstream audience. Marc Jacobs actually lost his job at Perry Ellis when he started designing clothing emulating the Seattle grunge look of music bands like Nirvana and Pearl Jam.

culture because of the social production system so entrenched in the economic worth of art/culture. They cannot be separated.

There are naturally drawbacks to this system. The social context is in itself an exclusive art world – and when it becomes more democratic, the market demand often shifts. Tensions arise when the very commodification of goods alienates the core and original fan group that finds market legitimization to be a signifier of passé or “selling out.” If a good transforms from niche to mainstream, this often results in it trading its “symbolic” production for “large-scale” or economic production (Bourdieu, 1993). This transformation in turn may allow it to gain economic legitimacy but at the expense of its symbolic value with original, niche consumers. The decrease of production, communication and distribution costs that may act as catalysts for greater (and more democratic) distribution of art/culture (Cowen, 1998) also, for better or worse, result in a more efficient transformation from symbolic to economic capital, or “subculture” to “sellout.” The fact that the art/culture “scene” can be reported so quickly on blogs, gossip pages and MySpace can act swiftly to terminate the exclusive cachet drummed up in a particular place, while simultaneously drawing in a geography-less mass market at a rapid pace. Some goods, high art and pop art have managed to retain aesthetic value while still appealing to mass consumers. Others, like graffiti or hip-hop music face constant challenges to their street credibility with each new mainstream sneaker or beer commercial that uses them as props. Such constantly evolving social dynamics mean that art/culture’s value and the ways its value is measured is constantly in flux, as are the gatekeepers and consumers of its goods.

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