

CHINESE CULTURAL INDUSTRIES: TARGETS, GROSS VOLUME, STRUCTURE, PROBLEMS AND STRATEGY

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Abstract

A Chinese cultural industry is a typical mixed economy with command economy and market one. This article made a brief introduction to the development history of Chinese public cultural services and cultural industry, set up Chinese cultural input-output model and analyzed the gross volume, structure and problems of Chinese cultural industries. Descartes' number axis and bell-curve was introduced for simulative description of the market characteristics and risk analysis of Chinese cultural industries. A systematic quick consultative form for problem-solving of Chinese regional cultural industries was recommended, and the strategy for the development of Chinese cultural industry was presented.

KEY WORDS: Chinese Cultural Industries, Chinese Cultural Input-Output Model, Development Strategy of Chinese Cultural Industries

PREFACE

Chinese government expenditures for culture and sports programs totaled 310.4 billion Yuan from 2003 to 2007, a 130% increase over the last five-year period¹. The basic elements of the public cultural services system at the county and township levels were put in place, and basically every county now has a library and cultural center. Substantive progress was made in setting up local cultural facilities such as the projects to build a national shared databank of cultural information and resources and extend the signals of radio and television to cover all villages. Philosophy, the social sciences, the press and publishing, radio, film and television, literature and art thrived over time. Protection of cultural relics and intangible cultural heritage was strengthened. Cultural exchanges with other countries were intensified. These practices have provided sound basis for the development of Chinese cultural industries.

PART ONE

Introduction to the Development History of Chinese Cultural Industries

China is a nation with abundant cultural resources. Ancient Chinese people have created diversified arts products and some commercial cultural services were developed in feudal dynasties. The tradition of more than 3000 years preferring agriculture to business restricted the potential active development of cultural creation and business. One of the prominent features of Chinese cultural development history is the unbalance: the unbalance of the artistic contents; the unbalance of the arts types; the unbalance of audience; the unbalance of the skills for arts and crafts production; the unbalance of the artists' psychology etc. The unbalance phenomenon did not ceased till 1978's national economic management system reform and opening to the outside world by Deng Xiaoping². At the late 1980s, some civil artists, art performance troupes and provincial cultural institutions had taken steps towards commercial art practices, but the pace of reform for government cultural management system was not as fast as agriculture and manufacturing industries and business.

In 1990s, advertising and tourism businesses have been developing fast, but it was mentioned that Chinese cultural production possessed a big potential and was far from its production possibility frontier (PPF). Government was both 'director of board' and 'general manager' for most cultural institutions, and directly controlled cultural production. For example, China National Tourism Administration (CNTA) is directly regulated by the State Council, responsible for developing, promoting and regulating China tourism industry³. At the turn of 2000, central cultural management system reform has taken place. Some cultural experts and government officials as Professor Ye Long of Peking University (also the standing member of National Committee of the Chinese People's Political Consultative Conference) insisted that cultural industries will become one of the leading and key industries in the future⁴; meanwhile, Ministry of Culture of PRC has established the administration department of cultural industries.

The study on multiply correlation between cultural output and the elements of cultural productivity, the total factors productivity (TFP) of cultural industries and so on have been introduced, and the authors also pointed out that the development of cultural industries is no longer be explained as the outcome of economic growth but the dynamics of new economy. The account of national economy should make much change to consider or at least make enough explanation to the invisible inputs of cultural innovation, technical innovation and organizational innovation⁵. Both Central and provincial government have paid much attention to the protection and development of historical, cultural and natural resources. The positive externalities of cultural industries are more emphasized all over the country. 5-year or 10-year plan (2006-2010 or 2006-2015) for the development of national and regional cultural industries have been published. The achievements of Beijing, Guangdong, Shanghai, Jiangsu, Shandong, Hunan, Yunnan, Shanxi, Henan etc. proves that cultural industries are able to contribute much to the sustainable economy growth⁶. More researches are undertaken to solve problems such as the financial inefficiency for supporting middle to small scale cultural firms, the risk and profit share mechanism and insurance system for cultural investment⁷, the control of illegal copyright activities, the exchange of cultural products with foreign countries, etc. The founding of cultural industrial bank, cultural banking company, cultural industrial security exchange and other infrastructures has been proposed by authors as well for better environment to cultivate cultural industries⁸.

PART TWO

Chinese Cultural Input-output Model

Chinese cultural input and output can be described as following formula:

$$FE+PI+FI=PCG+MCG \quad (1)$$

Where:

1. FE: Fiscal Expenditure. It was the only source before 1978 and remains the main source of cultural input till 2008, which almost cover all sectors of cultural production, especially for public cultural goods. FE features during 1978-2008 as: $d_{FE} / d_t > 0$;
2. PI: Private Investment. It developed from late 1980s and quickened at late 1990s, which plays an important role in the enrichment and diversify of cultural products and services, attracts a big deal of consumers in the fields of art performance, advertising, film, TV and website contents production, arts and crafts, industrial designing, printing, manufacturing of video-audio products, sales and distribution, tourism etc⁹. PI features during 1978-2008 as: $d_{PI} / d_t > 0$;
3. FI: Foreign Investment. It first appeared in film and TV making, and has been under control to some degrees in certain fields (especially in main media) though the ceilings are regulated somehow. Some foreign venture capitals and funds are try to invest in such cultural sectors and enterprises as expecting to get higher revenue and to be listed in NASDAQ. NASDAQ:SOHU, NASDAQ:SINA, NASDAQ:NTES, NASDAQ:BAIDU etc. are well-known ICP companies. FI features during 1978-2008 as: $d_{FI} / d_t > 0$;
4. PCG: Public Cultural Goods. Public cultural goods (services) in PRC are provided by government to guarantee civilian's basic cultural rights and meet civilian's basic cultural needs. The main institutions for public cultural services are public libraries, museums, cinemas, concerts, cultural stations. Public cultural activities include reading books and newspapers, watching film, TV and operas, visiting arts museums, enjoying public cultures (paintings, sculptures, statues etc.), culture knowledge and arts skills training, mass entertainment and sports. PCG features during 1978-2008 as: $d_{PCG} / d_t > 0$;
5. MCG: Merchandised Cultural Goods. According to the Classification of Cultural and relevant Industries by National Bureau of statistics of China at 2005, the merchandised cultural products and services come mainly from: news and publications; broadcasting; TV & films; Music and records; Art performance; Exhibition; Industrial design; Advertisement; internet contents service; tourism; computer software design; visual & acoustic products, music equipments and broadcasting, film and TV equipments manufacturing and marketing ;arts & crafts etc¹⁰. MCG features during 1978-2008 as: $d_{MCG} / d_t > 0$.

PART THREE**Chinese Cultural Industries: gross volume and structure**

There were 346,000 cultural units (318,000 units registered as legal persons) with tangible assets of 1,830 billion RMB, 1,720 billion gross income and 344 billion increased value in PPC at 2004 as reported by National Bureau of statistics of China¹¹.

According to statistical data from National Economy and Social Development and National Bureau of statistics, a comparison of GDP with the gross output of cultural industries of PRC during 1980-2007 was made (the outputs were not calculated by prices in cultural goods as did in GDP for the short of sufficiency data in cultural field for 30 years) and the results were recorded in following table:

Table 1. The comparison between GDP and the gross output of cultural industries during 1980-2007*

Year	Total No. of printed books (10 million)	TV Programs (100 hours)	International Tourists [#] to china (10,000 person-times)	Art performance troupes	GDP (billion RMB yuan)
1980	459		570	3533	455
1985	665	381	1783	3317	902
1990	558	916	2746	2805	1867
1995	626	3835	4639	2684	6079
2000	635	5850	8344	2630	9921
2005	640	25539	12029	2805	18308
2007	660		13187	2856	24662

* Data source: <http://www.stats.gov.cn/english/>

Total Number of International Tourists Arrival to China include tourists from Hong Kong, Macro and Taiwan

Table 2. The correlation coefficient of several cultural sectors and GDP of P.R.China during 1980-2007

Correlation Coefficient	Printed Books	TV Programs	International Tourists	Art performance Troupes	GDP
Printed Books	1.0000				
TV Programs	0.2433	1.0000			
International tourists	0.5988	0.9105	1.0000		
Art performance troupes	-0.5404	-0.2520	-0.5974	1.0000	
GDP	0.5404	0.9496	0.9783	-0.4810	1.0000

Table 3. The comparison of grow scale between GDP and output of cultural industries 1980-2007*

Year	Total No. of printed books (10 million)	TV Programs (100 hours)	International Tourists [#] to china (10,000 person-times)	Art performance troupes	GDP (billion RMB yuan)
2007	660	25539(2005)	13187	2856	24662
1980	459	381(1985)	570	3533	455
multiple*	1.4	67.0	23.1	0.8	54.2

* multiple: 2007data/1980data

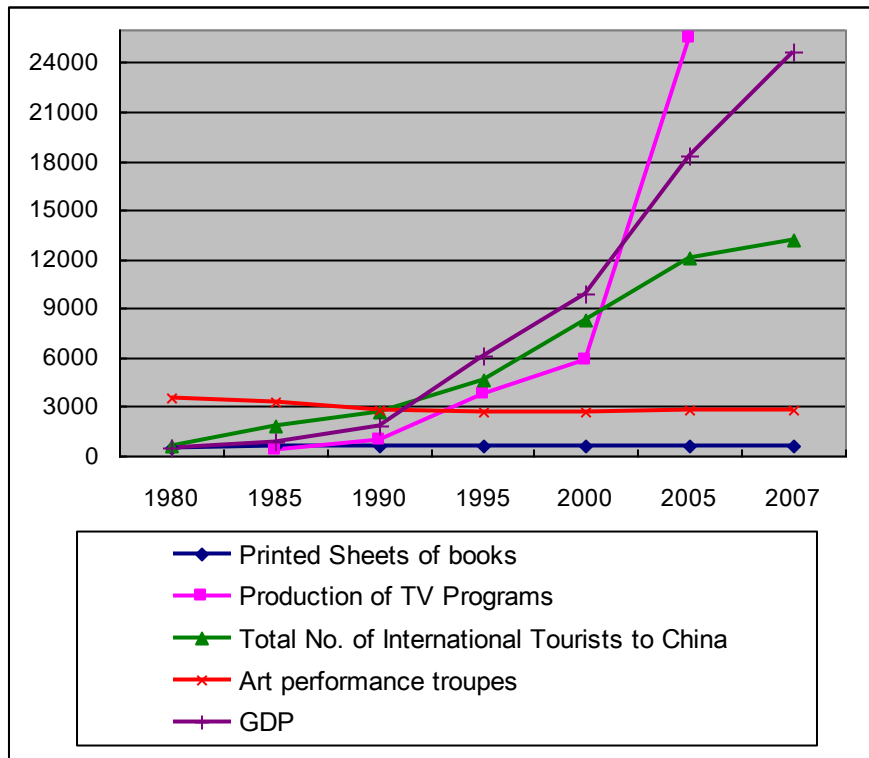


Figure1. The trends of publication, TV, tourism, performance and GDP of China during 1980-2007

The order of growth times (from large to small) calculated by Table 3 is 67.0(TV) > 54.2(GDP) > 23.1(Tourism) > 1.4(Publication) > 0.8(Performance) indicate that TV industry took a faster step than average economical growth and was the quickest developing cultural industry. The development of tourism, publication, performance was not satisfactory to average national economical growth and leaving much space to reform. More state-owned cultural institutions are accelerating their transformation of own ship system to a shareholding system to merge into capital market, or to be sold in the market with a variety of investors.

The dual economy phenomenon for developing countries also appears in cultural industries: the coexistence of manifesting good and bad cultural companies; the coexistence of the most advanced techniques and innovations and the oldest skills; the coexistence of the most advanced management and the most under-developed organization behaviors. Disequilibrium of cultural development do exists in sectors, regions, urban and rural areas (e.g., east coastal region had 82% of total income of cultural industries in 2004). The comparison of economic efficiency of domestic cultural units registered as legal persons with that of HK, Macro, Taiwan and foreign investors in 2004 showed that foreign cultural firms are bigger and more efficient than domestic ones as in Table 4

Table 4. The comparison of economic efficiency of domestic cultural units *with that of HK, Macro, Taiwan and foreign investors in P.R.China at 2004

Distribution Percentage(%)	Domestic Units	Units of HK, Macro & Taiwan	Foreign Units
total unit numbers	96	2	2
total employment	75	15	10
aggregate total income	63	15	16
total increased value	72	12	22

* domestic cultural units are cultural economical units registered as legal persons.

PART FOUR

Descartes’ Number Axis, Triple Distribution and Bell-Curve: a Simulative Description of the Market Characteristics of Chinese Cultural Industries

The profit-risk characteristics of Chinese cultural market at present can be described simulatively by French philosopher and mathematician Rene Descartes’s number axis as figure 2 :



Figure2. the profit-risk characteristics of Chinese cultural market

(P_{max} : maximization of profit ; 0 : zero risk ; R_{max} : maximization of risk)

There are maximized profit, zero profit and zero risk, maximized risk cultural institutes (enterprises) at present. Theoretically, when complete market efficiency exists, the distribution of investment profit-risk may take shape of statistical bell curve (normative distribution). However, when the market is under developed, the bell curve will be risk-prominent that the bell curve is going to be ‘risky shoe-shaped’—the risk extreme is a little sharp and thick, the middle part is highest, the profit part is thin, which is opposite to the purpose of government regulation that try to induce the ‘risky shoe-shaped’ curve to be ‘profitable shoe-shaped’ one which has more profitable area than the risky one—the profit extreme is higher and thicker and the risk extreme is thinner.

The risk-aversion treatment (RAT) for Chinese cultural industries can be described as:

$$RAT=\{GR,SC\}=\{MC,RGS,SC\} \dots (2)$$

Where,

GR: Government Policy. It monitor cultural market in the pursuit of risk-free and include strategies of central and regional government.

SC: investors’ (entrepreneurs’) self-control of risk by rational decision-making and scientific management. Some successful cases have shown the feasibility of safe investment in Chinese cultural industries.

MC: support from central macroscopic economic administrative system by fiscal measures and cultural and financial administrative system innovations, e.g. to decrease tax rate of income from cultural investment, to encourage donation to culture field, copyright mortgage loans for middle-small scale cultural business by commercial banks;

RGS: support from regional government, e.g. to found cultural industrial investment funds and cultural foundations; to provide low-price resources for the investors, etc

There are most advanced market economy in east region and there are abundant historic and cultural resources in the middle and west regions (especially along with Yellow River and Yangtze River). It is necessary to make an accurate comparison of investment risks among the east coastal region, middle region and west region, we have set up an half-quantitative evaluation form (Regional Cultural Resources Value Evaluation Form, CRE) for the estimation of values and risks of regional cultural resources, the strategies of protection and development, the possibility to control the risks of regional cultural investment to the lowest level on the basis of rational allocation of resources after a systematic survey of 4-factor: cultural administrative system; historic, cultural and natural resources; cultural products and services; cultural market^{13,14}.

PART FIVE

Problems Consultation for Chinese Regional Cultural Industries

Regional cultural industry is the basis of the nation. It is very important to study the problems of regional cultural resources and the strategies for the protection and development of these resources. A 4-factor Regional Cultural Industries Problems Quick Consultative Form have been developed by authors shown in Table 5.

Table 5. 4-factor Regional Cultural Industries Problems Quick Consultative Form

The sub-problems of cultural administrative system	The resources sub-problems	The sub-problems of products & services	The market sub-problems
Restriction to cultural investment	No nationwide famous natural resource(s)	Sell failure	Low level of market position
Banking system inadequacy	Lack of international well-known eminent person	In the recessions of products cycle	No complete cultural industrial chain
Marginal decreasing of the effect of tax preferential policy	Relative lower value compare to other region' same resources	Disequilibrium development	Lack of competent managers
Backward ideas for cultural industrial development	Low efficiency of the utilization of resources	Pricing problem	Information incomplete
Lack of transparent strategies for cultural industries	Destroy to historical and natural resources	Non-economical scale	Lack of enough purchasing power
Multiple lead ship from different government departments	Short of tangible cultural resources	Insufficient of investment	Unbalance of cultural market
Bureaucracy and mistake decision-making	Non-economical allocation of regional cultural resources	Less communication and supporting from outside	Problems of legal system and practice for culture administration
Non-consecutive administration regulations for cultural industries development	The gap between ancient and modern	Inadequate R&D	Immature brand(s)
Insufficient officials for the management of cultural industries		Lack of famous brand	Bad sensation or reputation of the region

Main problems and suggestions for the development of regional cultural industries	Lack of goods with high added value	Inactive of intermediate market
	Undeveloped information service	Disadvantage of the market comparing with neighbor market
	Covering less consumers	Underdeveloped HR, land, capital, technology market
	Disadvantages of geography	Underdeveloped arts & crafts market
	Lack of factories for common cultural products	Underdeveloped performance market
	Lack of advanced manufacturing industries	Underdeveloped creative and copyright market
	Slowly transformation of traditional cultural goods to modern ones	Underdeveloped ICP service market
	Incompetence of copyright products	Underdeveloped tourism market
	Incompetence of digital contents products	Underdeveloped cultural equipments market
		Underdeveloped sports and fitness market
		Underdeveloped religious service market

One can mark sub-problems in Table 5 when the problems do exist after investigation and records point ‘-1’ for each problems¹⁵. The comprehensive developing environment for regional cultural industries is evaluated according to the percentage of the existing sub-problems to all sub-problems as shown in Table 6.

Table 6. The classification of the Environment for the development of Regional Cultural Industries

The environment for the development of regional cultural industries	The percentage of existing problems to total problems (%)
Excellent	0-20
Good	21-40
Medium etc.	41-60
Bad	61-80
Worse	81-100

CONCLUSION: Strategy and Expectation

Chinese Prime minister Wen Jiabao's report on the work of government (1st Session of the 11th National People's Congress of Mar. 5, 2008) has given solutions to Chinese cultural industrial development-- deepening the reform of the cultural management system and promoting the vigorous development and enrichment of culture:

1. To further implement and improve the policies and measures to reform the cultural management system, promote cultural innovation, strengthen cultural improvement work, safeguard the basic cultural rights and interests of the people, and promote a flourishing cultural market to meet the people's ever-increasing and varied cultural needs;
2. To develop a culture of harmony, carry out the program for improving civic morality and foster civilized social conduct. Particular attention will be paid to cultivating ideals and ethics among young people. Extensive campaigns will be launched to encourage civilized behavior;
3. To promote the vigorous development of the press and publishing, radio, film and television, literature and the arts; to encourage the production of excellent cultural works;
4. To increase government funding to accelerate development of a system of public cultural services for the whole society and to promote development of basic public benefit cultural programs, particularly the building of more cultural facilities in urban communities and villages;
5. To accelerate development of multipurpose community centers in towns and townships; to work on the projects to set up a national shared databank of cultural information and resources, extend radio and television coverage to all villages, and set up reading rooms and show movies in rural areas. All public museums, memorial halls and exhibition centers of a nonprofit nature will stop charging admission fees at 2008 or 2009;
6. To improve the policy for developing the culture sector and speed up development of bases for the culture industry and clusters of cultural industries with regional features.
7. To strengthen efforts to develop and manage Internet culture;
8. To ensure order in the cultural market and continue to combat pornography and illegal publications;
9. To strengthen protection of national cultural heritage;
10. To expand cultural exchanges with other countries¹.

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