COMPETITION†

Do We Underestimate the Benefits of Cultural Competition?

By BRYAN CAPLAN AND TYLER COWEN*

Economic globalization has drawn fresh attention to cultural issues. The Uruguay Round of trade negotiations debated whether there should be a protectionist "cultural exception" for television and movies, as practiced by the French, Canadians, Brazilians, South Koreans, and Chinese to varying degrees. Governments around the world subsidize culture, in part to favor one national tradition over potential competitors. More generally, cultural questions are central to broader critiques of trade and globalization (Cowen, 2002).

Current analyses, however, have neglected some insights from economics. We will suggest that market competition across cultures is desirable and favors relevant notions of diversity. An underlying theme is that individuals hold unjustified prejudices—or, in economic jargon, "systematically biased beliefs"—about globalization.

I. What Supports Diversity?

An economic approach to product diversity starts with the idea of trade. In the absence of significant fixed costs, a market economy will supply however much diversity consumers are willing to pay for. In the limit, if fixed costs approach zero, and transactions costs are minimal, the extent of product diversity will reflect an optimum. Viewed dynamically, trade spreads technologies around the world, causing fixed costs to fall and the number of available products to increase.

Most cultural commentators approach diversity from a different point of view. They focus less on individual choice and more on whether various cultures "look the same." We can distinguish between diversity as a menu of choice and diversity as cultural distinctiveness. When an artwork is traded from one society to another, the menu of choice commonly becomes richer, as the new importing consumers have more choices. But cultural distinctiveness may go down, as the two societies become more alike. Consumers can now buy French cheese, sushi, and Mexican food in either France or Germany. This makes France and Germany more alike and less distinct, but it also widens the menu of choice in both countries.

Drawing upon economic reasoning, we see these developments as positive, not a cause for concern. In some regards the world was very diverse in 1450, yet few people enjoyed much of this diversity. Tomatoes were available in Mexico but not in Italy. In contrast, today's consumers might have a Japanese stereo, a German car, cook from Chinese recipes, and buy Persian rugs and Mexican rap music. Rather than bringing a culture of the least common denominator, markets decrease the costs of serving consumer tastes, whether common or not.

II. Do Trade and Globalization Damage Distinctiveness?

Cultural distinctiveness might be a public good, or for some ethical or aesthetic reason it could be a merit good. Perhaps each Thai citizen enjoys wearing American sneakers, but Thai society as a whole somehow suffers from the disappearance of traditional footwear.

Nonetheless trade and globalization often support and extend cultural distinctiveness.

† *Discussants:* Roland Fryer, Harvard University; Richard Thaler, University of Chicago; Daron Acemoglu, Massachusetts Institute of Technology.

* Department of Economics, Center for Study of Public Choice, George Mason University, Fairfax, VA 22030 (e-mail: bcaplan@gmu.edu and tcowen@gmu.edu, respectively).

Most generally, a broader international market allows domestic producers to cover their fixed costs. Reggae would have been less successful and less diverse without consumer support from the United States and United Kingdom. In other cases trade holds communities together. Consider a simple Heckscher-Ohlin setting where two nations have differing initial endowments. Trade in goods serves as a substitute for factor migration and thus supports the distinctiveness of the regions. Consumption bundles become less distinctive in the classic Ricardian example (the English drink Spanish wine, the Spanish eat English corn), but England remains a culture of corn-growers and Spain remains a culture of winegrowers.

Increasing returns to specialization *intensify* regional distinctiveness on the production side. In these models the larger the size of the international market, the more regions specialize. Thus, Hollywood produces more movies, but Paris produces more new fashions. Consumption patterns may become more distinctive across borders as well. Regions differ in basic endowments, for reasons of climate, geography, and history. The spread of a common technology interacts with these endowments in unique ways. So the guitar gives us flamenco music in Spain, rock and roll in the United States, and meringue music in the Dominican Republic. Trade can make basic technologies more similar, but neither convergence in production nor convergence in consumption is implied.

One possible mechanism for a diversity decline comes from Sherwin Rosen's (1981) "superstars" hypothesis. In this account, a reproducible technology centralizes market returns. Rather than hearing a live singer at the local nightclub, recording allows music fans to buy the "best" vocalist and hear higher-quality singing on disc. In this case the total number and kind of singers can decline, thus damaging diversity. Note, however, that the superstar hypothesis can improve market diversity as well. When fans disagree about which singer is the best, recording technology allows many more singers to reach broader audiences and thus make a living. Again, the larger the size of the potential market, the easier it is to cover fixed costs of production. As a matter of empirical fact, the music market became much more diverse, following the advent of recording and radio.[1]

Finally, market exchange typically supports *individual distinctiveness,* even when it decreases distinctiveness across larger societal units. Markets allow individuals to pursue more varied consumption patterns. Collectors of Mexican artworks come from around the world, as do fans of *The Lord of the Rings,* which is the product of British, Germanic, and Nordic myths. Rather than saying that trade has destroyed diversity, trade has liberated diversity from the constraints of borders and geography. Compare this development to poorer and more isolated societies. Each tribe might have a different music, but everyone within a given tribe will hear and perform the same music. Distinctiveness across tribes will be high, but distinctiveness within a given tribe will be very low. Yet if distinctiveness has intrinsic or external benefits, we might wish to extend the choice of cultural distinction to all individuals within a given area. Such a recommendation would point us in the direction of globalization and trade, not isolation and protection.

III. Some Evidence from the Arts

We find a greater menu of choice in a wide variety of cultural settings, as illustrated by a contemporary book or music superstore. Or consider some simple numbers. Between 1450 and 1500, about 10,000–15,000 titles were published. By 1962, 250,000 titles each year were being published in the world, and the number has continued to rise (Gabriel Zaid, 2003). Similarly, we can observe the more recent growth of diversity in the music market. Between 1980 and 1998, exports of musical goods rose at an average of 10.3 percent per annum (UNESCO, 2000 p. 11). Available data from the 1990's show the number of new American releases rising from 18,400 in 1992 to 33,100 in 1998. While the numbers alone offer no proof of a

[1] See Cowen (1998) on the history of the music market and Cowen (2000) for more general evidence on the superstars phenomenon.

causal connection, both trade and diversity are rising together.[2]

A trickier question is whether national distinctiveness has proved robust. Fiction bestseller lists show that many readers prefer to read books from their home countries. In spring of 2001, for instance, three U.S. novels made the top ten in France, two made the top ten in Britain, and one each made the lists of Germany, Israel, and the Netherlands. Even the Canadian bestseller list had only four novels from the United States. National literatures appear to be alive and well. In addition, television programs do not sell very well across linguistic lines. American programs dominate the Canadian market and are prominent in Australia, but often no American program will crack the top ten in a European continental nation. Music consumption also shows continued distinctiveness. Circa 1998, domestic producers held 71 percent of the market in Ghana, 81 percent in Egypt, 96 percent in India, 78 percent in Japan, 81 percent in Indonesia, 68 percent in Russia, and 73 percent in Brazil. American Top-20 music is popular around the world and is widely available, but it is hardly dominant (Cowen and Eric Crampton, 2001).

Decentralized production has been less pronounced in the case of movies. Most of the movies viewed in the world come from Hollywood, Bollywood, or to a lesser extent Hong Kong. In Europe, Hollywood market share is frequently above 80 percent. For whatever reason, it appears that movies are produced more efficiently from a clustered geographic center (Cowen, 2002). European and other global talents then tend to congregate in this center rather than working in the home nation. This tendency makes it harder for each country to have a commercially healthy movie sector of its own.

Languages are arguably the strongest exception to the robustness of distinctiveness at the macro level. The number of living languages is plummeting as speakers move into the major linguistic groups of English, Spanish, Chinese, Arabic, and others. The benefits of a common language outweigh the desire to remain separate, as is typical in network models. That being said, common languages ease the communication of cultural ideas. In this regard overall cultural diversity can rise as linguistic diversity falls.

The broader history of mankind shows that periods of growing wealth, commerce, and trade are correlated with artistic and creative productivity (Cowen, 1998; Charles Murray, 2003 pp. 350–51). Globalizing eras tend to be good for the arts, whether we consider the menu of choice or regional distinctiveness. The era between 1800 and World War I saw an unprecedented increase in globalization. The West adopted the steamship, the railroad, and the motor car, replacing travel by coach or slow ship. International trade, investment, and migration grew rapidly. The European 19th century was, by virtually all accounts, an extremely creative and diverse time.

Conversely, the most prominent period of cultural decline in Western history coincides with de-globalization and a shrinkage of trade. After the collapse of the Roman Empire in the West, interregional trade and investment contracted. Rarely are these so-called "Dark Ages" cited as an especially fertile period for architecture, writing, reading, or the visual arts. The buildings of antiquity fell into disrepair or were pillaged for their contents. Bronze statues were melted down for their metal, and most of the notable writings of antiquity perished. The rise of medieval society and the Renaissance was, in large part, a process of re-globalization, as the West established significant contact with the Chinese and Islamic worlds. At the same time, trade fairs expanded, shipping lanes became more active, and overland trade paths were reestablished.

Figure 1, adapted from Murray (2003 p. 249), illustrates the temporal distribution of prominent figures in the arts. This display, of course, underrates the diversity of modern times. The graph measures when culture was produced, but the contemporary world also gives consumers unprecedented access to Mozart and Shakespeare. Diversity can cumulate through time, at least once technology can preserve past creations.

[2] The figures for new releases are from the Recording Industry Association of America. In very recent times the figure has been falling, which is widely attributed to file-sharing.

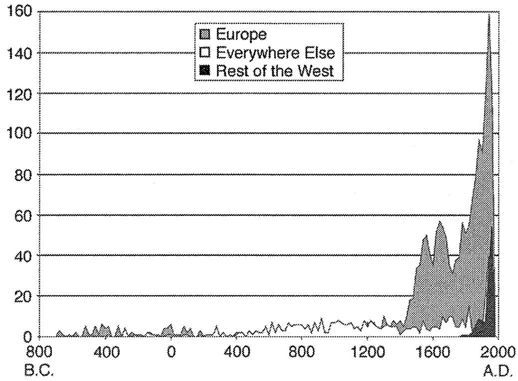

FIGURE 1. TEMPORAL DISTRIBUTION OF ARTISTIC ACHIEVEMENT, FROM 800 B.C. TO 1950 A.D.

IV. "Rational Irrationality" and the Opposition to Global Culture

Political beliefs tend to be "rationally irrational" (Caplan, 2001, 2002). Economists have long recognized that false political beliefs have little or no personal cost. These incentives are widely thought, under the rubric of "rational ignorance," to prompt political apathy. But false beliefs also take the form of dogmatic, passionate commitment to palpable error. For instance many people angrily oppose foreign trade rather than admitting that they know too little to form an opinion. As any teacher of Economics 101 should know, some irrational commitments are more popular than others.

Along these lines, critics of globalization are prematurely certain that culture is declining, and they greet conflicting evidence with hostility rather than curiosity. We see a suspicious divide between individuals' political convictions and their private behavior. The same people who criticize cultural trade still use the Internet, talk on cell phones, fly to foreign countries, wear sneakers, and eat fast food. The democratic mechanism translates such rationally irrational beliefs about politics into policy (Caplan, 2003). If protectionist views are popular, it pays for candidates to advocate protection—even if protection makes everyone poorer. Similarly, if anti-globalization views are widespread, successful politicians feel pressure to protect "so-called" local culture, even though it in reality depends on global culture and international trade.

A. *Cultural Pessimism*

Economists debate the extent of economic growth during the last 30 years, but virtually none disputes that growth has been greater than zero. The general public sees matters differently. It has a strong tendency to think that the economy has declined and will continue to get worse. For example, noneconomists are much more likely to believe that family incomes and real wages are going down, that new jobs are low-paying, and the next generation will be poorer than the current one. This pessimistic bias is robust to a variety of control variables. Economists remain systematically more upbeat than noneconomists after controlling for income, job security, ideology, and numerous other noncognitive explanations for divergent perceptions (Caplan, 2002).

It is hardly surprising, then, that cultural pessimism is so pronounced. The public sees mounting poverty in the face of increasing riches. It brands global culture as a "wasteland," ignores consumers' burgeoning cultural choices, and denigrates modern culture by comparing average works of today with masterpieces of the past.

B. *The Seen and the Unseen*

The distinction between the seen and the unseen is one of the most important truths of economics. Few American citizens understand that in the long run protectionism is more likely to reduce living standards than to save jobs. The short-run employment effect is obvious, but the long-run consequences are not. Similarly, individuals commonly neglect the long-run benefits of downsizing, even though they now travel in cars rather than horse-drawn buggies. Recent research by John Haltiwanger and co-authors (Steven Davis et al., 1996) reveals that these long-run benefits are large. Most productivity growth is attributable to selective attrition in favor of more efficient firms, not rising efficiency within existing firms.

The distinction between the seen and the unseen has potent analogues in the realm of culture. We see which cultures are losing ground due to trade and globalization. They have been recorded, studied, and catalogued in detail. They have their intellectual partisans and their politicians. Yet those cultures are not disappearing into thin air. Rather they are evolving into some new set of hybrid cultures, which build on and modify the older traditions. Since we do not yet know what to look for, it is harder to see the forthcoming cultural gains and easier to notice the current cultural losses. Furthermore we do not *yet* have the same emotional attachment to cultures that are "on the way," so their arrival does not seem to offset the tragedy of current cultural loss.[3] But as in the rest of the economy, selective cultural attrition brings innovation. Furthermore selective attrition also has favored the cultures better suited to preserving the cultural creations of the past.

C. *Biases against Foreigners*

Belief differences between economists and the general public are especially strong concerning foreigners. The American public believes that excessive foreign aid and loss of jobs to foreigners are among our biggest economic problems. Virtually all economists, regardless of their political views, know better. These systematic biases are large for quantitative questions as well. When asked to identify the two largest components of the federal budget, foreign aid was Americans' *single most common response* (Caplan, 2002).

Now what would a person suffering from anti-foreign bias tend to think about culture? He would overrate the importance of his national culture and underrate the contributions of other countries and regions. He would neglect the importance of cultural exchange and exaggerate the case for protectionism. The more successfully a foreign competitor infiltrates his national market, the stronger the impulse to vilify it as junk.[4]

Hostility to cultural globalization thus stems partly from the more general anti-foreign bias. Indeed, if "foreign steel" and "foreign cars" are appealing scapegoats, "foreign culture" is better still. Steel and cars are only "foreign" in the sense that foreigners made them. Foreign culture is alien in a stronger sense: *they are trying to turn us into them.* As private individuals, of course, we often *like* becoming a bit more like them, but as voters, many people find this possibility repellent.

V. Conclusion

Trade and competition are, for the most part, misunderstood but beneficent cultural forces. No great culture has arisen in isolation; all owe their existence to the international economy. Consumer choice (the most relevant measure of cultural diversity) is expanding, not shrinking. Cultural competition is not without losers, but selective attrition, "cultural downsizing," is a significant engine of future cultural growth. None of this denies the possible existence of cultural market failures. But, as the rent-seeking literature teaches us, every loser has a story about why it would be better "for society as a whole" if the rules of the game were different. Since the public readily accepts some unconvincing stories at face value, the economics profession should examine those stories with due skepticism.

REFERENCES

Caplan, Bryan. "Rational Ignorance versus Rational Irrationality." *Kyklos,* 2001, *54*(1), pp. 3–26.

______. "Systematically Biased Beliefs about Economics: Robust Evidence of Judgemental

[3] Note the following paradox. If diversity is a value more generally, we might be tempted to conclude that diversity over time is a value as well. But many critics of globalization decry the passing of previous cultures and implicitly stake out an opposition to intertemporal diversity. Why should atemporal diversity be so good and intertemporal diversity be so bad?

[4] Anti-foreign bias—not concern about suboptimal diversity—may be the primary motive behind cultural protectionism. Note that proponents of cultural protectionism often oppose *intra*-national diversity. The French government, for instance, has a long history of trying to discourage regional, linguistic, and religious diversity within France itself.

Anomalies from the Survey of Americans and Economists on the Economy." *Economic Journal,* April 2002, *112*(479), pp. 433–58.

______. "The Logic of Collective Belief." *Rationality and Society,* May 2003, *15*(2), pp. 218–42.

Cowen, Tyler. *In praise of commercial culture.* Cambridge, MA: Harvard University Press, 1998.

______. *What price fame?* Cambridge, MA: Harvard University Press, 2000.

______. *Creative destruction: How globalization is shaping the world's cultures.* Princeton, NJ: Princeton University Press, 2002.

Cowen, Tyler and Crampton, Eric. "Uncommon Culture." *Foreign Policy,* July/August 2001, pp. 28–29.

Davis, Steven, Haltiwanger, John and Schuh, Scott. *Job creation and destruction.* Cambridge, MA: MIT Press, 1996.

Murray, Charles. *Human accomplishment: The pursuit of excellence in the arts and sciences, 800 B.C. to 1950.* New York: HarperCollins, 2003.

Rosen, Sherwin. "The Economics of Superstars." *American Economic Review,* December 1981, *68*(5), pp. 845–58.

UNESCO, Institute for Statistics. *International Flows of Selected Cultural Goods 1980–98.* Paris, France: United Nations Educational, Scientific, and Cultural Organization, 2000.

Zaid, Gabriel. *So many books: Reading and publishing in an age of abundance.* Philadelphia, PA: Paul Dry Books, 2003.