

On the Cultural Economy*

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1 Introduction

As we all know, culture plays a very important role in pretty much all societies around the globe, in the sense that culture affects different aspects of people's lives from their professional career to their leisure activities. Hence, the role played by culture in economic development has also emerged as a key issue on the policy agenda. Reliable information, such as statistical analysis, is needed in order for policies to be formulated based on evidence, and for their impacts to be evaluated and measured, and moreover to capture the dynamic nature of culture in both a quantitative and qualitative way.

The cultural industry is one of the significant driving forces for economic growth and job markets around the world. In this paper, I focus on three aspects arising from this cultural industry. Section 2 discusses the relation between culture and economic growth. Cultural and trade balance is studied in Section 3. In Section 4, I analyze cultural employment in the cultural industry. Section 5 concludes and indicates further direction in this area of research.

2 Culture & Economic Growth

What is the relation between culture and economic growth? When asked this question, most people will probably pause for a while and come up with more questions. - Are culture expenditure and economic growth correlated in

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some way? If so, does culture spending cause more economic growth? Or is it the other way around that strong economic growth will boost the cultural industry?

With these questions in mind, I collect some data from the Euro Stats database for a few countries, including their GDP per capita and cultural expenditure.

Country	GDP	Culture expenditure	$\frac{\text{Culture Expenditure}}{\text{GDP}}$
Albania	8782	173	1.97%
Armenia	7489	114	1.52%
Australia	41153	2811	6.83%
France	36354	2183	6%
Germany	39474	2122	5.38%
Japan	36003	1891	5.25%
Russia	21611	575	2.66%
Turkey	15890	412	2.59%
United Kingdom	39099	2875	7.35%
United States	49807	3655	7.34%

Note: All these data are from the Year 2008, are based on real expenditure per capita at average OECD PPP prices, and are measured in USD.

From this table, it can be seen that countries with a small GDP also spend small amounts in culture-related expense, examples of which include Albania, Armenia, etc. In comparison, countries with a high level of GDP spend much more money in culture-related products and services. Examples include Australia, Germany, UK, US, etc.

After taking the ratio between the culture expenditure and GDP, I calculate the proportion of culture expenditure in GDP for each country, and find that countries with high GDP also devote a high proportion of their GDP to culture expenditure.

So size matters! When a country is bigger in terms of its economy and each of its member also has more income, then they also spends more money in the culture industry. In order to increase the culture expenditure and raise the awareness of culture diplomacy (widely defined), we need to promote economic growth in that country first. In that sense, culture goods and services can be considered as “superior goods” as defined by economists. The more income you have, the more of these goods you want. This does not say

that poor countries do not have the luxury to enjoy these “superior” culture goods and services. They still can, but in a smaller proportion, and in a less progressive way. Their priority is to reduce poverty and boost economic growth. This is also something that rich countries can do to helping them by bringing their know-how, technology and other resources, with the art of their *cultural diplomacy*.

3 Culture & Trade Balance

International trade balance has always been a hot topic on the policy agenda in most countries. In the cultural industry, there are also exports of culture-related goods and services, and imports of culture goods and services. Exports are something that you sell to foreigners, and in return you are given some revenue for those exports. By the same token, imports are something that you buy from foreigners, and you need to pay for those imports in return. The difference between the value of exports and the value of imports is the trade balance, measured in dollars.

Below I present a table with my collected data on trade balance in culture-related products and services, for a few selected countries.

Country	GDP	Trade balance in culture
Belgium	39164	588
Bulgaria	14836	-379
Canada	41292	-5521
Czech Republic	27446	1090
Denmark	41941	190
France	36354	-5520
Germany	39474	7542
Sweden	41758	439
Switzerland	48735	-3988
United Kingdom	39099	-10949

Note: All these data from in million USD, and are from the Year 2008.

This table gives us some very interesting results. By just looking at the GDP of each economy, we can not really predict what direction their trade balance goes, whether it is trade surplus (exports > imports), or trade deficit (exports < imports) in the culture industry.

Even though our economic intuition can not help us here, we can still tell some story from an social or *cultural* perspective. For example, France runs a trade deficit in their cultural industry, that is to say, French people import more culture products and services from other countries. So culturally, French may be open or curious about foreign culture and are willing to spend more money to enjoy those foreign culture products and services.

Take Germany as another example. Both France and Germany are similar in size, in terms of their GDP per capita. But Germany runs a large trade surplus in its culture surplus. We may interpret this as German culture is deeply roots, and have a lot to offer to the world. More likely, German government probably spends a lot of money promoting its culture industry to the rest of the world.

4 Culture & Labor Market

Labor market is always of main concern among general public and policy-makers. To analyze the employment situations in the cultural industry, I collected some data on share of cultural workers in total employment, and share of self-employed in cultural employment.

	<u>CulturalWorkers</u> <u>TotalEmployment</u>	<u>SelfEmployed</u> <u>CulturalEmployment</u>
Austria	1.57%	30.70%
Belgium	1.44%	13.69%
Bulgaria	1.53%	11.64%
Croatia	1.98%	16.24%
Denmark	2.28%	12.89%
Estonia	1.75%	0.00%
Finland	2.26%	20.20%
France	1.70%	16.96%
Germany	2.18%	24.86%
Greece	1.17%	17.97%
Hungary	1.80%	15.52%
Ireland	1.47%	31.90%
Italy	1.07%	37.79%
Latvia	2.28%	7.12%
Lithuania	2.00%	0.00%
Malta	1.74%	0.00%
Netherlands	2.05%	32.04%
Norway	2.64%	20.81%
Poland	1.40%	14.57%
Portugal	0.94%	24.92%
Romania	0.75%	0.00%
Slovakia	1.10%	17.77%
Slovenia	2.03%	10.23%
Spain	1.29%	19.69%
Sweden	2.34%	23.21%
Switzerland	1.40%	12.11%
United Kingdom	2.06%	26.99%

As can be shown from the table above, cultural workers are only a very small proportion of total employment in all these countries under study. This means that cultural industry still has a lot of growth potential.

On the other hand, the self-employed are a quite high proportion among those who are employed in the cultural industry. This shows that there are a lot of individuals who are fully aware of the importance of culture and are willingly to work on their own for this cause.

With our business mind, we can see that the cultural market has a lot of growing potential. There arises the need for more leaders and entrepreneurs to open more possibilities, and to create more cultural-related jobs in our

economy.

5 Conclusion

This paper studies 3 economic aspects of culture: culture and economic growth, culture and trade balance, and culture employment in the labor market. Future research can be extended to investigate more economic aspects and impacts of culture, due to its importance and high potential in this fast-changing dynamic world.