



Should Cultural Goods Be Treated Differently?

ANDREU MAS-COLELL

*Department of Economics and Business, Universitat Pompeu Fabra, Ramon Trias Fargas 25,
Barcelona, 08005 Spain*

Abstract. This article considers the specificity of cultural goods, services, and artifacts in the context of international trade theory. The analysis discusses possible justifications for import or export restrictions on cultural goods.

Key words: cultural goods, export restrictions, import restrictions, international trade, national content

My topic is to consider whether there is anything special, from the point of view of the basic principles of international trade theory (which are, once everything is said and done, the same as the general principles of economics), about cultural goods. Clearly, “anything special” means “deserving of special protection”. I shall address my comments to this issue.

To avoid excessive vagueness, I shall not directly focus on why cultural goods or services may deserve protection in a general sort of way.¹ It is of course true that to the extent that they deserve protection, they will in all likelihood (and with certainty if we throw enough imperfections into the analysis) deserve protection in every aspect of economic life and organization. Yet, for the sake of concreteness, it will be better to make an effort to concentrate on specific aspects of international trade.

There are two quite different types of international trade restrictions that are usually invoked in policy debates involving cultural goods. The first is the “cultural exception” claim, an appeal for the legitimacy of import restriction measures based on the cultural nature of the goods or services concerned. It has been put forward with some force in reference to, for example, audiovisual products such as movies, television content, or recorded or broadcasted music (Acheson and Maule, 1992, 1994). The second restriction has a very different character and is peculiar to cultural artifacts. I refer to restrictions, justified by arguments for the preservation of cultural heritage, not on the import, but on the export of these goods. It is practical to treat these two issues separately, since I am not sure if, beyond the fact that they both limit free trade, one could find common positive principles underlying them.

1. The Cultural Exception Claim

Let me begin by summarizing the standard arguments for free trade when we are dealing with a conventional commodity, e.g. shoes. Since I endorse these arguments, my position will be seen as rather orthodox.

The story can be summarized, in a blow-counterblow fashion, as being composed of three phases (Bhagwati, 1988; Krugman, 1987):

1. We first have the classical theory of comparative advantage, which, under conditions of perfect competition, provides a solid theoretical underpinning for free trade. In summary, under the assumptions of this theory, free trade will do its good work and every country will emphasize the production of the goods they can produce comparatively better. Applying this to culture in a very literal way, we would conclude, I suppose, that Norway has a comparative advantage in ice sculpturing. Less literally and giving some weight to the facts of history, it would be natural to expect Spain to have some advantage in the production of Spanish dancing, Britain in Shakespearean theater, or, as a different sort of example, Mexico in mural painting. To avoid too extreme a conclusion, it is also important to remember that cultural goods, services, and processes are often non-tradable or poorly tradable (the performing arts, for example). Therefore, complete and dramatic specialization is unlikely.
2. The conclusions of the classical theory of free trade were seriously contested as a result of the impact of the new approaches to industrial organization based on the recognition of increasing returns and on ideas of imperfect and strategic competition. As is well known, there was a period, not that long ago, when, by means of some convenient and craftily chosen game-theoretic model one could substantiate and justify almost any protective instinct one could have. It appeared for a while as if an intellectual license for every sort of intervention in foreign trade had been issued.
3. Fortunately, things returned to reason very quickly, as the economic profession was not ready to dispose that simply of the positive presumption in favor of free trade. By now a better balance has been achieved. It is not, let me be quick to point out, that any grand theorem has been obtained – modern microeconomics has moved us away from the era of these theorems, and everything is at present more story-specific, more tailored to a particular hypothesis than it used to be. It is rather that a sense of equilibrium has been reached between, on the one hand, the possible advantages of strategic competitive moves and, on the other, the political-economic realities of rent-seeking. In two phrases: allow protection and every interest will claim protection; then, recall the lessons of the economics of imperfect information and ponder the question of who is to determine who deserves protection.

Let us now move to cultural goods. Is there anything specific to culture that should change the nature of the previous judgments? I will not attempt a definition of culture or of cultural goods.² One is not needed in order to recognize that the discussion about the protection of national culture, in the international trade context, can benefit from making a conceptual distinction between (1) protection of national cultural production and (2) protection of the production of national culture. Let me elaborate on the contrast between the two notions.

In the first case – protection of national cultural production – protection is sought, typically via local content-style requirements, in order to guarantee that, for example, in the European Union there is a significant production of movies, even if they are, in every other respect, entirely similar to those produced in Hollywood. Of course, the implication, and the desire, of this thrust is to foster a home-country film industry. I suppose one could invoke infant industry arguments to support this drive, but basically I find it very difficult, so far, to perceive a substantial difference from the case of shoes. Given the presumption of free trade, why should one not let consumers decide for themselves? Or, said another way, it is not evident why the government should take a position on the fine structure of the type of jobs (I am not talking about levels or skills here) to be promoted in the home country.

In the second case – protection of the production of national culture – the intent is to promote the availability and the consumption of movies transmitting “Spanish”, “French”, or “Catalan” content: language, historical episodes, costumes, traditions, and the like. In this dimension, the justification for protection could be twofold. On the one hand, if the consumer demand for this national content was weak, then it would be regarded as legitimate to induce this demand, via education, habit formation, and assorted protective measures (McCain, 1979, 1981, 1995). On the other hand and more sensibly, it could be argued that there might well be public good and network externalities, issues that might create a failure in the transmission to the market of a demand that really exists.

It is important to realize that the protection of national production and the protection of the signs of national culture are different things. Take TV soap operas. The first type of protection may be compatible with the promotion, in Spain, of a soap placed, say, in the Far West. The overarching condition is only that it be produced in the home country (Spain). The second type of protection, in contrast, could be compatible with an import, provided that the import adjusts to the national cultural tastes and signs of the home country. Strictly speaking, this requirement may not even qualify as a trade protection measure; it may just be an example of channeling the expression of consumer demand through the public sector.

It may well be that the net result of all this is a bias of the demand towards national production. This is not, however, an indispensable effect. While in films we tend to think of protection as resulting in protection of national production, in other areas of culture it may be quite different. For example, an architectural competition for an airport could include the specification that it be in the traditional style of the country. This is compatible with the competition being international

and, as in so many cases, with the winning architectural office not being from the home country or even from the home country cultural area. Another example is the specification that software should be in the language of the home country, which does not rule out in the slightest that the point of origin of the merchandise might be California. In all these cases, the specification of a national cultural content gives an advantage to national production, but not a great one.

In summary, my own opinion is that, in contrast to the direct argument for the protection of national production, there is some validity and economic justification for the wish to protect national culture content: market failure may well be present. However, one should not be blind to the dangers of this protection. Rent-seeking is one, but perhaps not the main one. The most significant danger goes beyond economics: it is the potential threat to basic freedoms involved in having to specify, with the intent to protect, what constitutes national culture. Maybe the matter would be uncontroversial when it comes to folk dances, but what about when it comes, say, to religion (Ridler, 1986)?

Paradoxically, and thus in a very indirect sort of way, this brings back the weight of the argument towards favoring of the protection of the national production of cultural goods. The suggestion would be that while final justification for protection rests on fostering the vitality of national culture, the way to promote this would not be by the dangerous procedure of specifying content, but by insuring that there is, in the home country, a vigorous industrial base for the production of cultural goods. In other words, you want to promote the availability of cultural products with national content, but since this is dangerous, you settle for promoting the home-country production of culture *tout court*, hoping to get some national culture in the bargain.

In conclusion, I would say that there might be something to this last argument for protection of national production of culture. I am not ready to dismiss it. Nevertheless, one should be aware of its subtleness and indirectness and be, in consequence, very prudent in appealing to it, never losing sight of possible costs. Furthermore, it should, undoubtedly, be explored further and with the proper analytical tools.

2. Restrictions on Exports of Cultural Artifacts

As indicated earlier, there is a second mode in which culture tends to be singularized and protected in a manner, in fact, which is quite distinctive to culture goods. I refer to the impediments that countries put on the export of their cultural artifacts, or on the artifacts that history has made theirs (Marvasti, 1994).

If a country consisted of a single individual, the value of a cultural artifact would depend on the level of wealth (which may, in the end, be the crucial consideration for the decision to keep or to sell it), on how scarce it is, and, of course, on its intrinsic qualities. One could assume that the appreciation of those artifacts is typically correlated with local characteristics. *Ceteris paribus*, it can be conjectured that cul-

tural artifacts will be most valued in the places and traditions where they originate (which, incidentally, from the point of view of the general equilibrium approach to trade, raises intriguing possibilities, since it is when endowments and tastes for commodities are positively related that situations of multiplicity and instability of equilibrium most easily emerge). The net effects are probably ambiguous. Thus, it is not clear which country/individual will value most the marginal Goya: Spain values those paintings a lot, but has many of them.

A country is not, however, a single individual and cultural artifacts have a strong element of publicness in them. Not only might the artifact itself be a public good, but also the fact that it is publicly owned. All this means that, in principle, the willingness to pay for the public possession, or at least exhibition, of the good should rest with the population as a collectivity of individuals. Interestingly, the wealth of the country may now turn out to be an issue of secondary significance: to the extent that the public good aspect involves future generations and that, in an optimistic but reasonable hypothesis, the wealth of countries increases with time, the country should be willing to issue debt to be paid by future generations in order to keep the cultural artifacts at home. If this sort of thing could be done, it would not be necessary to contemplate imposing restrictions on exports: if a privately owned artifact came onto the market, it would indeed be the home country, which values the artifact the most, that would keep it. If the home country does not value it the most, then it is not clear why export of the artifact should be prevented. Note that distributional considerations are not the issue here. If, for any reason, it is felt that the private owner, or the concept itself of private ownership of a national heritage good, is not entirely legitimate, then perhaps this artifact should be expropriated. This, however, is still compatible with the public agent valuing the artifact less than a potential buyer abroad.

In the present line of reasoning, the legitimate use of export restrictions would arise, therefore, as a substitute for the possibility of setting up a perfect forward market or, in the same spirit, a perfect public debt scheme. That is, it would be related to a market failure of a familiar (public good) variety.

3. Concluding Observations

I would like to conclude with two related observations. Both go in the direction of taking away some of the drama in the issue of the protection of cultural heritage goods.

The first is that the efficiency of the international market for cultural artifacts (I am referring mainly to the market among public, or private nonprofit, institutions) could benefit by being more imaginative in the type of contracts available. Maybe for legal or accession reasons, a museum in the United States could not part with a piece that is important to, say, Catalonia, but that does not amount to much in the context of the museum. Why not lease it for a period every year? The concept of property is, after all, a fetishism. Under normal circumstances, the “residual rights”

around which revolves the modern economic definition of property would not come into play (Grossman and Hart, 1986). Let me be quick to add that a trend towards this increased contractual menu is already discernible, but it is surprising that there is not more of it.

The second observation is what I would regard as a puzzling undervaluation of copies and of the idea itself of enjoying a reproduction (De Marchi and Van Miegroet, 1996; Pommerehne and Granica, 1995). This seems to me an oddity and, again, somewhat fetishist. What is the difference between an original and a perfect copy? If a perfect copy of the Elgin marbles could be made, would it matter if the originals were at the British Museum or in Athens? Of course, it is conceivable that the value of an object to the owner depends on there not being any copy of it. However, I do not think that this would often be the case. Yet, there seems to be a considerable premium on having the original. Maybe – I am only suggesting this as an hypothesis – the premium derives not only from the fact that it may be difficult to make a good copy, but also from the fact that it may actually be impossible to know how imperfect the copy is, for the simple reason that a complete description of the artifact is impossible as it is impossible to forecast which facets of it will be regarded as important in the future. Still, all this said, my impression is that the seriousness of the preservation (in the home versus the foreign country) issue for cultural heritage goods would be attenuated by a less inhibited attitude (in all countries) towards copies.

Notes

* I wish to thank the organizers of the Barcelona conference of the Association for Cultural Economics International for inviting me to contribute on a topic very dear to my heart, but on which I have not built a published record. Thanks also to Victor Ginsburg and Martin Shubik for graciously providing me with comments.

1. For a discussion of this broader question, see Fullerton (1991).
2. General references for the elements of cultural economics are Blaug (1976), Frey and Pommerehne (1989), Ginsburg and Menger (1996), Peacock and Rizzo (1994), and Towse (1997).

References

- Acheson, Keith and Maule, C.J. (1992) "Canadian Content Rules for Television: Misleading Lessons for Europe". *Journal of Cultural Economics* 16 (1): 13–24.
- Acheson, Keith and Maule, C.J. (1994) "International Regimes for Trade, Investment, and Labour Mobility in the Cultural Industries", in Ruth Towse (ed.), *Cultural Economics: the Arts, the Heritage and the Media Industries*. Edward Elgar, London.
- Bhagwati, Jagdish (1988) *Protectionism*. MIT Press, Cambridge, MA.
- Blaug, Mark (ed.) (1976) *The Economics of the Arts*. Martin Robertson, London.
- De Marchi, Neil and Van Miegroet, Hans J. (1996) "Pricing Invention: 'Originals,' 'Copies,' and Their Relative Value in Seventeenth Century Netherlands's Art Markets", in Victor A. Ginsburgh and Pierre-Michel Menger (eds.), *Economics of the Arts*. Elsevier, North Holland.
- Frey, Bruno S. and Pommerehne, Werner W. (1989) *Muses and Markets*. Basil Blackwell, Oxford.

- Fullerton, Don (1991) "On Justifications for Public Support of the Arts". *Journal of Cultural Economics* 15 (2): 67–82.
- Ginsburgh, Victor A. and Menger, Pierre-Michel (eds.) (1996) *Economics of the Arts*. Elsevier, North Holland.
- Grossman, Sanford J. and Hart, O. (1986) "The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration". *Journal of Political Economy* 94 (4): 691–719.
- Krugman, Paul (1987) "Is Free Trade Passé?" *Journal of Economic Perspectives* 1 (2): 131–144.
- McCain, Roger A. (1979) "Reflections on the Cultivation of Taste". *Journal of Cultural Economics* 3 (1): 30–52.
- McCain, Roger A. (1981), "Cultivation of Taste, Catastrophe Theory and the Demands for Works of Art". *American Economic Review* 71 (2): 332–334.
- McCain, Roger A. (1995) "Cultivation of Taste and Bounded Rationality: Some Computer Simulations". *Journal of Cultural Economics* 19 (1): 1–15.
- Marvasti, A. (1994) "International Trade in Cultural Goods: A Cross-Sectional Analysis". *Journal of Cultural Economics* 18 (2): 135–149.
- Peacock, Alan T. and Rizzo, I. (eds.), (1994) *Cultural Economics and Cultural Policies*. Kluwer, Dordrecht.
- Pommerehne, Werner W. and Granica, J. Martin (1995) "Perfect Reproductions of Works of Art: Substitutes or Heresy?" *Journal of Cultural Economics* 19 (3): 237–249.
- Ridler, Neil B. (1986) "Cultural Identity and Public Policy: An Economic Analysis". *Journal of Cultural Economics* 10 (2): 45–56.
- Towse, Ruth (ed.) (1997) *Cultural Economics: The Arts, The Heritage and The Media Industries*. Edward Elgar, London.