

*The Future of Culture*  
in a  
Globalised  
World

TYLER COWEN

THE SIR RONALD TROTTER LECTURE

2005

NEW ZEALAND BUSINESS ROUNDTABLE

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# *The Sir Ronald Trotter Lecture*

**S**IR RONALD TROTTER was the first chairman of the New Zealand Business Roundtable in its present form, a position he held from 1985 to 1990.

Among his many other roles he has been chief executive and chairman of Fletcher Challenge Limited, chairman of the Steering Committee of the 1984 Economic Summit, a director of the Reserve Bank of New Zealand, chairman of the State-owned Enterprises Advisory Committee, chairman of Telecom Corporation, chairman of the National Interim Provider Board, a chairman or director of several major New Zealand and Australian companies, and chairman of the board of the Museum of New Zealand Te Papa Tongarewa.

He was knighted in 1985 for services to business.

This lecture was instituted in 1995 by the New Zealand Business Roundtable to mark Sir Ronald Trotter's many contributions to public affairs in New Zealand. It is given annually by a distinguished international speaker on a major topic of public policy.

The eleventh Sir Ronald Trotter lecture was given by Tyler Cowen at the Museum of New Zealand Te Papa Tongarewa in Wellington on 2 August 2005.



# Tyler Cowen



TYLER COWEN is a professor of economics at George Mason University, Virginia, and director of the Mercatus Centre and the James M Buchanan Centre for Political Economy at that university.

He received a PhD in economics from Harvard University in 1987.

His books include *Creative Destruction: How Globalization is Changing the World's Cultures*, Princeton, NJ: Princeton University Press, 2002; *What Price Fame?*, Cambridge, MA: Harvard University Press, 2000; *In Praise of Commercial Culture*, Cambridge, MA: Harvard University Press, 1998; and *Public Goods and Market Failures: A Critical Examination* (editor), New Brunswick, NJ: Transactions Publishers, 1991. He has also authored many monographs and articles in journals, encyclopaedias and newspapers.



*Introduction by*  
*Roger Kerr*  
*executive director*  
*New Zealand Business*  
*Roundtable*

**I**T IS MY VERY PLEASANT DUTY to introduce our guest speaker, Tyler Cowen, to give the 2005 Sir Ronald Trotter lecture.

The lecture series was inaugurated in 1995 to recognise Sir Ron's role as the Business Roundtable's founding chairman and his many contributions to business and public affairs in New Zealand. We are delighted that Sir Ron and Lady Margaret Trotter are with us this evening.

Tyler is a professor of economics at George Mason University, Virginia, where he is also the director of two institutes, the Mercatus Centre and the James Buchanan Centre for Political Economy. He received his PhD from Harvard University in 1987. He is a prolific writer. In an academic career that is, I hope, only around the midway point, he has authored around a dozen books and many journal articles and book reviews, and has written for *The Wall Street Journal*, *Forbes* and *Newsweek*, among other media. His blogsite, [MarginalRevolution.com](http://MarginalRevolution.com), is one of the most visited in economics.

The Business Roundtable's mission is to promote policies for a better New Zealand. We have done research and put forward ideas on many topics, and not just ones of narrow interest to the business community.

Our association with Tyler goes back over 15 years. He has been a constant source of expertise and advice. I have come to think of him as a polymath, which my dictionary defines as “a person of great and varied learning”.

Tyler first helped us at the time of the debate over the Reserve Bank Act, when he wrote a report entitled *The Reserve Bank of New Zealand: Policy Reforms and Institutional Structures*. It is easy to forget that the establishment of an independent central bank and the fight against inflation were highly controversial issues at the time – the Business Roundtable and Federated Farmers were the only major business organisations to support the Reserve Bank Act. Like so many of New Zealand’s reforms, the Act and the Bank’s role are now an established part of the economic landscape. Tyler’s report helped to firm up that consensus.

A couple of years later, at the time of the debate on our electoral system, Tyler wrote a chapter discussing proportional representation in a study that we published on constitutional issues. His conclusion was that mixed member proportional voting was not a good democratic system. Some of us remain of that view.

Then, as something entirely different, Tyler wrote a study for us in 1999 entitled *Should Governments Subsidise Stadiums and Events?* His basic answer to that question was no.

Over the years, Tyler has written on subjects as diverse as public goods, cost benefit analysis, entrepreneurship, water supply, the economics of fame, Mexican painting and animal welfare. He gave a talk on happiness at the Treasury yesterday and is writing a book on economic growth. The mind boggles to think what he might tackle in the second half of his career.

Another major interest of Tyler’s is culture, and that is the subject of tonight’s lecture. In 1998 he published *In Praise of Commercial Culture*, which pointed out how much of our culture, whether high or popular, has historically been due to private creative enterprise, including philanthropy. In 2002, Tyler published *Creative Destruction: How Globalization is Changing the World’s Cultures*.

Some of the economic aspects of globalisation were the subject of last year's Trotter Lecture by Martin Wolf of the London *Financial Times*. The integration of economies across borders and through markets is the commercial face of globalisation. But Martin Wolf recognised that globalisation also had profound social and cultural consequences, and indeed these are hardly new. As he wrote in his book *Why Globalization Works*:

The great religions of humanity emanated either from the Middle East or from India ... The most successful European religious export of the twentieth century was Marxism-Leninism. No better example of cultural globalization can be found than the Communist revolution in China [based on] an ideology developed just a century earlier by a German of Jewish origins. Now the Chinese are trying to find a way to undo that dreadful error.

The focus in Tyler's writing has been more on the artistic and aesthetic impacts of globalisation. The most common criticisms we hear are that globalisation is producing only one culture, destroying diversity and limiting creativity and choice. The spectre of a McWorld is the nightmare of the cultural anti-globalisers. Others see local cultures being strengthened by globalisation, as well as people in the four corners of the world doing sukudo, having access to Bollywood movies or Whale Rider, hearing Russian sopranos or enjoying a vastly greater range of ethnic restaurants.

To some of us the advantages of the breaking down of national barriers for the development of cultural assets seem clear. The Business Roundtable has been working on Maori issues. A few months ago the Maori enterprise Cultureflow was featured at the Hui Taumata in this building. Culture flow produces interactive language software which initially focused on the Maori language but it is now selling Mandarin-to-English products in China. Earlier this week we entertained Tyler and his family at Kai in the City - a new restaurant featuring Maori cuisine. Around 20 percent of international visitors to this country enjoy a Maori cultural activity in some form - we are all increasingly travelling to

discover things we can't find at home. I believe globalisation is opening up many more opportunities for Maori enterprise.

But that is not how the cultural anti-globalisers see things. What are the perceptions and what are the realities? To shed light on these mysteries I can think of no better person than Tyler Cowen. I ask you to join with me in welcoming Professor Cowen and inviting him to deliver the 2005 Sir Ronald Trotter Lecture on the subject, *The Future of Culture in a Globalised World*.

# *The Future of Culture in a Globalised World*

## *Tyler Cowen*

### *The benefits of diversity*

**I** sometimes describe my cultural and economic point of view as being that of a cultural optimist; that is, I expect the future in a commercial economy to bring us more choices and more diverse choices.

If we put aside the concerns of the current day and look back at world history, it has been the globalising eras that have brought us cultural diversity. If we look at the nineteenth century, which, for Europe, was a time of free trade when countries and regions were drawn closer by using railroads and faster ships, we see a time of remarkable cultural inventiveness. The biggest deglobalisation the West has suffered was the fall of the Roman Empire. Following that fall, there was indeed a dark age for culture; literature declined and many wonderful statues of antiquity were melted down for their bronze content.

This longer-term perspective is often forgotten when we consider the present day. We find cultural pessimists – both on the left and right wings – concerned that we are headed toward a so-called least common denominator, one-world culture. The vision is that everyone eats at McDonald's, we all wear Reeboks, we are all stuck in a Starbucks somewhere, we all watch banal television shows, and have little else to experience. Even in our modern world this is obviously not true.

Due in part to capitalism and commercialism, we find there are more people making music, writing novels, making movies, and in more styles and genres than we have seen ever before. It is very much an age of choice, diversity and plenitude. Part of this diversity is not just about contemporary culture, but applies to the past as well. Today, more people listen to Mozart than ever before, more people read Shakespeare, and more people read Plato.

Often critics confuse what I call diversity across cultures with diversity within cultures. What does this mean? Think of it quite specifically. Today it is possible – indeed, it is easy – to get good sushi in Wellington. It is also possible to get good sushi in Sydney, or, for that matter, in Washington or London. In this regard, these cities have in some way become more alike. So it is correct that there is a kind of commonality arising. But the nature of that commonality is that we are all enjoying increasingly diverse choices; internally there is greater diversity. In some ways, we are becoming the same but the way in which we are becoming the same is through this greater aspect of choice.

Look at Cuba. The Cuban economy is mostly communist, yet one sector in Cuba is booming. That is music. It is the only area that is allowed to be capitalist and where artists keep what they earn. The music sector in Cuba is also driven by globalisation. Cubans are very poor. They will beg for medicine or a pencil, or just that you give them a dollar, but for the most part the successful Cuban musical groups have earned their income by selling their product overseas or to tourists, or by touring Europe or other parts of the world. Also keep in mind that many styles of Cuban music date from the 1950s, when Cuba was more open and North American tourists financed an amazing network of nightclubs and other musical venues. Cuban music is itself a blend of Spanish, European, African and North American influences. This whole history is another example of how globalisation is giving us increased diversity.

There will always be critics and criticisms. One part of diversity is more choice, and more choice also means more junk. It is easy to see the junk. Junk has always been there. Most food 400 years ago was not very

good. Today, some people call McDonald's or Burger King junk food. There are many such examples. But the junk is a symptom of the riches that we enjoy. The junk is what we can afford, and if you do not want the junk you do not need to buy it.

### *The case of small countries*

Now these are general arguments about globalisation, but there are particular questions that interest me and are perhaps relevant to New Zealand. One is how relatively small countries fare in a globalising world, how their culture fares and how it is likely to develop.

New Zealand is, in a number of ways, a smaller country than some of its neighbours, and historically has had a special kind of smallness. Of course, it has been part of the British Empire with a smaller population than the United Kingdom or, earlier, England. There is also a neighbour a few hours' flight away that has a population about five times greater than that of New Zealand, and there is a rivalry between the two countries, which is partly a cultural rivalry. Then, of course, there is the giant where I come from – the United States of America – which is further away but has 300 million people and a very large economy, and it is quite interested in exporting movies, television programmes and the like around the world. So, in relative terms, New Zealanders may feel they live in a small country.

Smaller countries often have special issues with globalisation. For instance, such a country will have a relatively small home market of consumers, or supporters, or perhaps even suppliers of cultural products. A second issue in a relatively small country is that foreign influence in relative terms is often quite considerable – more than it would be in, say, India or Brazil or the United States. Third, often talent will leave and move to larger countries – perhaps to earn more money or simply to be geographically closer to the rest of the world. It is also the case that in some smaller countries – I would not necessarily say this about New Zealand – national identity may be less certain, and people ask themselves, 'What is our country really about?'. One finds this to some

extent in Canada, where not long ago there was even a referendum on whether Canada as we know it should continue. The answer was yes, but it was a close margin.

So, there are some special issues, but we should not think of them merely as problems. We should also consider them as opportunities. A small country has, in relative terms, more outside resources to draw upon. The essence of economic reasoning about gains from trade and human choice and diversity, and how capitalism supports that choice, holds when we look at smaller regions or countries, just as it does when we look at larger areas.

One example: I have been flying around the world coming here and I was in Singapore before Australia. Singapore is also small but it has a very strong cultural identity, even though it is a relatively new country. One of the things in which Singapore excels is the production of food. I have been to many places and consider myself a foodie – I am somewhat food obsessed – and I went to Singapore for the most part to eat, but also to research my next book, which will be on the economics of food.

There are many food stalls in Singapore – as many of you may have seen. They are remarkably clean and safe, you can get what is arguably the best food in the city at them, and a single dish could cost you as little as NZ\$2.00. Singapore has become a world leader in food over the course of only a few decades and has done it by being remarkably open. Singaporean food is a blend of various Chinese cuisines – not just one kind, but Cantonese, Hokkien, to some extent Szechuan and imperial Chinese. Indian food is found there, both northern and southern, and food from Malaysia and Indonesia. As well, there are colonial foods – many of which are British. There is even a slight influence of Russian and Portuguese foods in Singapore. All of these have blended together. No one tried to keep them out. The greatest culinary traditions in Asia are represented, but somehow they do not overwhelm or dominate the local environment. What happened is that the different ideas mixed and intermeshed, and a small country developed a new sense of national identity. If you go to Singapore and ask people what they are proud of,

they will have a number of answers but one of them will be 'We are proud of our food', and everyone who has visited knows why.

Singapore is a wealthy place now, it is becoming more and more diverse, but there are many McDonald's restaurants in Singapore. You might think this is a paradox but it tends to be the case that the places that have the most wonderful food also tend to have the most junk food. So McDonald's in Singapore and Hong Kong coexist with the culinary inventiveness of these small places.

Another country that has turned smallness to its advantage culturally is Jamaica. Jamaica has fewer than 3 million people. It is a fairly open economy, poor, and, of course, it is right next to the United States. The native language is English, albeit a kind of slang dialect. You might think that if any country were to be swamped by US culture it would be Jamaica. However, in spite of the openness of Jamaica, exactly the opposite has happened. Culturally, it is perhaps best known for its reggae music, but in the late 1940s and even the early 1950s, there was not a significant Jamaican musical tradition at all. There was simply folk music. The first people to record music in Jamaica were the Chinese entrepreneurs. One of them owned a refrigerator store and set up a recording studio in the back room. Jamaican music took off a bit later when Jamaicans started receiving broadcasts of rhythm and blues from the United States. They heard the rhythm and blues, they did not copy it, but they made it into their own thing. They combined it with the native Jamaican folk traditions and turned it into ska and, later, slowed down the beat and turned it into reggae. By 1970, about half the receipts going to reggae music were sales to people in the United States, the United Kingdom and other places. Today, the figure is larger. That is a case where globalisation has cemented and created a national identity.

If you look at the history of reggae music, in the early years of ska, Jamaicans - especially older Jamaicans - would criticise it and call it a corruption of the national tradition and say it was a kind of foreign cultural imperialism. We heard the same criticisms in the early years of South African gospel music. That was considered a foreign corruption.

However, today there is very little that Jamaicans would be more proud of than their musical traditions, and that is true of Jamaicans of all ages and social classes.

Look at Jamaica more generally. The cuisine uses a form of curry, Jamaican painters, such as Everal Brown, have found much of their support abroad, and Jamaican wood sculpture required the metal carving knife. Globalisation is changing our cultures but it is opening up many more opportunities than it is closing.

### *What do we mean by a national culture?*

These examples of Jamaican and Singaporean culture pose the question: 'What do we mean when we talk about a national or regional culture?' This is a critical issue. There are many examples to consider. I was giving a lecture in India last November and a complaint I heard a few times was that American culture was swamping India in the form of the movies called *The Lord of the Rings*. Now, these are films familiar to this audience and I have also had conversations with New Zealanders who insist to me – probably correctly – that they are not New Zealand movies. So you take *The Lord of the Rings* movies and you ask: 'What are they? What's really the answer?' Well, the scripts, so to speak, came from Tolkein, who was British. Tolkein drew from Nordic and Icelandic mythologies. Some of the production techniques are from Hollywood, or American. The cast is from all over. Many are Australians. The director, Peter Jackson, as you all know, grew up in Wellington and is a New Zealander. And, of course, the wonderful scenery is from New Zealand, or it is sometimes digitally created or enhanced.

So we ask ourselves, can we consider *The Lord of the Rings* series to be New Zealand movies? Are they American? Are they European? The movies are all of these things and none of them. In our world of global culture, more and more products are synthetic to an extreme degree. No single country, language group or region can claim them as being exclusively of that origin. The truly cosmopolitan exchange of ideas,

inspirations, technologies and, of course, cash crossing borders, all make the movies possible.

Other examples lead to the same question. What makes a cultural product 'count' as being from a certain region? New Zealand has two very well-known opera singers, Malvina Major and Kiri te Kanawa. Now, both Dame Malvina and Dame Kiri have sung in *Don Giovanni* and *The Marriage of Figaro*, among other famous operas. When you look at *Don Giovanni*, you know it is not New Zealand culture, and certainly it is not Maori culture. But what is it? The language is Italian. Mozart was from Austria, although not the Austria we know today. The libretto was written by Lorenzo Da Ponte, an Italian Jew. It is believed the story came originally from Spain and the opera *Don Giovanni* enjoyed its greatest success in Prague. Of course, you can trace many other influences, for example where the instruments came from - often from the Arabic world and also from China, further east. So, again, we have this idea of a cosmopolitan product.

Sometimes I ask myself, 'What do I think of as being "truly New Zealand" in cultural terms?' Perhaps this is a question you have all asked yourself, and of course I am the outsider here. But when I ask myself that question, a certain band is one of my answers. They recorded under the label 'Flying Nun', from Dunedin, and the lead musician, Martin Phillipps, is a New Zealander. It is a group called *The Chills*, who were once quite popular in Wellington. I think of them as somehow being truly New Zealand culture. But when you consider it closely, you think: 'Where do the instruments come from? Where does the idea of pop music come from? Were the Beatles an influence?' Ask yourself other questions: 'Is rhythm and blues an influence? Did rhythm and blues not come from West Africa?' So, yes, it is New Zealand culture in a way, but it is not any purer than, say, a New Zealand soprano singing *Don Giovanni*. Again, it is a cosmopolitan mix.

Something else I tend to think of as uniquely New Zealand is fish and chips. I mentioned that I am a foodie. I used to travel around New

Zealand in the early 1990s looking for the perfect fish and chips. My favourite shop in the Wellington area was in Newtown. I found back then – maybe things have changed – that the best fish and chip shops in New Zealand were often run by Greeks. Some people now claim they are run by Asians. There used to be a debate as to whether the Greek or the Asian shops were better. Also, fish and chips comes from the United Kingdom and of course has yet deeper international roots, such as the origin of potatoes in the Americas. So fish and chips is not uniquely New Zealand either, but the point is that when you look at culture – be it in the United States, Canada, Germany, India or any other place – it can be deconstructed in this manner and shown to be cosmopolitan and the result of global trade.

With culture, we get plenty of diverse outputs, we have a great deal of choice, we have high and low quality, but part of what upsets us is the sense of who gets the credit. Today, cultural products are moving around the globe. And often the larger countries – in many cases the United States – receive a disproportionate share of the credit and blame. Just as I found in India, Hollywood or US culture get the credit and the blame for Peter Jackson's *The Lord of the Rings* movies. The problem is that people, by their very nature, are status- and identity-conscious beings, and are never quite happy with who gets how much credit. There is often a disproportionate share of credit, and blame as well, attributed to the larger countries, simply because they are more visible and more vocal. So one of the problems with being a smaller country is this feeling – often quite justified – of not getting enough credit.

Another example: the music for Athens 2004 was written by a New Zealander, John Psathas. It is very fine music and millions of people heard it during the Olympics. That is a kind of globalisation of New Zealand culture spreading to many people, being enjoyed by many, and inspiring or entertaining them. But, I have also asked myself how many people knew that it was from New Zealand? I have never taken a poll. However, I believe the answer is close to zero. Today I did a kind of informal poll. I walked down Lambton Quay and inquired at four different music

stores. At three of them, as far as I could tell, they had not heard of the composer, although he lives in Wellington and teaches at Victoria University. Finally, I discovered that Parsons, that wonderful book and music store, knew him. I was pleased. But, because there is so much diversity out there we have this unfair allocation of credit and few know the work is that of a New Zealander. Psathas also draws on jazz, rock and roll, and on minimalism, which is somewhat of an American tradition. Of course, he also draws on classical music, and there is a strong influence of Greek folk music in the bouzouki tradition. So, again, we have this idea of a synthetic product.

### *The role of the state in culture*

Taking this context into account – the incredible diversity, quality, preservation of the best of the past, cultural trade, much dynamism, an evolution of cultures, new choices – we then might come to the question: ‘What is the role of government in all of this? What should a government do?’

I think the right answers depend on context and a case-by-case examination. However, let me say a few words about general principles. Government involvement seems to have worked best where there is an investment of an entrepreneurial type in some kind of cultural product or genre or style that is not well known or popular. In these situations, a government can step in and perhaps fill some gaps. An example may be the early Peter Jackson splatter films, which received assistance from the New Zealand Film Commission. This turned out to be a reasonable investment. But at the time the subsidy was given, no one was going around trumpeting an economic impact study on how subsidising splatter films would lead to the future prosperity of the New Zealand economy through greater employment and a larger cinema industry. Actually, I have read that the New Zealand Film Commission went to some trouble to disguise the fact that it was supporting one of Jackson’s films. It was afraid that people in government or even other parts of the Film Commission would find out, and that there would be some kind of backlash.

In that case, the subsidy was effective. Something was picked out that was otherwise neglected and gaps were filled where markets were somehow failing to discover a good investment. There is another kind of art subsidy that typically involves very large projects based on claims that they would be positive for economic development. People trot out economic impact studies. This argument is made for subsidies for stadiums and events. A number of studies have looked at these claims – including one I wrote for the Business Roundtable – and there is no systematic evidence that subsidising stadiums increases the growth rate of a city or a region. The reasons for this are evident once you think about it. If the output is known and everyone is saying what a great deal it is, and you have different continents, countries, states, regions, provinces, or cities bidding for those resources, the cost of the bid tends to be pushed up to where it is equal to or even exceeds the value generated by the project. Economic impact studies may say so many jobs will be created, or so much revenue generated, but when you properly measure the opportunity costs of those investments, usually it nets out.

There are parts of the world where investing in the arts is the best investment that can be made. Venice, which is a successful place in a number of ways, is today a major tourist centre. Italian governments, at various levels, invest a fair amount of money in Venice. Those are good investments. It is hard to imagine how you could get greater value out of Venice. But, what often happens when these subsidies are debated is that people who love the arts, and for whom art is a big part of their lives, argue that the government does not value the arts enough, and they go on to make the economic argument for subsidies. However, the problem with the economic argument is that in most cases the very best economic investments will not, in general, be the arts. Out of 30 different investments that you could make, you might think the arts are above average, or even number four, three or two, but if we are making an economic argument we should be advocating investment number one. Overall, in many situations, especially in the case of big, blockbuster projects, when the rationale is economic development, the argument for

the subsidy tends to be weaker and the stronger argument is that of filling in some entrepreneurial gaps. That tends to point to quite small-scale, innovative projects that are less in the public eye. That is where many of the successes come from.

There is a third argument for subsidising the arts. It is very important in many countries, such as Canada and France, but less so in the United States. This is an argument about national identity. The thesis is that there are arts that are truly Canadian or truly French, and governments should subsidise them, not for economic reasons but simply because of a need to cement national or regional identity, or the identity of a city. Countries that hold this attitude should certainly be free to implement such policies. But I am more sceptical of the identity arguments than most people, certainly than most arts lovers would be, because, in my view, most cultural goods and services are predominantly cosmopolitan. If we go back to my list of what I thought of as New Zealand examples, they are all blends of different traditions and ideas. We could do the same for products from Mexico, India or Brazil, or anywhere we care to look.

There are two ways of thinking about how to address this national or regional identity question. One is to introduce a quota or a tax or subsidy, or some combination of these, and try to instil more national pride by supporting something that people consider to be truly Canadian at the expense of, say, Jim Carrey the comedian. Carrey is Canadian by birth, but many Canadian intellectuals do not believe he is 'truly Canadian' in his art. Part of my scepticism here comes from the arbitrary markers for what is 'authentically' from any country or region. The other way to go about it is to broaden our sense of what is truly national or regional or from our state, and to encourage greater pride, simply through a kind of attitudinal shift.

Attitudinal shifts have been effective in many places, including New Zealand. Another example is my own country. Fifty years ago, the arts of the American Indians, or native peoples, were not treated with a great deal of respect. They cost virtually nothing to buy. Wealthy people hardly ever collected them. Only a few ran around buying up as much as they

could at low prices. Today, that has changed. Americans, regardless of their ethnic background, typically take pride in these artworks, and those who collect them are not, in general, people with an American Indian background. These cultural resources now are treated with reverence. They have their own museums. Americans seem to have decided that there are more cultures than there are nations, regions, religions or ethnicities. Rather than trying to elevate one cosmopolitan product at the expense of another, they have chosen to broaden the notion of what their identity really is and take increased enjoyment in a greater number of things.

More generally, let us reshape our attitudes in a cosmopolitan direction. This will increase both the quantity and quality of cultural pride. Plus, it will weaken the calls for protectionist quotas. I would rather we adjust our attitudes than cut off cultural trade to satisfy some kind of misguided nationalist desire.

Where do we get to if we review the three arguments for arts subsidies? The first one, the entrepreneurial argument, can be effective in some cases. I tend to be sceptical of the second, the economic development argument. Cases such as Venice, where culture is the number one economic investment, are exceptions. Thirdly, there is the national identity argument. There, my preference is to broaden notions of what counts for identity rather than restrict choice through quotas or government regulations.

### *Fostering national culture*

If we consider how to think about fostering national culture, there are at least four models out there. One is the French model, which is, to some extent, the Canadian one also, and is a very interesting blend. People think of the French as cultural protectionists. Much of the rhetoric that comes from France is culturally protectionist, and the French are pushing some potentially protectionist measures through UNESCO, namely the Cultural Diversity Convention. But, at the same time, if you look at the reality on the ground in France, what you see is an extraordinarily

open culture, open to the outside world in all sorts of ways, be it American, African or Arabic culture. Paris is a wonderful place to see a Hollywood movie. You have an interesting balance involving a great deal of complaining, which somehow coexists with this openness. So I think the French model is working for the time being. There is always the danger that the complaints will turn into reality and an actual move toward cultural protectionism and restriction of choice. We have not seen this yet, but for that reason it is a model I am not generally comfortable with.

A second model, which I think few people in the West would defend, is something like the Chinese one, where you have a good deal of censorship and try to close your borders to many foreign influences. In a given year, by law, 25 movies are allowed into China, including Hong Kong movies. Disney is working hard to get a better foothold. There is an immense black market in DVDs and the Chinese download Harry Potter for free off the internet. Although the reality is different, the explicit policy is to keep out many foreign products and have a good deal of censorship. In the modern world, that model is not really a serious contender in the long run. Even Singapore has moved away from it. If you wish to attract foreign investment, you have to move toward transparency and the open exchange of ideas and data.

Another model that I find interesting, although I am also uncomfortable with it, is the model of my own country. Most Americans do not take explicit pride in some American notion of what the arts are. They are not passionate about having a government that supports the arts, although the US government does indeed support the arts in a number of significant ways. People tend to find their national identity, not in culture in the sense of literature and the like, but in patriotism and the flag and other nationalistic symbols. When I came to New Zealand this time, I was quite shocked, naively I suppose, to discover that New Zealanders were debating changing the flag. If I think of America, it is inconceivable to me that a US politician could seriously suggest changing the design of the flag. It is true we have changed our flag many times,

but each time it usually happens in the same way. We conquer a new territory and need to add more stars, and we seem entirely comfortable with that. So, when it comes to issues of national pride involving the arts, Americans, in some ways, have a healthy attitude. They do not really care where cultural products come from, and they are not so concerned about supporting American art instead of art from another country. We think of ourselves as a melting pot. All that is fine, but the downside of the American model is that national pride has to come out somewhere and there are other areas, many of them non-artistic, where perhaps it comes out a bit too strongly.

A fourth model could perhaps be called the German model, and my sense is this is the one New Zealand is closest to. In this model, you take pride in your arts, you subsidise them to a certain extent, but remain open to foreign cultures. The Germans in this regard are quite different from the French. The Germans do not much talk about keeping out Hollywood movies or McDonald's. For historical reasons, intellectuals are not obsessed with the notion of recapturing past glories. People might complain about cultural imperialism to a degree, but Germany is an open country, and not a big advocate of cultural protectionism. However, there are subsidies for what are considered German arts, such as Bach and Goethe.

## Conclusion

Those are some of the options. I do not think anyone has found a fully satisfactory solution, but when New Zealand or any other country, including the United States, is thinking about these options, let me offer for consideration three points to take away, concerning what to do or not do.

The first is that when it comes to culture, globalisation is considerably underrated. It brings us diversity and quality, not ruin or homogeneity.

The second is that some of the arguments for art subsidies, especially the economic development argument, have been overrated.

The third is that, no country, including my own, has found a good solution to the problem of promoting a national identity to the satisfaction of all observers.

Overall, I am sceptical of pride or national identity arguments for art subsidies. We have before us the alternative of widening our vision of our culture, taking pride in more things, and more fully recognising the cosmopolitan character of cultural production and exchange.



# Questions

*Thank you for a very interesting analysis, from an economic point of view, of a number of issues relating to the arts. I would like to ask about the connections between what we might call the artistic community and the economic community. I think it would be fair to say that most of the artistic community is not greatly enthralled by economics, and that, on the whole, it is not greatly impressed by arguments about incentives and the unintended effects of policy changes. On the other hand, one might say that the economics community is not distinguished for its ability to set alongside the value of consumer sovereignty the value that comes from artistic excellence. So there is something of a gulf between these communities. You have tried to bridge that gulf over recent years and I would be interested in any lessons that you can offer on how to bring these two communities closer together.*

I am very bad at lessons. My own community of economists is, I think, weak on the issue, at least in the United States. There is an attitude among economists that whatever people choose to spend their money on reflects consumer sovereignty and there is nothing more we can say about it. For many policy issues, that is the right way to think, but I do not believe it is the right way to think about all issues, and I certainly do not believe it is the right way to think about the arts. So, methodologically, my point of view is in many ways closer to the arts community.

But where I become an economist again, so to speak, is in the way I view wealth and capitalism and Adam Smith's idea that the division of labour is limited by the extent of the market. The best way to promote aesthetic values and choice and what arts lovers value is to have a strong economy and many diverse sources of financial support. The commercial role in art has been a significant one for a long time, and the future of the arts, for the most part, lies in mobilising wealth and markets. Government does have its success stories but enterprise and entrepreneurship are the best way to satisfy aesthetic values. However, I am painfully aware that the

community from which I come is at least as much at fault in this divide between the arts perspective and the economics perspective, and I do not see my fellow economists budging in a favourable direction. So I am not sure if the gulf will be reconciled, but I try to reconcile it in my own mind in that way.

*May I ask a question about television drama in particular? I think it is reasonable to say that, as a medium, television is both the proverbial mirror we hold up to see ourselves in and it is also the window through which we look out at the wider world. In New Zealand, an English-speaking, small and new nation, there is possibly a disproportionate balance between what we are looking out beyond ourselves to see and what we get to see in terms of reflecting ourselves. New Zealand-made television drama is never going to be able to compete on a level playing field internationally, in economic terms. The budget for an entire home-grown television drama series, for instance, would be the same as the cost of producing one hour of American prime-time television drama. American and British productions constantly screen in prime time on New Zealand television. They cost millions of dollars to make, they are bought for a few thousand dollars, and they earn profits in advertising revenue. There is no financial incentive for the broadcasters to reinvest that profit into commissioning home-grown New Zealand television drama. So my question is, who should pay for the production of New Zealand drama on television and what mechanisms do you believe are appropriate for ensuring that it is broadcast in prime time?*

That is a good question. Let me start by saying I am unable to answer it. In part, I do not know enough about New Zealand television. But let me make two general points. The first is that, putting New Zealand aside, television markets have generally turned out to be much more local than had ever been expected. Some rankings of the top ten programmes in various cities were published in the *International Herald Tribune* a few weeks ago. In Paris, all ten were French – French language programmes. In Sydney, six of the ten were Australian, even though Australia is not a huge country, and one of the programmes that was American was actually partly about Australia. So the general comment about television markets

as they have evolved is that in most, but not all places, local productions have done quite well. That being said, I would not be surprised to learn that the record in New Zealand, being a smaller country, is not the same as that in Paris or Sydney.

Looking toward the future, one thing we find in movie markets and also television is a radical and rapid decentralisation of film-making. Part of this is because of the advent of digital cameras and digital editing, and the ability of smaller units, whether individuals, firms, countries or regions, to have a presence making dramas and selling them, often on DVD. In the future, the vehicle will be the internet, which will play an increasing role in bringing together producers and consumers. That does not answer your question but it is my best shot at discussing the issue more generally. My guess is, whatever worries we have about the present, the future will be quite a bit better.

*Fox News is obviously very different from a more public service-oriented news service. What are your perspectives about public broadcasting, especially public radio, as something of a counterbalance to other forms of commercial radio?*

Radio, like television, is an area that is changing rapidly – indeed, we have seen many more changes in radio than television, and more rapid ones. There is a thing called internet radio – many in the audience may have listened to it – which has almost more stations than you could discover in a lifetime, and there would be more again, at least in the United States, if we improved our regulatory policy toward internet radio. We insist on an excessively high payment for compulsory licensing of music that is more than many internet radio stations can afford. With some quite simple and feasible legal changes we could get an enormous boom in internet radio, especially for smaller countries, regions, cultures, languages and religions.

There is also something in the United States, and now Canada, called satellite radio, which I believe is not yet available in New Zealand or Australia. I have a satellite radio in my car for which I pay US\$15.00 a month and get about a hundred channels. Seventy of them are music.

They are commercial-free. There is a single channel for bluegrass, a channel for reggae, a channel for African music. It is a whole set of menus that you never got on mainstream radio in the past. I do not care greatly now about AM or FM; I have not listened to them much in a long time. There is also something called podcasting, the musical equivalent of blogs, where people post MP3 files for free and you can listen to them via something like an ipod or similar. This is the next hot thing. So, if there is an area where, not in the last five years or ten years, but in the last two years, even the last six months, there has been an incredible blossoming of diversity of all kinds, it is radio. I think, in the United States, AM and FM are largely obsolete and being superseded. I might add, all of this has happened in the private sector – the public sector, if anything, has been a hindrance – and it is an excellent example of where the world is headed and why we can expect more diversity in the future.

*Samuel Huntington has written about culture and identity and how cultures or civilisations might clash. A very topical subject for New Zealand at present is the concept of cultural preservation through mechanisms to protect the intellectual property of indigenous Maori culture. Could you comment on the relationship between culture and the broader concept of New Zealand identity.*

There are a number of issues in the point you raise. I cannot talk specifically about Maori culture, but there is a general movement to extend intellectual property rights to various indigenous cultures. Some of the African nations have been pushing this idea. The notion is to have copyright or royalty payments required for, say, folklore or certain traditional riffs taken from African music.

I can understand where these proposals come from and I think, historically, there have been great injustices in many of these areas. However, I do not think the proposals that I have seen are workable as they stand. Copyright works best when you can clearly define what is borrowed and what is original, when you are protecting the idea rather than the expression of the idea, and when those distinctions can be legally enforced in the proper manner. When it comes to folklore, folklore is

itself based on earlier folklore, which raises the question of where do the royalty or copyright payments start? What if folklore borrows from some other folklore? Should we require royalty payments to be paid at each stage? That seems to me to be unworkable. The proponents of these ideas often agree, and what they have in mind is some kind of government fund that receives the copyright or royalty payments and then spends them as it sees fit. Many of the ideas are being promoted more as a wealth transfer mechanism than as a true copyright, trademark or patent requirement.

I would not, in principle, rule out the idea of extending some kind of intellectual property rights protection to earlier creations of this kind, but I am sceptical about the idea in practice. I would look at such proposals as wealth redistribution and evaluate them in those terms. Do not think of them as being about real property rights in culture because that is not what they are.

*You have shown considerable sympathy for the state having a role in the arts, but can you outline the principles you think should be applied to what might be seen as a very nebulous proposition.*

I would like a tape-recording of your comment about my sympathy for the idea to take back home because, relative to the consensus, I think of myself as sceptical about government support. I do think there are cases where state involvement has worked and we should take those seriously. However, it depends a great deal upon the particular nation and the particular time. If I think of the United States, most of the arts support comes in the form of tax incentives for non-profit organisations. We have nothing close to a flat tax system so, in this environment, a tax concession has worked well. Similar tax treatment for alumni donations has helped make American universities achieve a high level of excellence. I did some calculations for my forthcoming book on arts support and, in the United States, the ratio of indirect subsidies to the arts to direct federal subsidies through the National Endowment for the Arts is about 100:1. So the direct cash grant subsidies are very small in importance. Philanthropy is a strong American tradition, and because the subsidy goes to all non-profit

organisations no one in the government need decide what is art, or what is good art. That is the beauty of indirect subsidies.

Having said that, I can imagine there are many countries where indirect subsidies would not work so well. For instance, in New Zealand there is a greater attachment to the idea of a relatively flat tax system compared with the United States. The tradition of philanthropy is somewhat weaker, perhaps in part because the state has crowded it out. So I think, in New Zealand, one should look more toward the entrepreneurial role of government. I go back to my lecture. I would say, be sceptical about the economic development arguments. I think a country has to be careful when looking for models. I suggest you should not worry too much about globalisation. Remain open. If you find opportunities where you can do some good and make most people in your country happy, take them. But be sceptical of a lot of the arguments for arts subsidies. Some of them are black magic and do not really work. There is a bit of muddling through in all economic policy. Weigh economic factors; weigh aesthetic factors. Most of all, the best thing you can do for the arts is to have a strong and healthy economy based on the idea of economic growth; that is lesson number one.

*The European Union, as I understand it, decides on a regular basis which city will be the cultural capital within its borders for a set period of time, and funds various activities in it. Presumably that allows that city to showcase its particular cultural features. Do you have a view on whether that is a good use of taxpayers' money or not?*

I have not looked closely at that issue but I suggest the following line of inquiry. Policies like that are often evaluated only by looking at the benefits to the chosen city, and no doubt those benefits are real. But I would also like to know the broader picture: what part of those benefits is simply expenditure-switching. It is likely that all that is happening is that people are taking a vacation in one place rather than another. Quite a lot of money may be being invested just to alter decisions about where people are going, which hardly adds to overall welfare.

# *Vote of Thanks*

## *Dame Malvina Major*



MEMBERS OF PARLIAMENT, your Worship the Mayor, distinguished guests, ladies and gentlemen. When I was first asked to offer the vote of thanks to Tyler Cowen for tonight's lecture, I started thinking about his topic in terms of my chosen field of endeavour.

Among the art forms, opera is one that has successfully absorbed and benefited from international and cross-cultural influences.

To take just one example, *Madame Butterfly* – itself a tale of love across cultures – originated in a story written by a Pennsylvanian. It was adapted for the stage by another American, and in 1900 the play premiered in New York. It then crossed the Atlantic to London where it was seen by an Italian, Puccini. His opera premiered in Milan, and has since been performed in countless countries. In 1995, it was made into a movie, directed by a Frenchman, and starred an American tenor and a Chinese soprano.

*Madame Butterfly* is a work that began life in the first great era of modern globalisation, and survives today in the second era, to be performed and reinterpreted.

For opera, the impact of the global marketplace and commercialism has been largely beneficial, perhaps even essential.

But, as you pointed out in your wonderfully wide-ranging discussion, that is not the experience of all cultural forms.

Your examination of the impact of globalisation took us on a full journey around the topic. We saw globalisation's benefits and downsides.

For me, your notion of creative destruction is most enduring. At first it seems inherently contradictory – should we not seek to minimise destruction? And is destruction not incompatible with creation?

But, as you explained, cultural growth is not a steady process. Some sectors expand, others wither away. Cross-cultural exchanges can sow innovative ideas and bring exciting new opportunities.

Tyler, thank you for encouraging us to think anew about the forces that shape our cultural environment.

Your optimism about the future of diversity and creativity is, I believe, inspirational to the many of us who value the vitality of cultural expression in its many forms.

Ladies and gentlemen, please join with me in thanking Tyler Cowen.