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Globalization

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The *Oxford English Dictionary* defines “globalization” as the act of globalizing and “globalize” as “to render global.” Thomas Friedman believes that we are now in the third period of globalization in which the individual is being directly integrated into a world setting. In his framework, countries became globalized in the first period and organizations in the second. Friedman concludes *The World is Flat* by contrasting the positive of globalization, represented by the peaceful and almost spontaneous dismantling of the Berlin Wall on November 9 of 1989 (11/9) with the negative, represented by the carefully planned destruction of the World Trade Center on September 11, 2001. This essay focuses more narrowly on the globalization of cultural industries and activities in the past quarter century.

Currently, individuals have unprecedented scope to distribute among themselves music, images, stories, and videos through the Internet and have similarly wide opportunities to buy traditional books, CDs, and DVDs on line. In addition they can access a wide range of films and television programs from cable and satellite services and stream radio stations, television programming and recorded music from Internet sites. The impact of this globalization on cultural activities depends on the quality of national communications grids and their links to the Internet and national policies governing copyright, spectrum allocations, subsidies, taxes, foreign investment controls, privacy, and censorship. In particular, within Friedman’s second and third periods of globalization, a set of cultural policies subsidizing and protecting national companies and non-profits producing and distributing traditional media were introduced and have evolved.

National cultural policies have been typically mercantilist. They have protected traditional media—magazine and book publishing, film production, distribution and exhibition, broadcasting, and cable or satellite distributors—from foreign competition and subsidized the creation, production, distribution, and export of content by national

companies. The post World War II progressive liberalization of trade and investment in manufacturing and service sectors of the economy under the GATT and its successor the WTO were intended to reduce the effects of borders and discriminatory national tariffs and non-tariff barriers on trade in goods and services. In contrast, national cultural policies are designed to restrain the impact of globalization on culture and restore cultural “contour” to the world.

To maintain this difference many countries agreed not to further liberalize barriers to trade or constrain national subsidy and preference policies affecting their cultural industries and activities in the Uruguay round of trade negotiations and to shift the international forum for future discussions of international cultural policy issues from the WTO to UNESCO. The WTO has a tribunal system for adjudicating a complaint by one member that another is not complying with its commitments and a mechanism for requiring a member to comply if the complaint is valid. UNESCO in comparison operates through discussion and moral suasion. Exceptions to this separation, which resembles in a broad way the distinction between law and religion in some countries, are commitments affecting cultural policy agreed to in past GATT or future WTO negotiations.

Despite the prevalence of mercantilist industrial policies in cultural activities, many outward-looking initiatives by individuals and national institutions have been instigated. Theatre and music festivals, art galleries, museums, and traditional performing arts centres have arranged foreign tours of exhibits, musical ensembles, theatrical performances and some have established branches abroad. Visitors to the Guggenheim museum in Bilbao, for example, enjoy its exhibitions and the cultural distinctiveness of the Basque culture. As this complex in Spain expands and matures, the construction of a second Frank Gehry designed Guggenheim museum in Abu Dhabi (the GAD) nears completion in the late fall of 2009. Religious cultures are typically global in reach and sometimes in conflict. It would be surprising if the cultural and political cross-currents of a joint venture with critical contributions from an American Jewish family’s foundation, a Canadian born and raised Jewish architect who lives in the United States, and the government of the capital city of the Islamic Gulf Emirates, did not create difficult operational challenges. Among the many culturally sensitive issues to face the curators of

the GAD is whether or not to exhibit nude works from the Guggenheim's collection that might offend conservative Muslims.¹

Cultural economics

Cultural economics integrates the impact of cultures into an analysis of individual economic activity and government policy. It has a broader, more nuanced and less precise structure than traditional economics. From this perspective, a culture establishes values, obligations, and beliefs about the responsibility of members to each other and to non-members. Each individual chooses some cultures; is a member by mutual agreement in others; and still others are imposed by governments, family, time, and place. Some cultures depend on birthplace, residency, and gender. Religion, schools, and residency of children are typically chosen by parents or kin. Associations are cultures that are held together by common interest, achievement, or the discretionary choice of others. Sports enthusiast, Internet hacker, and music lover, for example, are associations. Country of residence and nationality are cultures that determine laws and regulations governing access to other cultures. Many, if not most, of the cultures and associations *chosen* by an individual do not conform to national boundaries. Membership in cultures affects the consumption and investment choices of individuals and what they chat about.

Consumption choices among films, television series, or stories in books and magazines also differ in some key aspects from the economic textbook example of choosing between two goods, say apples and oranges. When making the apples or oranges decision, the consumer is typically assumed to know what the net impact on satisfaction (utility) is of spending a bit more on one of these fruits and the same amount less on the other. In contrast, each reader or viewer does not want to know the details of how the story in a book or a film develops but hopes to be pleasantly surprised by the twists and turns of the plot. A buzz by friends and critics about different books or films that is a welcome influence on decisions to enjoy one and not another, but prospective book buyers or moviegoers will cover their ears if a friend threatens to disclose the details of

¹ Published in Jerusalem Post, July 9, 2006; posted at <http://www.jpost.com/servlet/Satellite?cid=1150885953739&pagename=JPArticle%2FShowFull>.

the plot.² In addition, a person's cultural allegiances may provide dissonant explicit or implicit signals about what to read or watch.

The regulation of traditional media

Social influences on individuals are often disseminated through the cultures and cultural affiliations of an individual. Many of these paths of influence such as daily conversations in coffee shops defy government control or oversight. The media extend the reach of interactions and influence. They are almost universally subject to regulation that varies with their characteristics. Border towns often have more over-the-air radio and television signal choices than towns distant from borders because blocking foreign signals at the border is costly. Cable systems in contrast typically deliver programming through coaxial cable. Governments are able to impose uniform regulations on the foreign and domestic television and cable services that can be carried, often in tiered packages, and sold to the public. As a result of each government's protection of domestic signals, the signals carried in the cable systems in towns on either side of an international border can and usually do differ from the over-the-air menus.

Satellite technology is competitive with cable systems for delivering audiovisual programming to the home or entertainment centres while creating jurisdictional spill-over problems. Packages of signals are encrypted and legally sold with decoders in the areas in which they are licensed. These services are also received and illegally decoded in neighbouring jurisdictions or clandestinely bought by some who prefer the foreign offerings with billing addresses in that country. If ideological differences are significant, national governments may engage in a mutually impoverishing media competition, such as the lengthy and wasteful ideological battle of the radio and television airwaves between Cuba and the Cuban community in Florida, USA.

² This feature of a cultural consumption decision is not resolved by introducing uncertainty in the conventional manner into the analysis. A risk-averse investor, for example, will not cover his or her ears to avoid hearing more detailed and accurate information about the prospects of companies before making an investment decision.

The rendering global of cultural ideas and influences

Ideas and cultural influences are potent and almost impossible for a government to confine to its own borders. For example, Dr. José Antonio Abreu of Venezuela who has a Ph.D. in economics, developed Venezuela's El Sistema, (Fundación del Estado para el Sistema Nacional de las Orquestas Juveniles e Infantiles de Venezuela), for training and inspiring young musicians. El Sistema has flourished in Venezuela under a variety of governments and variations have been adopted in over 20 countries.

Like the books and other holdings in local, national, and university libraries, the Internet contains a prodigious amount of information, some misinformation, and a range of interpretations and commentaries. Unlike the information in those venerable libraries, it is accessible to an extraordinary number of people. The Internet has also made the legal framework supporting the traditional cultural industries and activities, in particular copyright law, outdated while playing a significant role in conveying to the public the debate about reforming national copyright laws.

Before the Internet, an individual received information about cultural events and issues from reviews in local media and conversations with friends. The ownership of the media in many countries was often restricted to nationals and local newspapers linked with particular political parties in a democracy, influential factions in an oligarchy, the church in a theocracy, or owned by the government in a dictatorship. In a dictatorship government broadcasting and film monopolies produced or supervised the production of entertainment with a social purpose. Information was often predictably "shaped." The public management of information provided by local media, controlled media, or powerful cartels allied with local groups has become more difficult because of the proliferation of video cameras, cell phones, instant messaging, social networking sites, blogs open to comment, and information sites on the Internet.

Many of the cultures that one embraces on the Internet are partial commitments that one can enter and exit at will. These cultures are either communally or cause supported, dependent on advertising revenues, or commercial. Some commercial sites are locally oriented and provide information about opening hours, location, and what is available at

stores or cinemas in the neighbourhood. Other sites are available internationally but widely used locally. For example, Google Maps or Bing Maps provide directions for driving from one address to another wherever one might be, or will show one's house through satellite photography wherever that house may be. Many portals gather links to news from different sources by topic tailored to the interests of each registered user.

Newspapers and magazines have traditionally managed two sources of net revenue—advertising and circulation. Some local newspapers, for example, are free to the reader. Their managers choose to depend only on advertising revenue. On the Web, there is more customization than in print as past choices or submitted interests may result in tailored content guides for each visitor. Specialized sports news, classified ad, business news, and job search Web sites compete very effectively with the sections offering these services in traditional newspapers. Information can be constantly updated at low cost. Social interaction sites with their own rules and mores have also become popular vehicles for the spontaneous exchange of information. E-commerce sites can be programmed to make further purchasing suggestions of complementary goods based on current and past purchases and automatically update a user on the status of existing orders. None of these new Internet cultures yet have the history, breadth, and conforming valences of traditional ethnic, national, and religious affiliations.

Linguistic minorities of a country were penalized in older technologies. The Internet transforms their situation. The choices of say Spanish literature, journals, or magazines available to Spanish-speaking individuals in a majority English-speaking country's book or magazine stores are limited. The Internet gives this minority language community the same access to Spanish-speaking sites as they would have anywhere else in the world. This shift from scarcity to abundance may delay the learning of the majority language and absorption of information about a host country by older immigrants and alter their attitudes on national issues. The subtle impact of the integration of language groups in the Internet on national cohesion will keep sociology researchers busy for some time.

Creative influences flow back and forth with imitation being followed by innovation across cultures. Literature, for example, travels exceptionally well in a language market

and less quickly but more widely through translation. In winning the third awarding of the UK's Booker Man International prize in 2009, Canadian short story writer Alice Munro commented that the prize "celebrates the writing of fiction as a world-wide phenomenon."³ Her international success reveals the universal elements in parochial life. A typical Munro story describes a slice of life in a small Ontario (a central Canadian province) town through the eyes of a woman. Foreign magazines, such as *The New Yorker*, *The Paris Review*, and *The Atlantic Monthly*, were instrumental in bringing her work to the attention of an international English-reading audience. "The View from Castle Rock," which originally appeared in *The New Yorker*, remains available to the public at no charge on its Web site four years after its publication.⁴

The decentralized structure of the international publishing industry and its development of rights through subsidiaries and printers in many countries reflect the costs of transporting, storing, distributing, retailing, returning, managing inventories, and disposing of remaindered stock in the book trade. The recent introduction of several sophisticated and relatively inexpensive e-book readers, the negotiation of copyright arrangements for e-books with publishers, and the development of distribution networks for e-books are likely to alter significantly the organizational structure of publishing, distribution, and customer reading habits. This transformation has begun.

The size of the relevant language market at home *and* in the world affects a national book or audiovisual product's sales. Translation of a literary work, written in a widely spoken language, to a language spoken by few people is expensive relative to potential sales. The cost per expected sale is much lower for translations into a major language. As a result the relative breadth of offerings in large language markets becomes more pronounced after translations are added. In the large language markets, there is competition between quickly put together sequentially crafted "crowd-sourced" translations posted on collaborative translation Web sites and the later appearance of an authorized translation.

³ <http://www.themanbookerprize.com/news/release/1242/>.

⁴ http://www.newyorker.com/archive/2005/08/29/050829fi_fiction?currentPage=all. Her story will particularly resonate for those with roots in the Scottish diaspora.

Foreign language films or television programs can be versioned for domestic airing by either dubbing or subtitling. The latter is cheaper but its effectiveness decreases as the illiteracy rate rises. Some poorer countries with high rates of illiteracy like Egypt incur the additional costs of dubbing in order to serve a wider audience and protect the native language. Subtitling has an advantage in also making dialogue available to the hearing impaired. For example, automatic speech recognition is being combined with caption generation on the Internet service, YouTube, to make the soundtrack of videos posted on the site available to the hearing-impaired. Films of multilingual stories like “The Kite Runner” are also currently shot in the languages of the story and translated to an English-language audience through subtitles.

A multiplicity of languages makes it more costly but not impossible for cross-national cultural overlays to facilitate communication and deeper understandings. The European Union, for example, has 27 states as members and recognizes 23 official and working languages⁵ in its deliberations and policy formulation. Individual countries within the EU may recognize official languages nationally that are not recognized by the Union. The European Commission conducts business in English, French, and German, but communicates publicly or officially to each member in its official languages. About 700 translators are required to allow each member of the EU’s Parliament to speak in any EU official language. Fidrmuc and Ginsburgh (2006) report that before the most recent expansion of the official and working languages “the cost of translation and interpreting for the various EU institutions is envisaged to reach 1,045 million euros per year, including 807 million for translation of written documents and 238 million for interpretation of oral statements.”⁶

UNESCO estimates that there are about 2,500 languages around the world that are likely not to survive. Its Director-General Koïchiro Matsuura warns that “[t]he death of a

⁵ Bulgarian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Irish, Italian, Latvian, Lithuanian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovene, Spanish, and Swedish.

⁶ Statistics and details of language policy in the EU are from http://ec.europa.eu/public_opinion/archives/ebs/ebs_243_en.pdf. The cost estimate is from Jan Fidrmuc and Victor Ginsburgh, “Languages in the European Union: The Quest for Equality and its Cost” *European Economic Review*, October, 2006, p. 3.

language leads to the disappearance of many forms of intangible cultural heritage, especially the invaluable heritage of traditions and oral expressions of the community that spoke it—from poems and legends to proverbs and jokes. The loss of languages is also detrimental to humanity’s grasp of biodiversity, as they transmit much knowledge about nature and the universe.”⁷

National censorship, security, and copyright laws determine illegal postings on the Internet within a country. Copyright owners monitor postings on popular video sites in many countries and their associations take legal actions designed to protect their interests. In China, the State Administration of Radio, Film, and Television closed 25 online video sites and warned others for hosting illegal content in the spring of 2008. The Chinese regulator had previously announced that any new video posting sites would be government owned and run.⁸

In addition to varying degrees of censorship, national cultural industry policy includes a blend of grants, export promotion, and tax benefits or subsidies to firms and individuals producing and distributing “national” cultural content to cinemas, television broadcasters, cable systems, and satellite direct-to-the-home services. Over time, these national cultural support policies tend to become more “industrially” oriented, rules-based, and generous. The bulk of government funding is granted to nationally owned companies, such as book publishers, film and television production companies, or large non-profit organizations such as a symphony orchestra, rather than to individual creators.

There has also been an increasing emphasis on formulaic refundable tax credit funding in comparison to discretionary funding for individual projects. The tax credits are generally greater for national films or television programs. With team-produced cultural products like movies, the “nationality” of a film or a television program is typically assessed by a formula or points system based in large part on the nationality, but usually not the residency, of key personnel and the production company and on spending within the

⁷ http://portal.unesco.org/en/ev.php-URL_ID=44605&URL_DO=DO_TOPIC&URL_SECTION=201.html.

⁸ See Loretta Chao, “China Cracks Down on Online Video,” *The Wall Street Journal*, March 22, 2008.

country. The subject matter of the television program or film receives little or no weight in qualifying as national in many countries.

An increasing number of countries also provide generous tax incentives or grants for foreign film and television producers to locate their film's production and the associated "spend" within their borders. Refundable tax credit and grant competition among countries to attract foreign film and television production projects hiring national skilled professional and other workers has intensified. Given the nationalistic rhetoric of cultural policies, these programmes appear to be the equivalent of subsidizing the military budgets of a hostile country. The public political rationale for these subsidies is that local production spending by television or film production companies making "foreign" content increases the skills of national workers and develops supporting infrastructure.

Policy favours national production much more than widening the choices of national readers, music lovers, movie buffs, and television watchers. The equivalent in the food industry would be to ignore what people in the country eat and label as national only what it produced. In Canada, for example, films that are classified as Canadian typically account for 5% or less of Canadian box-office revenue. The Canadian public are much more outward looking than national policy makers think they ought to be. The rhetoric supporting inward-looking cultural policies continues to stress the danger of American cultural dominance as its relative influence declines because of globalization. National cultural policy discourse is also disconnected from the growing importance of the Internet, video posting, computer images and graphics, blogs, social networking, and other manifestations of a significant de-industrialization and dispersion of content provision and distribution. No Hollywood film in recent memory has generated the international attention and debate that was seeded on the Internet by twelve culturally insensitive cartoons published in the Danish Jyllands-Posten newspaper.

The many dimensions of cultural globalization

Technological innovations have continuously generated new media and distribution channels while improving the quality and reducing the cost of existing ones. Digitalization, satellite transmission, fibre cables, compression, "intelligent" flexible

routing on broadband networks, and high-definition television have reduced the costs and increased viewers' satisfaction from watching a movie at home. Specialized cinema complexes feature "live" (simultaneous to the performance on stage) performances of operas from major venues as well as an array of "art-house" films from around the world. The Internet has also become a rapidly expanding way of delivering films and television programming to the home. For example, Joost, which uses the Bit Torrent architecture, is a successful P2P site for films, videos, and television programmes. Hulu, which is owned by NBC Universal, News Corp. (Fox), and Disney, distributes content produced by or from the libraries of its owners. This vertical integration increases the bargaining power of these studios over terms of carriage of their shows on American and foreign cable and satellite services.

The new technologies have been particularly disruptive of traditional production and distribution channels in the recording industry while creating new opportunities for aspiring musicians to reach local and distant music listeners. Change has been rapid. Digital encoding and Internet distribution has resulted in songs being sold individually and in a number of combinations rather than being bundled in CDs. Apple, for example, introduced its iTunes store in early 2003 and served customers in 22 countries by the end of 2008. Hard drive based music players dominate the portable market and high-end streaming players. The CD appears to be on its way to joining 8-track tapes and cassettes as discarded music technologies.

Similarly, the book, magazine and newspaper publishing industries are experiencing rapid changes from the local and global effects of the Internet and are anticipating more. Locally, want ads and personal commentaries have migrated from newspapers to Internet sites. Globally, large newspapers or broadcasters in each major language have attracted readers from all over the world to their Internet news sites. Some like *The New York Times* and the BBC have adopted a free access policy to their sites and rely on advertising revenues or government support to finance their operations. Others, such as the *Financial Times* and *The Wall Street Journal* in business news generate both electronic subscription and advertising revenue. Many newspapers in smaller cities have been adversely affected by this competition from major players. A number have shut down. Search engines have

also become important competitors to newspapers, magazines, and broadcasters for advertising by selling “space” for promotional blurbs and links that are placed beside search results.

In addition to their impact on the book trade, digital readers are likely to revolutionize how newspaper and magazine content is delivered and consumed. Libraries may replace books on shelves with electronic hard disk storage and lend “self-destruct” files to readers with computers or specialized display devices solving the “failure to return borrowed books” problem. People that live in small towns would have similar reading options to those in large cities and expanded opportunities to work collaboratively with others. The resulting decline in demand for paper and the associated rise in value of the (electromagnetic) spectrum would have significant economic effects.

Cultural homogeneity, openness, and protection

Some observers consider that increased trade in cultural goods and services has increased cultural homogeneity, while others conclude the opposite. These apparently conflicting views can be reconciled. Consider a small country that chose cultural autarky. The smaller the country the less economies of scale will be realized within its borders and the more costly is achieving diversity in cultural production. A small isolated economy can only afford a few cultural experiments and will have fewer successes and less choice. Autarky generates a hierarchical diversity in opportunities among countries, depending on size. If national cultural policies are open to exchange, each country, large or small, can gain access to the world menu and contribute to its composition. Opportunities are more homogeneous but the scope for individual and communal diversity remains broad. If trading opportunities do not impose, but allow choice, patterns of consumption are not coerced. The gains from having broader options are larger for small countries. Symmetrically, small countries have the most to lose if they have to adjust to a collapse of a liberal trading regime in cultural goods and services and return to autarky.

If trade is voluntary, the argument for economic liberalization is persuasive, but what is the right amount? Economists often support free trade based on the first welfare theorem, but that argument is inapplicable because of the cost conditions and informational

problems faced by the cultural industries. There is no scarcity of applicable models, each with different policy implications that could be applied, but economists cannot effectively distinguish empirically among them. As a result, the case for openness rests on a time-tested theme—open borders counter the adverse effects of concentrated production at home, provide alternative interpretations of events and possibilities, increase choice for consumers, and stimulate business, professional, and artistic creativity and performance—rather than on a particular model of imperfect competition.

Those that support protection stress that the cultural industries differ from other economic activities in shaping individual and community development. Unfortunately, there is no consensus on how this process operates and its implications for policy, except for the responsibility to protect children from detrimental content. This linkage is effectively mobilized to support discriminating against foreign content. In particular, the dominance of international trade in mass media of the United States disseminates an American “spin” to viewers around the world. Americans wondering why their country is not better liked abroad might question the efficacy of Hollywood’s or international publishers’ fare as national propaganda. Viewers, listeners, and readers abroad seem quite capable of putting a counter spin on what they choose to see, hear, and remember.

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Further Reading

The references provide some guide posts for an interested reader. Robertson's interdisciplinary study of globalization complements Friedman's book. Throsby's broad study integrates economic, cultural and heritage considerations. The approach to incorporating the impact of cultural allegiances and associations on economic decisions used in this chapter has its roots in Acheson and Maule's chapter in the Ginsburgh and Throsby Handbook. That chapter also discusses related international heritage issues, distinguishes between the international dimensions of visual and performance arts as compared to the cultural industries and outlines some of the many difficulties of measuring cultural "trade." The "Much Ado" book discusses the unique economic characteristics of cultural policies as a background to case studies of the frequent cultural trade disputes between Canada and the United States. The volume edited by Guerrieri, Iapadre, and Koopman provides seven different country studies of the impact of economic integration and cultural differences on international trade and investment in the audio-visual sector.