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Culture Industry Policy in China and the United States: A Comparative Analysis

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**Culture Industry Policy in China and the United States:
A Comparative Analysis**

Guan Ping Qin, Hao Wei and Xi Wang

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Culture Industry Policy in China and the United States: A Comparative Analysis

Executive Summary

It is a consensus that culture industry is assuming a more important economic development function in most countries of the world today. As a result of this consensus, the purpose of this paper is to investigate, through a comparative analysis, how China can improve its existing public policies to nurture an environment where culture industry develops and prospers. The paper focuses its discussion on the difference between China and the United States with emphasis on each country's efforts in funding culture industry in order to participate in the global competition among different culture industries.

In the middle of the twentieth century, culture industry, as represented by Disney World, Madison Avenue and Hollywood, originated in the United States (Meštrović, 1992). Since the 1990s, the United States has benefited financially from its culture industry as it has turned out to be one of the most vigorous profit-making sectors in the American economy. The fact that the United States has turned from a cultural resource-scarce nation into a cultural resource-affluent giant not only points to a fundamental evolution in the global political patterns and expansion of economic integration, but it also leaves much food for thought in its own cultural development. What is more significant is that in recent years, the United States cultural products have topped the export list of its commercial goods and services. Its culture industry has commanded an overwhelming global dominance, and this is attributed to the excellent role the United States government has played in adopting promotional policies.

Today, culture industry in China has started to play an important role in the development of socialist-based market economy, boosted by the new information technology, to become one of the most powerful sectors in the development of the Chinese economy. Nonetheless, it is still necessary to develop China's culture industry in a way that it is well-positioned to participate in a new round of global economic and cultural competition following its access to the World Trade Organization. Currently, the development of China's culture industry has constituted one of the crucial links to sustain its reform measures to establish a comprehensive market-based economic system and to bring both strategic and structural changes in its national economy. The paper concludes that whereas China cannot completely follow the United States' promotional policies, it should adopt a "middle of the road" approach between the Chinese model and the American model as an appropriate choice.

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Culture Industry Policy in China and the United States: A Comparative Analysis

1. Introduction

Two observations have prompted the attempt at this topic for a practicum paper. A glance at today's media, either newspapers, magazines or the Internet will show that one of the hottest paradigms in cultural studies today is "cultural economy," that is, thinking of culture as part of the economy and examining it as an industry rather than a discourse (Wang, 2003) and that culture industry, described as one of the sunrise industries in the 21st century (Chen,2005), has become one of the pillar industries in the national economy of many countries. It can be safely agreed that culture industry has been growing with an unprecedented opportunity of development against a background of a booming global economy. While European countries like Britain and France have improved their cultural competitiveness that is based on national identity, with the United States keeping a firm grip on its dominating position, Asian countries like Japan and South Korea are catching up from behind. Culture industry as such surely deserves to be a research topic of interest, but the second observation might be more inviting.

The 2008 Chinese MPA Cohort at Kennesaw State University (KSU) had appeared in the Chinese government (Liuzhou) enrollment document as "study at KSU for Master of Public Administration in the concentration of culture industry" (Liuzhou, 2007). Yet, an interesting story arises from this "would have seemed very natural" wording as a close observation or study of MPA Program at KSU or other American universities yields an immediate result: no American MPA Programs would have a concentration in culture industry (a policy study

might have been more appropriate), which, as an industry, might as well belong to the initiative of MBA (Master of Business Administration). This revelation indeed prompts a hypothesis: while the government in China deems it undisputable to get involved in the operation of an industry, be it a culture industry or an automobile or any other industries, will the government in the United States, which is said to believe in the encouragement and support of national progress and scholarship in the humanities and the arts as primarily a matter of private and local initiative (NFHA, 1965), backfire at its Chinese counterpart's stance?

In this paper, two models are suggested. One is the Chinese policy model in which top-down centralized and government-dominant cultural policies function. The other is the American policy model in which decentralized, free market-oriented policies work. The purpose of this paper is to search for some feasible American culture industry alternatives that may be conducive to China in the development of culture industry through a comparative analysis of culture industry in China and the United States, to recommend some practical solutions and alternatives, and to provide some advice to the Chinese government for more policy making. This paper applies multiple lines of evidence, both primary and secondary data, interviews through a variety of methods like review of policies and guidelines of governments and international organizations, review of documents and literature from the Internet websites; case studies on culture industry in various countries, including China, the United States, and other Western democracies.

This paper is organized as follows: Part One is a summary introduction, focusing mainly on the background, purpose and the structure. Part Two deals with the literature review on the definition, conception, theories of culture, culture industry and culture industry policies,

respectively. Part Three further explores development of culture industry in China and the United States. Part Four focuses on the comparison of culture industry policy in China and the United States. Part Five and Part Six provide case studies on some cultural events in China and the United States. Part Seven tries to put forward some proposals for China to promote its culture industry policy. Part Eight is the conclusion.

2. Literature Review

This section focuses on the definitions of some key terms involved in the paper. However, these definitions are mostly approached and examined from a discourse rather than an industry perspective.

2.1. Definition of culture

Culture has been the theme of such a broad discussion that people of influence from the ancient time to the present day and literature embracing all classic definitions are easily found for study. It is a concept that carries an extensive and kaleidoscopic connotation. A unanimously-accepted definition of it has been difficult and controversial due to the ambiguity arising from the concept extension and concept intension in its definition (Guo, 2008).

In the West, the term culture is derived from the word *cultural* in Latin, meaning to cultivate (Culture, 2009). It generally refers to patterns of human activity and the symbolic structures that give such activity significance. Different definitions of “culture” reflect different theoretical bases for understanding, or criteria for evaluating human activity. In general, the term culture denotes the whole product of an individual, group or society of intelligent beings. It includes technology, art, science, as well as moral systems and the

characteristic behaviors and habits of the selected intelligent entities. In particular, it has specific, more detailed meanings in different domains of human activities.

Anthropologists most commonly use the term “culture” to refer to the universal human capacity to classify, codify and communicate their experiences symbolically. This capacity has long been taken as a defining feature of humans. However, primatologists have identified aspects of culture among human's closest relatives in the animal kingdom. It can be also said that culture is the way people live in accordance to beliefs, language, history, or the way they dress (Culture, 2009).

In its widest sense, culture may now be said to be the whole complex of distinctive spiritual ritual, material, intellectual and emotional features that characterize a society or social group. It includes not only the arts and letters, but also modes of life, the fundamental rights of the human being, value systems, traditions and beliefs (UNESCO, 1998), as it is the integrated pattern of human knowledge, belief, and behavior that depends upon the capacity for learning and transmitting knowledge to succeeding generations (UNESCO, 1998).

In spite of its ambiguity and controversy, culture has some “classic” definitions that must be mentioned. Culture, or civilization, taken in its broad, ethnographic sense, is that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society (Tylor, 1920). Tylor’s definition is regarded as the representative of these “classic” definitions on culture as cultural researchers have looked at his definition as the earliest of all the classic definitions even though he used culture together with civilization and has exerted far-reaching influence on future studies on the definition of culture (Tylor, 1920, 1). Apparently, all the attempts to define culture, including those “classic” definitions, have employed the method of phenomenal description,

which points out either what culture is or what culture includes. Such a method may be effective and applicable in exploring a content-specific issue. However, culture has been so rich and complex in its content that any phenomenal description-based approach to the definition of culture will fail to present a comprehensive and accurate picture of what culture really contains.

In China, culture also encounters ambiguity and controversy in its definition. The Chinese term “文化,” meaning culture, can trace its first appearance back to the *Book of Changes* (“*I Ching*”) in about 1090 B.C. The two Chinese characters 文 and 化 are the abbreviation of 人文化成 (i.e., the evolution of humanities). The word conveys not only ambiguity in its definition, but also embraces its concept intension in a broad sense and a narrow sense, respectively (Lin, 2006).

Broadly speaking, culture in the Chinese history focuses on the essential difference between human beings and animals in general, and the essential difference between the human society and nature. It focuses on the unique mode of life that human beings rely on to survive in the world. In fact, it is the whole collection of the material wealth and spiritual wealth created by man.

Narrowly speaking, culture excludes from it the part of material wealth created by man and focuses solely on man’s spiritual wealth, spiritual creation and activities. The latter is usually referred to when it comes to talking about culture (Guo, 2008). Culture provoked a heated debate in its definition in China during the early 1900s. Of all the definitions, the most influential was made by Liang Shumin when he said in his definition of culture that culture is nothing more than a classification of the human life (Liang, 1920). In Liang’s analysis, human

life can be classified into three kinds: the spiritual life, the material life, and the social life. As such, culture is very extensive in its connotation.

2.2. Definition of culture industry

Amidst growing consensus across the world, culture industry has been viewed as a sunrise industry in the 21st century that has become a leading sector in the national economy while making a significant contribution to employment generation and export expansion at the same time. Yet culture industry has had a variety of terminological variations among different countries. It is referred to as creative industries in the United Kingdom and sometimes in the United States, content industry as used in Japan and South Korea, digital content (or creative) industry in Australia and New Zealand. Culture industry is used in China while it is more often called copyright industry in the United States. All these terms, with either a broader or narrower sense over another, point to the richness and uncertainty in the conceptualization of culture industry itself (Yuan, 2004) and reveal the necessity to understand and use it in a development perspective. For the conformity and convenience of definition, the term *culture industry* will be used throughout this paper to embrace all the above mentioned variations.

2.2.1. Definition

Culture industry is a term which performs both a descriptive and conceptual function. The term culture industry was coined as a strong negative critique of culture industry in 1947 by Theodor Adorno and Max Horkheimer, the two representative figures and theorists in the German Frankfurt School, in their book *Dialectic of Enlightenment* (Adorno and Horkheimer,

1947; 1997). In their book, they used industry in its singular form rather than its plural form. This may be the origin of the term that has rekindled so much interest. In their critical view, popular culture is akin to a factory producing standardized cultural goods to manipulate the masses into passivity; the easy pleasures available through consumption of popular culture make people docile and content, no matter how difficult their economic circumstances. This mass-produced culture as a danger to the more difficult high arts.

Culture industry may cultivate false needs; that is, needs created and satisfied by capitalism (Adorno and Horkheimer, 1947; 1997). They also used this term to prevent any possible confusion with the meaning of mass culture, which they had chosen in their drafts. Culture industry was used in order to exclude from the outset the interpretation agreeable to [mass culture] advocates: that it is a matter of something like a culture that arises spontaneously from the masses themselves, the contemporary form of popular art. From the latter culture industry must be distinguished in the extreme (Adorno and Horkheimer, 1997). It is interesting to note contrary to Adorno and Horkheimer in their negative approach to culture industry, Walter Benjamin, also a member of the Frankfurt School, felt optimistic about culture industry and popular culture and was more optimistic and saw an emancipatory potential in the mass media.

Stuart Cunningham, director of Creative Industries Research and Application Center, Queensland University of Technology, Australia, put it in a more concise way to understand culture industry when he said that there are probably four prongs to the history of the term culture industry as a “rhetorical set”:

- 1) The 1930s negative version,
- 2) The 1970s and 1980s reconceptualisation of established commercial industry as

cultural,

- 3) Applied arts practices (for example, urban regeneration), and
- 4) The application of neoclassical economics to the arts.

There was the original condemnatory critique by the Frankfurt School (Cunningham, 2004, 105-115). In the 1970s-1980s, it was decoupled from this mode of distance dialectical critique and critically turned on its head by those in Britain looking to reconceptualise the established commercial industry as cultural, and to facilitate urban regeneration through applied arts practices and clustering strategies. Both took place in an environment of Labourist and Socialist retooling under Thatcher. The former took industry in the direction of culture; the latter took culture in the direction of industry (Cunningham, 2004). As mentioned earlier, the term culture industry is sometimes referred to as creative industry. But when it comes to the relations between culture industry and creative industry, disagreement also arises among theorists who oppose the British government in terming culture industry as creative industry and point to the distinction between the two. There are undoubted continuities between cultural and creative industry, but differences can be summed up as creative industry is trying to chart a historical shift from subsidized “public arts” and broadcast era media, towards new and broader applications of creativity. “Creative industry” is a quite recent category in academic, policy and industry discourse. It can claim to capture significant “new economy” enterprise dynamics that such terms as “the arts,” “media” and “cultural industry” do not. Creative industry can lay claim to being significant elements of the new economy in and of themselves (Cunningham, 2004). In addition to the above debate and arguments over the definition of culture industry, other different approaches to its definition and categories are also found among scholars and theorists.

2.2.2. Classifications

The cultural industry refers to those activities which deal primarily in symbolic goods, goods whose primary economic value is derived from their cultural value. Generally speaking, this definition includes what has been called the “ classical” cultural industry , embracing broadcasting media, film, publishing, recorded music, design, architecture, new media -- and the “ traditional arts”, visual art, crafts, theatre, music theatre, concerts and performance, museums and galleries — all those activities which have been eligible for public funding as “art” (O’ Connor, 1999).

As yet another version of classification, David Throsby, professor of economics at Macquarie University in Sydney, Australia attempts his definition of culture industry in his book, *Economics and Culture*, by using a concentric circle. Located at the core creative fields of the circle are commercial outputs that possess a high degree of expressive value and invoke copyright protection like music, dances, opera and drama, literature, visual arts. Surrounding the core is culture industry, or activities that involve mass reproduction of expressive outputs. These outputs are based on copyright like film, publishing, music, video games. Lying further out is the creative industry and activities in which the use of expressive values is essential to the performance of these sectors, for example, software in addition to the performance of the wider economy. The circle ends up in the outset in the rest of the economy, like manufacturing and service sectors that benefit from and exploit the expressive outputs generated by the creative industry, like the emotional ergonomics of the Apple iPod and Dyson’s vacuum cleaner, or the “retailtainment” of service, such as Virgin Atlantic and British Airlines (Throsby, 2008).

Similarly, obvious differences can be found by governments and international organizations in their definitions and classification of culture industry. Culture industry changes to leisure recreation and tourism in Japan while creative industry is referred to by the Blair government in Britain. Creative has been used to replace culture in Britain because the focus is on the creativity of man and culture's infiltration into and contribution to the economy.

As a comparison with culture industry, the phrase creative industry (or sometimes creative economy) refers to a set of interlocking industry sectors, and are often cited as being a growing part of the global economy. The creative industry are often defined as those that focus on creating and exploiting intellectual property products, such as music, books, film, and games, or providing business-to-business creative services such advertising, public relations and direct marketing (Creative industry, wikipedia.com). Also, according to Department for Culture, Media and Sport (DCMS) of the United Kingdom, the creative industry is defined as those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.

Based on this definition, mapped into the creative industry sector are the following activities: advertising, architecture, arts and antique markets, crafts, design, designer fashion, film, interactive leisure software, music, television and radio, performing arts, publishing and software. This eclectic list includes the resolutely analog theatres (arts, crafts, antiques, architecture), established commercial business sectors (television, radio, film) as well as all-digital new economy sectors (software, interactive leisure software (Cunningham, 2004).

The notion of "cultural industry" is also closely linked to but, again, slightly different

from a categorization based strictly on the notion of “intellectual property,” which is closely linked to the concept of information-driven economies, and which includes such activities as scientific and technological innovation, software and database development, telecommunication services, and the production of hardware and electronic equipment (UNESCO, 1998). In addition to all the above definitions about what culture industry is and includes, countries like Finland, New Zealand, Korea, Singapore where importance has been attached to the development of culture industry, have all defined and classified culture industry in their own way.

As discussed above, the term culture industry is used in China, but there is virtually no purchase for the term in the United States (Cunningham, 2004). Rather, copyright industry is a more familiar term used. But this does not prevent the U.S. from becoming the country with the most developed culture industry in the world.

Even though culture industry as commercial activities had emerged in China about three decades ago when China started its opening up and reforms endeavor in 1978, it was not conceptualized in China until 1991, when it was officially recognized as an industry and defined by China in government documents.

The Chinese government defines culture industry in China as the for-profit industries that produce cultural goods and cultural services and activities that are engaged in provision of cultural and entertainment goods and services as well as an aggregate that is related to all these activities. The industries covered by this definition include live arts performing, films, audio and visual production, entertainment, tourism, arts training and artistic products (The Tenth Five-year Plan, 2002.) Based on the above definition, China has further classified its culture industry into three groups: the core, the peripheral and culture-related.

The core includes news and media, publications and copyright, radio and television broadcasting and motion pictures, and arts. The peripheral includes the Internet service, entertainment, and other related cultural activities, and the culture-related includes the production, manufacturing, and sales of cultural goods, materials.

In the United States, culture industry, or to be more acceptable, copyright industries, has traditionally been defined to include the producers and a portion of the industries engaged in the physical production and distribution of books, newspapers, advertising, records, CDs, and pre-recorded tapes, music, motion pictures, television and radio programs and computer software (Siwek, 2002).

According to the International Intellectual Property Alliance (IIPA), culture industry is divided into four groups: core, partial, distribution or non-dedicated, and copyright related or interdependent. In a detailed classification, IIPA has illustrated the four groups as follows:

The core industries are those industries whose primary purpose is to create, produce, distribute or exhibit copyright materials, including newspapers, books and periodicals, motion pictures, recorded music, music publishing, radio and television broadcasting, and business and entertainment software.

Partial copyright are industries in which only some aspect or portion of the products that they create can qualify for copyright protection, ranging from fabric to jewelry to furniture to toys and games. The non-dedicated support industries distribute both copyright and non-copyright protected materials to business and consumers, including transportation services, telecommunications and wholesale and retail trade.

The fourth group involves the interdependent industries that produce, manufacture, and sell equipment whose function is primarily to facilitate the creation, production, or use of

works of copyrighted matter. They include manufacturers, wholesalers and retailers of CD players, TV sets, VCRs, personal computers and usage dependent products including blank recording material and certain categories of paper (Siwek, 2006).

In summary, the concept of culture industry can be understood to be composed of two parts: culture and industry. As far as culture is concerned, culture industry embraces spiritual aspects like arts and creativities while industry involves economic-related content. The latter can be viewed as the development and extension of the former.

2.3. Definition and Function of Culture Industry Policy

Culture industry policy is defined as the aggregate of the guidance, systems and specific management measures that a government applies to the development of culture industry in that country (Li, 2006b). Actually, cultural policies change and adjust themselves with the development of culture industry. They are the collection of a series of policies that a government makes and implements with the aim to promote and regulate the development of culture industry. In a new economy era, governments all around the world have been putting the making of culture industry policies to promote it on their agenda. Over the past twenty years, many governments have pinned high hopes on policy on culture industry, assuming that it will change the present course of economic development in their countries and will reshape the role culture has ever played in the economy. In Europe and the European Union in particular, various cultural elements have turned into one of the main forces that drive the economic and social development, with culture industry and cultural policies being the research theme in many European conferences.

Culture industry policy means approaching culture from an economic angle and applying

economic methods to policy analysis, including investment, leverage, employment, direct and indirect revenue effects, etc. (An, Tian and Shan, 2004).

Frith (1991) conceptualized culture industry policies in three forms. First, a policy that encourages the development of technology for manufacturing cultural artifacts for sale in domestic mass markets and exports, such as films and television programs, and focuses on the development of electronic goods and the media. Second, a strategy that may take the form of tourism policy, in which cultural forms are developed for a tourist market. Such forms could include museums and arts festivals (including music festivals), which would attract tourists to cities, thus rendering consumers “imports.” Third, a policy that can function as “cosmetic policy,” in which culture is a sort of “urban make-up.” In this case, cultural forms help to make a place look attractive to tourists and to visitors who might end up staying. Investors looking for locations for their new industries may also identify locations by the “quality of life” offered (Frith, 1991).

Kong (2000) characterized cultural economic policy in the United Kingdom between mid-1980s and 1990s in four ways. First, there is growing investment in the infrastructure needed for cultural production, for example, studios, workshops, marketing and support organizations, and the planning of “cultural districts.” Relatedly, there is increasing support for new technology sectors, such as television, “central to the whole field of popular culture.” Second, there is the launching of “flagship” development projects for arts centers, theatres, and concert halls in inner-city areas and the launching of high profile events or festivals, often linked to local heritage themes, to encourage cultural tourism. Third, there is investment in public art and sculpture and the revival of urban public spaces for multiple forms of activity. Fourth, there is growing partnership between businesses and public sector agencies, including

developers, banks, and companies of national and international significance (Kong, 2000).

In its publication entitled *Developpement culturel* published in 1994, the UNESCO defined the function of culture industry policy as: (1) broadening access to culture; (2) improving quality in the mass media and developing community and independent media; (3) fostering creative work; (4) modernizing traditional cultural institutions; (5) strengthening national cultural production; and (6) ensuring the country's cultural influence abroad (Rabby, 1994; Girard, 1982).

Unlike the United States, China is one of the many countries where culture industry policy is well defined and definitely implemented as it is one of the most highly centralized countries in the world. The term *culture industry policy* first appeared in the official document of the Chinese government in October of 2000, when the 15th ruling Communist Party of China Central Committee adopted the *Proposal on Formulating the Ten Five-year Plan on the Social and National Economic Development of China* was adopted at its Fifth Plenum. Culture industry policy is defined as the aggregate of policies made by the authoritative agencies of a country that encourages and regulates the development of culture industry. The definition encompasses three explanations. First, culture industry policy constitutes an important part of a series of industrial policies of a country. Second, it focuses on culture industry as policy object. Third, it is a special policy among all the industrial policies (Yang, 2006).

3. Culture Industry in China and the United States: Development and Comparison

In this section, the history of the development of culture industry in China and the United

States, including all stages, is discussed. Comparison from different perspectives is also made to look into the distinctive features of culture industry in the two countries.

3.1. Culture Industry in Review

3.1.1. Development of Culture Industry in China

In the wake of the founding of the People's Republic of China in 1949, a highly centralized and planned economic system modeled on the former Soviet Union (Han, 2005) was introduced in China, a system that was to rule out any possibility of attempts to develop culture into consumerism. Culture for a long time was referred to as cultural undertakings, wholly funded by the government while serving as a tool of ideological propaganda and focusing on its inherent public benefit nature (Han, 2005).

This situation had remained unchanged for nearly three decades until the late 1970s when China embarked on a market-oriented socialist economy. With the late 1970s as the starting point, three distinctive phases can be identified in the development of culture industry in China.

Phase One from 1978 to 1992

1978 marked the beginning of the Deng Xiaoping-initiated reforms and opening-up that focused on economic development in China. Against such a social and political background, culture industry started to bud in China. However, culture was still far from being viewed as an industry as a whole during this time. Cultural undertakings that stressed the public good nature of culture were still sweeping across the nation. Peripheral cultural sectors that kept a loose and distant linkage with ideology were the first among others to show signs of culture industry, with investment from the private sector. These included advertisement and

commercials on radio and television, the mass entertainment, like tea houses playing soothing background music, Karaoke, soap operas, rock'n'roll, dancing halls and night clubs, and cultural hardware makers, such as tape recorders and audio tapes. The development of culture industry was sporadic and simple in forms and content in the initial stage, with more diversity emerging toward the end of the period.

Phase Two from 1993 to 2002

This was the time when culture industry in China expanded in an unprecedented manner with the cultural undertakings giving more and more way. As it developed, culture industry was beginning to make an impact on national policy-making (Hesmondhalgh and Andy, 2005). During the second phase, reforms were making great strides in the nation's cultural structure, featuring a governmental shift from direct to indirect administration. The government withdrew into the background from its traditional practice of full funding, full involvement and intervention in organizing all cultural events and activities.

A milestone moment came in October of 2000 when cultural industry policies were officially conceptualized for the first time in the ruling Communist Party's document entitled CPC Proposal on the Promulgating of the 10th Five Year Plan for the National Economy and Social Development. For the first time in China, the profit-making nature was officially recognized and given its legitimacy in culture industry while stress was still maintained on its inherent public good nature. This was the indication that the Chinese government was to conscientiously promote the development of culture industry. More investment from the private sector and foreign countries was greatly encouraged. By 1997, for example, the private sector had accounted for 88.6 percent of the total investment in the arts, entertainment and audio and video markets while only about 10 percent was from the state (Cheng, 1999,

14). In 2001, the development of culture industry was integrated into China's 10th Five-year Plan (2001-2005), marking the strategically important role to be played by culture industry in China's national economy.

Phase Three from 2003 to present

This was the time when China joined the World Trade Organization and international cultural competition was increasingly intensified and culture industry in China gained a strategically important status in the national economy and its development was gaining great momentum. Two distinctive features marked culture industry during this period: the hi-tech-intensive and the globalization.

3.1.2. Development of Culture Industry in the United States

According to the literature, culture industry throughout the world is generally perceived to have experienced four phases of development. That is, the budding phase from the 1920s to the 1950s, the shape taking phase from the 1950s to the end of the Cold War, the fast development phase from the end of the Cold War to the end of the 1990s and the integrated development, the beginning of the new century to present (Tang, Yin and Yin, 2006, 14). Based on the above classification, the development of culture industry in the United States is reviewed in the following four stages.

Stage One: Global Domination from the 1920s to the end of World War II in 1945

Culture industry usually develops in an indispensable way with the advances of science and technology. Following the first and the second technological revolution, electric media like telegraph, radio and television came to become part of people's life all over the world from the 1920s. One of the features in culture industry during this time was the rapid emergence of the media industry, an important component of culture industry, which

contributed immensely to the boom of culture industry. Against such a global scenario, KDKA (1020 AM), a radio station in Pittsburgh, Pennsylvania, the United States, started its operation in November 1920 and is often controversially said to be the oldest commercial radio station in the United States (KDKA, wikipedia.com). The radio stations were the leading role players during the 1930s and 1940s in the United States, followed closely in their track by the television industry and the film industry. This subsequently led to the concentration of the film industry into the hands of the eight largest studios in the United States, and later to the giants or the majors, sometimes dubbed *The Big Five*, who were to rule and monopolize Hollywood for the next half-century and produced more than 90 percent of the fiction films in the United States and distributed their films both nationally and internationally (Dirks, 2003, 3). As time passed, the United States dominated the world market by relying on its powerful financial strength and advanced communication technology. It was little wonder to see a world cultural market dominated by rampant American cultural products, ranging from the Hollywood, the Broadway operas to music. Meeting no challenges in sight from the world, the United States was enjoying a global domination from the 1920s to the end of World War II in 1945 (Wang, 2007).

As policies on culture industry had been rare to be seen among governments all over the world during this period, this policy vacuum gave rise to a United States cultural policy that put no constraints on the development of its culture industry, a policy that has ever remained so up to the present day. During this period of United States global domination and the free development of radio and television, the underpinning laws that could be found as policies on culture industry in the United States were the Radio Act of 1927 and the Communications Act of 1934. Created by this Act of 1934, the 7-commissioner Federal Communication

Commission, an independent regulatory government agency derives its powers to regulate various segments of the communications industries from the U.S. Congress, and has broad oversight over all broadcasting regulation (FCC, 2000).

Stage Two: Shape Taking from the 1950s to the end of the Cold War in 1989

Following the end of World War II, the third industrial revolution (Greenwood, 1997) occurred. This fast-growing, information technology-intensive revolution, buttressed by the invention of computers during the 1950s, brought about the third revolution in communications media. The rise of the Internet is well recognized as the fourth medium after print, radio and television (People's Daily, 2001). While the United States still led the world in this revolution as it was still financially powerful, the rise of culture industry in Europe posed a menacing challenge to the U.S. monopoly of the global cultural market. During this stage, the United States focused its culture industry on the media development, with mass media as the core of its culture industry.

In 1952, four television networks were established in the United States. In 1972, the number of television stations across America soared up to more 600 and by 1980; television had reached 80 percent of the American population, making it the country that owned the most televisions in the world. In 1962, the first American television and communications satellite was launched, which spread the coverage of American television programs across the whole world. By 1980, television revenue in the United States had amounted to \$11.488 billion. In addition, American cartoons swept across the global cartoon market, leading in a period of glory for the Disney Corporation (Papazian, 1997).

Featuring the American policy on culture industry during this period was the National Foundation on the Arts and the Humanities Act of 1965. This Act marked the direct

involvement, for the first time, of the United States government in the development of its culture industry, even though direct federal support for the arts accounted for only 9 percent in the United States system of arts support (NEA, 2007). However, an affordable input into the arts in the form of laws is guaranteed in this way. In addition, some other laws like the Family Entertainment and Copyright Act of 2005 and United States labor law had also greatly boosted cultural development.

Stage Three: the Rapid Development from the end of the Cold War to the end of the 1990s

On the ruins of the Cold War, the United States was left standing alone as the sole superpower to overlook the world. Riding on its unchallengeable economic, political and military strength, the United States began to launch its cultural exports overseas. Even further featuring this period was the looming up of cultural tycoons. With a development of more than half a century, American cultural enterprises that had accumulated sufficient strength started to lock themselves in a war to acquire and merge each other and at the same time they started their expansion into the international market when the domestic market could no longer appease the pang of hunger in demand.

Resolute support for American expansion overseas featured the American cultural policy during this period. The Telecommunication Act of 1996 was the typical example. The Act cried out for deregulation on cultural production. As a result, the acquisition and merging in the American media industry that started in 1980 reached its climax (Zhi, 2004).

Stage Four: the Integrated Development from the beginning of the New Century to present

The development of information technology is linking together countries in various

corners of the world in an ever closer way and international division of labor and cooperation also intensify. All this has opened up for the United States an unprecedented opportunity. Featuring development during this period is the rise of hi-tech cultural enterprises, ushering in a golden time of development for the United States in its culture industry. The formation of large scale cultural industry groups dominates the trend. These are cultural giants who have operations crossing over the boundaries of countries and industries, leading to reshuffling of cultural entities. At present, the top 25 media groups in the United States are those gigantic cultural groups that encompass radio, television, cable television, satellite television and radio, newspapers, magazines, publications, films, recorded music, entertainment, telephone, the Internet, sports, retails and advertisement (McAvoy, 2003).

The United States government that is dedicated to turning the United States from a nation of cultural resource-scarce to that of strong culture industry continues to push ahead its overseas expansion for the American cultural enterprises, combined with intensified technological application. In the North America Classification of Industries, the United States separates the software from the hardware in culture industry. By classifying hardware into the traditional industry, the United States focuses on a culture industry that is content innovation-based.

3.2. Culture Industry in Comparison

3.2.1. Comparison in Financial Strength

As culture becomes more and more highly commercialized, strong financial support becomes indispensable for the development of culture industry, as in the case of any other industries. As far back as in 1997 when culture industry became a boom in many countries, developing and developed alike, total financial support for arts alone (just as part of culture) in

the United States had reached \$17.583 billion, including \$2 billion of direct government grants (Heilbrun and Gray, 2001).

For the same period, the total financial inputs in China, with culture and antique, radio and television and publications put together, stood at only ¥10.966 billion(\$1.22 billion), a figure not even larger enough to match that in arts alone in the United States (Meng, 2004). Even today, almost a decade later, China still cannot stand on an equal footing with the United States in spite of its increased input in culture over the years.

Newspapers and journals have undergone a big boom over the past few years in China. Up to 2003, more than 40 leading newspaper groups nationwide were vying for market share. The *Guangzhou Daily*, one of the top 40, then owned more than 10 subsidiary papers and magazines. In 2002 alone, its gross revenue from advertisements reached ¥1.4 billion (about \$16 million). However, this is just an overshadowed achievement when compared with the American newspaper groups (Tang, 2004).

With operations covering traditional publications, broadcasting and television, the Internet and the digitals, Gannett Co., Inc, the largest newspaper publisher in the United States, publishes 85 daily newspapers, including *U.S.A. TODAY*, nearly 900 non-daily publications and approximately 300 weekly newspapers, magazines and trade publications in 43 states in the United States and the United Kingdom (Gannett, 2009). Gannett had \$12.98 billion in total assets in 2000. Its business revenue reached \$6.222 billion in total, of which, revenue from newspaper was \$5.334 billion, accounting for 86 percent of the total income and revenue from advertisement was \$3.973 billions, accounting for 75 percent of the total income (Wang, 2002, 3). Such a comparison shows that the gap is indeed vast and it will take time to fill. Viewed from a culture industry perspective, such a huge financial gap between the two countries can be

attributed to the following reasons.

First, industry monopoly and concentration has been highly intense in the United States. As early as the 1980s, all the main media in the United States had been highly concentrated into the hands of about 50 corporations. Among them, the 20 newspapers giants like the Gannett Company, In., the Hearst Newspapers, and the New York Times Corporation. and the Washington Post Corp. controlled more than half of the sales of daily newspapers, with the sales of magazines also placed under the control of several big enterprises. American Broadcasting Corporation (ABC), the National Broadcasting Corporation (NBC) and Columbia Broadcasting System (CBS) joined hands to cover more than 90 percent of the American audiences and listeners. More than 80 percent of the produced records and tapes belonged to Warner Brothers and a few other producers (Wang, 2007). In addition, gigantic American culture industry groups had formed a highly sophisticated financing system, as illustrated by ABC, NBC and CBS which all had powerful consortiums standing behind them. Very stable partnership entwining each other had been established between these culture industry groups and financial groups,

In contrast, culture industry in China has been very weak in organizations, concentration and scale. By 2000, China had had 10,732 kinds of newspapers (China Press Administration, 2001). In spite of a seemingly large figure, most of these papers were poor in quality, lack of financial support, with not much difference in differentiated products from each other.

Secondly, China is lagging far behind the United States as far as financial power and profitability are concerned for cultural enterprises. According to Jack Valenti, president of the Motion Picture Association of America, the average cost of production per film in the United States in 1999 was \$51.5 million and rose to \$54.8 million per film in 2000 (Munoz, 2001).

This alone already equated the total shooting expenditure for the whole year for motion pictures in China (Wang, 2002). In 2000, a total of 84 motion pictures were released in the United States, with the average investment standing at \$82.10 million per film (Munoz, 2001). Viewed from the box office, revenue in 1999 in the United States reached \$7.5 billion while only ¥0.81 billion (about \$9 million) was reaped in China for the same period (Wang, 2007, 33).

3.2.2. Comparison in Technologies

This is an era when hi-tech turns into the driving force for economic development and when technology is driving the innovation. As Ron Kind, an American Democratic Congressman, once said, technology is driving the creativity (Kind, 2009). Technology and the use of that is going to determine our workers' ability to compete in the 21st century global marketplace. One sure thing is that high and new technologies will be widely applied to culture industry, ranging from content to forms, from production means to means of communications and will greatly contribute to the development and innovation in cultural products.

Just like many other developed countries, cultural products in the United States have now become one of the pillar industries both in their national economy and exports. Therefore, science and technology have played an active role in the development of culture industry. During the 1990s, the Internet technology in the United States had been widely applied by both the book publishers and the audio and video producers for selling their products online. As a result, consumers had very convenient access to the purchase of these products, which in turn greatly boosted these publishers in their business.

As it applied in its cultural entertainment new and high technology, the Disney

Corporation saw an astonishing soar in its annual revenues from \$8.5 billion in 1993 to as high as \$ 22.5 billion in a mere four years time (Meng, 2000). The music operas in Broadway serve as another convincing example. The Broadway has put so much technology into its products that it puts all the traditional live performing arts out of comparison as seen in the settings, lights, and sound effects.

In contrast to the United States, production in movies and live performance in China remains in the traditional technology, creating a wide gap between the two countries (Ma, Lu and Wang, 2007). Such a gap can actually be seen in all other sectors of culture industry, exemplified by the fact that China still uses a lot of out-dated technologies that are no longer used in the developed countries to produce its audio products.

3.2.3. Comparison in Marketing Operations

A full-fledged free-market economy has resulted in a very matured mode of marketing operations in production and sales in the Western developed countries which are always market-oriented. This is seen in the importance attached to market research. A full market research is always conducted whenever a new cultural product is to be produced. Long before China applied to join the World Trade Organization, the United States had begun its research on the Chinese market in order to sweep across China with its cultural products.

The United States has established a stable and global sales market, which has controlled to a large extent a majority of cultural businesses. As the United States has established across the world a very large and fine marketing network, a fast and timely access to a new product for every consumer in every corner of the world is made available.

3.2.4. Comparison in Innovations

The heart and soul of the company is creativity and innovation (Farrell, 2005). It goes far beyond that. Creativity and innovation are the heart and soul of a nation. They are the heart and soul of culture industry as well.

As a country that has existed for just a little more than 200 years, the United States does not have a long history and a brilliant culture of its own. It does not have the traditional resources for the development of its own culture industry. However, there has never been a lack of virtual stories and people coming out of its cultural products. Enriched by a heavy borrowing of history and stories from other nations, and seizing on every theme that is market-worthy, the United States has made the fullest use of the traditional cultural resources. Any traditional cultural resources will emerge with a completely new life once they are innovated through the American culture industry, buttressed by professional marketing operations and commercial packaging.

Take for an example, *the Titanic*, an ocean tragedy well known in the world. But the Titanic disaster evolves into a tear-shedding and sad love story after it has been repackaged and operated by the American movies enterprise. In addition to oceans of tears shed in the cinemas, \$1.8 billion in box office has been directly taken from the wallets and purses of the global audience, with an additional \$5.3 billion reaped in indirect side-products (Wikipedia.com).

3.2.5. Comparison in Market Competitiveness

Market competitiveness represents the overall strength of culture industry of a country. The market here not only includes the cultural market within the boundary of a country, it also includes the global one.

In its early development, culture industry in the United States used to base itself on

meeting domestic demands. As competition at home intensified, with market profits shrinking, the United States started to extend its culture industry to overseas' markets for survival and profits. This is particularly obvious in the change in the American movies sector. In 1980, 70 percent of American film revenues were generated by domestic box office. In the subsequent years, American overseas box office increased at an annual rate of 6 percent to 7 percent (Meng, 2004, 34), culminating in \$5.85 billion in 1997. Today, domestic box office accounts for only 35 percent in the total revenue, completely reversing the percentage in 1980 (Meng, 2004, 23)

Movie exports constitute a very important source of profits in the United States. Following the example of American movies, other sectors in the American culture industry are vying with one another to extend themselves into foreign markets. As a result, while dominating the global market, the American culture industry has greatly boosted the economic development of the United States. In 1996 alone, the United States exported over \$60.2 billion in sales of software and entertainment products, and total United States exports of intellectual property have risen over 94 percent since 1991 (Feigenbaum, 2000, 35).

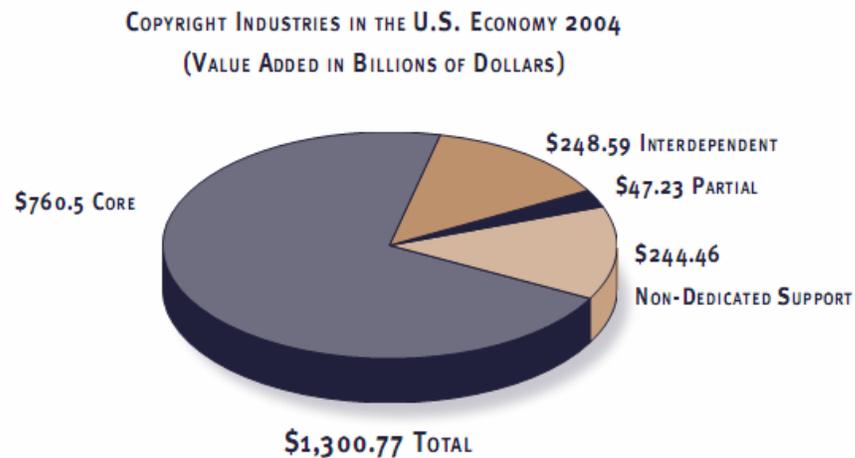
3.2.6. Comparison in Contributions to the National Economy

Based on hard data, both China and the United States claim enormous contributions to their national economy by culture industry (referred to as copyright industries in the United States). In 2004, there were 346,000 culture industry-related entities that created 9.96 million jobs, accounting for 1.3 percent of the total employment in China. Value-added to the national economy rose to ¥344 billion (about \$38 billion), or 2.15 percent of GDP (National Bureau of Statistics of China, 2006).

According to *The 2006 Report on Copyright Industries in the U.S. Economy* prepared by the International Intellectual Property Alliance (IIPA), the United States copyright-based

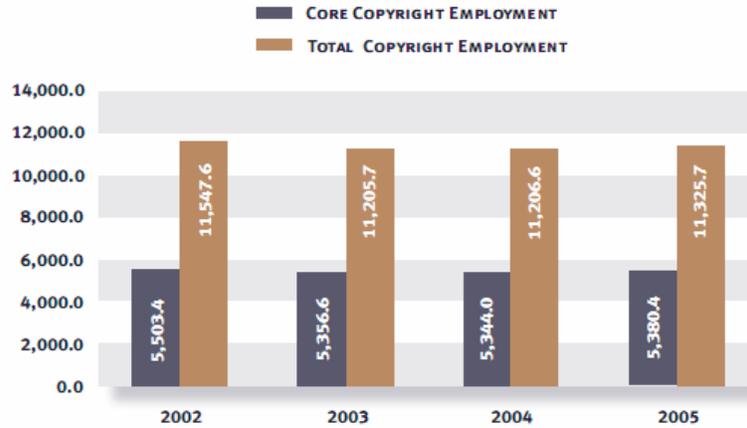
industries continue to be one of the America’s largest and fastest-growing economic sectors. In fact, the creation of knowledge-intensive intellectual property-based goods and services is critical to the continued economic growth of the United States (Siwek, 2006). Viewed statistically, contribution by culture industry to the United States economy and employment in 2004 is illustrated as follows:

United States gross domestic product (GDP) in 2004 was \$11.7 trillion. By 2005, United States GDP had risen to \$12.5 trillion. In the same years, the “value-added” to United States GDP by the “core” copyright industries reached \$760.49 billion or 6.48 percent of the United States economy in 2004 and about \$819.06 billion or 6.56 percent in 2005. In 2004, the value added to United States economy by the “total” copyright industries was \$1,300.77 billion or 11.09 percent of United States GDP. In 2005, the value-added for the total copyright industries rose to \$1,388.13 billion or 11.12 percent of United States GDP (Siwek, 2006, 2).



Source: Copyright Industries in the U.S. Economy, the 2006 Report, Prepared for the International Intellectual Property Alliance, p.7

Chart 5: CHART 5: U.S. COPYRIGHT INDUSTRY EMPLOYMENT (IN THOUSANDS)



Source: Copyright Industries in the U.S. Economy, the 2006 Report, Prepared for the International Intellectual Property Alliance, p.11

A comparison of the above data shows that China's culture industry contributions and influence to the national economy is much lower than that of the United States. The term pillar industry has been quite often used in China, which means that an industry will become a pillar when it accounts for more than 5 percent of the GDP. Based on this assumption, culture industry in China is still far from being called a pillar industry.

In summary, there exists an obvious gap in culture industry between China and the United States. With such a huge gap needing to be closed, foreign capital and culture industry led by the United States will inevitably create a strong impact on culture industry and market in China, which in turn will lead to a great influence on the economic development, social stability and culture industry in China.

4. Comparison of Culture Industry Policy in China and the United States

After much interest and space have been devoted to the exploration of culture industry

and its development in China and the United States, there are some focal questions that warrant more intense interest and research. What type of policies can the culture industry push forward for its development? How do all these policies, if any, function from behind? What conclusion can be drawn from a further study? An exploration into the answers for these questions will be made in this section.

Comparison always makes sense and tells a story. It is self-evident that a vast gap does exist between China and the United States in the development of their respective culture industry. Yet a comparison is still worthwhile to show just how wide that gap is and what China can learn from the United States in the future.

4.1. Culture Industry Policy in China in Review

Culture industry in Communist-ruled China since 1949 has featured an evolvement from being totally denied and rejected to being recognized and accepted and then to full-fledged development in recent years. For a long time, the concept and idea of what a culture industry was had been completely absent from the minds of the people. Only sporadic commercial activities dotted the cultural sector in the early 1980s. In the initial absence of such an industry, policies on culture industry were therefore out of the question. Starting in 1978, some landmark policies on China's culture industry have emerged one after another as follows:

In 1984, policies were issued to show support for and recognize the legitimacy of some cultural institutions that had come under fire as they tested the water in profit-making programs. These policies marked the first loosening of government grip on profit-making cultural activities.

In 1987, the Circular on Better Regulation of Profit-making Dancing Halls was jointly

issued by the Ministry of Culture, the Ministry of Public Security and the State Administration of Industry and Commerce. This was the first government document that officially recognized the legitimacy of the for-profit dancing halls, night clubs and some other mass entertainment in the wake of the mushrooming of the dancing halls and music tea houses. Later on, rules and regulations on the management of advertisements and commercials were mapped out as the development of advertisements and commercials gained momentum. In 1988, the following year, the Circular on Strengthening the Regulation of the Cultural Markets was issued, again jointly, by the Ministry of Culture and the State Administration of Industry and Commerce. The cultural market was conceptualized for the first time in this policy, marking at the same time the establishment of the cultural markets in China. Shortly afterwards in 1989, the institution of the Office of Cultural Market Administration under the Ministry of Culture was approved by the State Council, equivalent to the State Department in the United States. This ushered in the subsequent establishment of a management system on the cultural market throughout China.

In 2003, policies on emerging industries like the Internet and encouragement on the involvement of private and individual funds in culture industry were issued. In 2005, policies on the export and import of cultural products and tax incentives for incorporation of cultural institutions were issued (Yang, 2006).

Tax exemption might be the most effective economic leverage a government applies to show its support for the development of an industry. Between 2004 and 2008, two important policies on taxation incentives on for-profit cultural organizations were jointly issued by the Chinese Ministry of Finance, National Administration of Taxation and National Customs Administration. These two important policies are, respectively, the Circular on

Taxation Policy for Profitable Cultural Enterprises and Circular on Taxation Policy for Promoting the Development of Culture Industry. In these two policies, profitable cultural enterprises are exempt from all revenue taxations.

4.1.1. Some Other Important Chinese Culture Industry Policies

In China, the making of culture industry policies usually involve a diversified top-down body of policymakers. All these policymakers can intervene extensively in the development of culture industry in China. They include, but are not just limited to, the ruling Communist Party, the State Council, equivalent to the State Department in the United States, and the Ministry of Culture.

Direct involvement of the ruling Communist Party of China, the State Council, and the Ministry of Culture in the Chinese culture industry is seen through some of the important policies, which include:

1. Build a Well-off Society in an All-round Way and Open Up New Prospects for the Cause of Socialism with Chinese Characteristics, a Party Report delivered by the then Party Chief, Mr. Jiang Zemin, at the 16th National Congress of the Communist Party of China on November 8, 2002. In this keynote report, the profit-making culture industry was separated for the first time by China through the ruling Communist Party from the public good-oriented cultural undertakings. It marked a breakthrough in China's culture industry and indicated that the development of culture industry had become a state goal and a lot of subsequent policies would be made to pave the way for the development of culture industry in China.
2. Decision of the Central Committee of the Communist Party of China on Some Issues

concerning the Improvement of the Socialist Market Economy, adopted at the 3rd Plenary Session of the 16th CPC Central Committee on October 14th, 2003. Among other important issues addressed, the decision made a major step to show support for culture industry development as it declared in its text that all those who are engaged in for-profit cultural activities are encouraged to strengthen themselves by being more market-oriented.

3. Outline of China's Culture Industry Development Plan during the Tenth Five-year Plan between 2001 and 2006, adopted by the State Council in 2006.
4. Some Decisions on Engagement by Private Capital in culture industry, adopted by the State Council in 2005.
5. Suggestions on Encouragement and Support of Private Sector to Engage in Culture Industry, adopted by the Ministry of Culture in 2004.
6. Suggestions on Support and Promotion of the Development of Culture Industry in China, adopted by the Ministry of Culture in 2003 and
7. The Program on the Tenth Five-year Plan for the Development of Culture Industry in the People's Republic of China, adopted by the Ministry of Culture in 2000 (Ministry of Culture, 2000).

4.1.2. How Policies Are Mapped and Function

A study of cultural policies shows that in six years starting with 2001, almost every year saw the issuance of some crucial policies regarding culture industry in China. Of particular significance was the issuance of the outline of China's Culture Industry Development Plan during the Tenth Five-year Plan between 2001 and 2006, adopted by the State Council in 2006, and the Program on the Tenth Five-year Plan for the Development of Culture Industry

in the People's Republic of China, adopted by the Ministry of Culture in 2001.

The study also shows that profit-seeking activities involving culture industry in China have always preceded their regulatory policies from the government. Policymakers involve a diversified body, ranging from the ruling Communist Party, the central government, and the legislature to the local government. Governments at all levels involve themselves heavily in the operations of culture industry in terms of administration and regulation, and China is a top-down model in which mandatory policies on culture industry are made, matching the highly centralized Chinese governance hierarchy.

4.2. Culture Industry Policy in the United States in Review

4.2.1. The Role of the Federal Government

Culture industry policy as seen through the role of the federal government is most manifest in the functional organization of government. Unlike most countries in the world where a national-level ministry of culture exists, for example, Australia, China, France, Japan, South Korea, United Kingdom and others, the United States has never had a similar cabinet-level Ministry of Culture (NEA, 2007). Of the 15 cabinet level departments in the United States federal government, none of them is vested with specific responsibility to oversee the promotion of culture and arts in the country (Gilbert, 2009). Non-activity, non-regulation has been the principle followed by the United States government, particularly at the federal level, as the main feature in its cultural policy as promoting the country's arts and culture is not a national priority in the United States of America (Gilbert, 2009).

4.2.2. Embodiment of Culture Industry Policy in the United States

In spite of the absence of a functional ministry of culture in the United States, some important independent government agencies have been functioning indirectly on behalf of the

federal government. Most prominent among them are the following: The National Foundation on the Arts and the Humanities (NFAH), consisting of the National Endowment for the Arts (NEA), the National Endowment for the Humanities (NEH), the Federal Council on the Arts and the Humanities (FCAH) and the Institute of Museum and the Library Services (IMLS).

I. The National Endowment for the Arts (NEA)

With the purpose of developing and promoting a broadly conceived national policy of support for the humanities and the arts in the United States, and for institutions which preserve the cultural heritage of the United States (NFHA, 1965) the National Foundation on the Arts and the Humanities (NFAH) was created as an independent government agency by the National Foundation on the Arts and the Humanities Act of 1965 (20 U.S.C.951), the first of its kind since the Great Depression to support the arts and culture (NFHA, 1965). The National Endowment for the Arts (NEA) is one of its three components, the other two being the National Endowment for the Humanities (NEH), its sister agency, the Federal Council on the Arts and the Humanities (FCAH) and the Institute of Museum and the Library Service (IMLS). NEA is the largest single funder of the arts across the United States.

III. The National Endowment for the Humanities (NEH)

Apart from the NEA, a few other federal agencies and programs also function with the primary mission to fund nonprofit groups conducting artistic or cultural activities. The National Endowment for the Humanities (NEH), NEA's sister agency in HFAH, is one of them. Like NEA, NEH promotes and provides funding for scholarly research and public programs in history, philosophy, literature, religion, ethics, and jurisprudence (NEA, 2007).

III. The Institute of Museum and Library Services (IMLS)

IMLS is yet another major active player as an independent government agency in

providing public fund. It was created by the Museum and Library Services Act (MLSA) of 1996. The 1996 law combined the Institute of Museum Services, which had been in existence since 1976, and the Library Programs Office, which had been part of the Department of Education since 1956.

IMLS is the main source of federal support for libraries and museums within the United States, with its mission to create strong libraries and museums that connect people with information and ideas. IMLS works at the national level and in coordination with state and local organizations to sustain heritage, culture, and knowledge; enhance learning and innovation; and support professional development (IMLS, 2009). It is through these independent government agencies, along with others, that the American policies, if any, on culture industry present their existence quietly.

4.2.3. How Policy Functions

The United States has always been a country where individualism and decentralization are strongly encouraged. However, all this has been confined to and based on a well defined and developed legal system. Culture, when regarded as a commercial industry, is nothing more special than other industries in the economic sector. There is no difference between cultural products and other products like automobiles or steel. As such, there is no need from the perspective of government to make any plans or protection for it. What the government can do is to provide a platform where fair and free competitions are staged (Wang, 2007).

For its part, the American government, in particular at the federal level, usually exerts its influences on culture industry through laws and economic leverages. No functional departments on cultural affairs are seen in the federal government.

1. Government support through grants. This is achieved mainly through the National

Foundation on the Arts and the Humanities. Federal grants and technical assistance flow through NEA to arts groups and individuals or programs concerning both “the arts” and “the humanities.” Yet, in spite of this *invisible hand* to get involved in culture industry, the United States federal government at the same time has refrained from making any policies and exercising administrative functions in the cultural sectors for at least two reasons: 1) traditional government policy viewed arts as “primarily a matter of private and local initiative” (NFAH, 1965) and 2) direct public support is not used to impose arts policy and government decisions on arts funding tend to be driven by experts within a given field or discipline instead (NEA, 2007). Grants are based on merit and not on a policy aim or on political favoritism (NEA, 2007). One distinct feature in the federal grants is that the government only supports non-profit institutions. Any profit institutions like the popular music are not entitled to government grants. While eligible for government grants, the recipients can only be funded with half of the project’s budget, the other half of the funding must be raised by the recipients themselves. This prevents excessive reliance of the recipients on the government and encourages self-reliance (NFAH, 1965).

2. Tax Incentives for Corporate donations and Private Giving. While the federal government provides its financial support each year, indirectly, through such independent agencies as the National Foundation on the Arts and the Humanities, state and local governments do the same thing as well. In addition, diversified financing channels are open. One such important financial channel comes from corporate, funds and individual donations and other foundations other than NEA and NEH. These are far higher than the government channels, accounting for 43 percent of the total financing in 2004 while only 13 percent being from the public (NEA, 2007, v).

Tax deduction and incentives have been one of the most important elements behind the vitality of American tradition of corporate and individual donation and philanthropy. Ever since 1917, any donation to a tax-exempt nonprofit organization is qualified as a potential deduction for the tax-paying donor (NEA, 2007), and a tax deduction for the donor, and along with the yearly tax payments waived for the nonprofits themselves represent the most significant form of arts support in the United States.

3. Attraction and Retention of Cultural Talents. The United States government has always turned a green light to cultural talents from all around the world. Between 1990 and 1991, nearly 100,000 cultural elites from the former Soviet Union were accepted into the United States; with nearly 30,000 of them settled down in the country, about fifteen hundred were famous people (Fan, 2006). All these immigrants have greatly contributed the development of culture industry in the United States.

4.2.4. Other Important United States Culture Industry Policies

An observation of the development of the United States policies on culture industry reveals that it has implemented most of these policies in the form of laws instead of administrative rules and regulations. These laws showcase some critical features such as a long history of enacting, detailed classification, timely amendment and extensive coverage. Listed below are some of the representative policies or laws in the United States.

1. First Amendment to the United States Constitution of 1871. The Amendment features the freedom of speech, the freedom of the press, and the right to peaceably assemble, or the right to petition the government for a redress of grievances (First Amendment, 1871). The Amendment lays the foundation in the form of law for the freedom of cultural development in the United States.

2. Communications Act of 1934. The Act replaced the Federal Radio Commission with the Federal Communications Commission (FCC) and transferred regulation of interstate telephone services from the Interstate Commerce Commission to the FCC. Vested with the responsibility of regulating both wired and wireless communication in the United States, it took over responsibilities that had been divided between the Interstate Commerce Commission, the United States Post Office and the Department of Commerce. Its broad mandate gave it jurisdiction over radio, telegraph, wire, and cable operations and, by extension, made it responsible for television and other forms of new communication as they appeared on the scene in ensuing decades. The Act provides the basic principles for the television management in the United States and on which policies were made (Communications Act of 1934).
3. Telecommunication Act of 1996. The Act is divided into seven titles, and deregulated and created new regulations on radio and television competition.
4. Others like the Constitution of the United States of America, Family Entertainment and Copyright Act of 2005 and United States labor law.

In summary, a study of the above referenced United States policies, as represented in the form of laws or acts, shows that one very important feature of the American culture industry policy is that all or most of these policies, and/or government system of arts support are market-oriented, highly decentralized, diverse and dynamic. This bottom-up, decentralized approach may be referred to as the American policy model. Actually, being market-based and decentralized have been some of the fundamental principles by which the United States government approaches culture industry development. The so-called non-activity, non-regulation is based on the assumption that culture industry must trust its fate to the test of

the market and excessive constraints from the government must be removed. “Let them die or let them go their way” as former United States President Ronald Reagan is interpreted. It is this seemingly “whatever will be” approach in the government policy that has brought about great success in American culture industry.

4.3. Cultural policy in Comparison and Analysis

Both China and the United States, just like any other countries, have been engaged in the development of their own culture industry, which prompt some interesting questions: What policy has been lying behind all this development? How have all these policies been formulated and implemented in support of the development? Do the two countries share any common things or differ from each other in making all these cultural policies in support of the development? This section will go beyond culture industry to a higher level to examine all these policies behind the industry.

A comparison of China and the United States, at least in culture industry policy, has been quite an uncommon and difficult one. These two countries are so different from each other, ranging from political system, society to culture. Yet both countries aspire to be major players in the global cultural economy. While the United States leads the world in an environment in which the free market is more involved than government involvement, China exemplifies a transitional environment in which cultural institutions that were formerly funded directly from the public purse are adopting a mixed mode of enterprise and subsidy (Cunningham, 2004). A comparison between these two countries will surely contribute to the development of both culture industry and its policymaking in China. By observation, a rough comparison has been made before going into details in the following aspects as far as policymaking is concerned.

4.3.1. Comparison in the Awareness of Development

The development of an industry is based on the awareness of it and how far that awareness goes. Such awareness even determines the future of an industry. As early as the 1920s, the United States had come to realize the importance of developing its culture industry and cashing in on the technological revolutions on several occasions, it developed its culture industry in an unprecedented way by making appropriate policies. All this has turned the United States into a cultural superpower in the world today.

China had developed under a rigorous planned economy for decades that denied even a mere mention of a free market economy. Consequently, in the absence of a free market, the awareness of culture industry was out of the question. This placed China in a very unfavorable position to compare itself with the United States.

China's official acceptance of culture industry did not come until October of 2000 when it claimed for the first time the need to "improve policies on culture industry, strengthen the building and management of the cultural market and push forward the development of culture industry" (CPC Proposal, 2000). Subsequent policies like Program on The Tenth Five-year Plan for Culture Industry Development were released, which gradually integrated culture industry into the overall strategy of national development, paving a smooth path of development for culture industry.

4.3.2 Organizations and the Role of Government

As is well known, China has been a highly centralized and planned economy. Matching such a system, administration features a top-down mandate, with excessive government involvement in almost every aspect, which stalemates all market mechanism and the flexibility of policies. In spite of a self-claimed socialism-based market economy, this top-down mandate

has surfaced time and time again in the course of development and has become more acute following China's access into the World Trade Organization. In recent years, a trend of decentralization has been quite obvious in China's policymaking. Yet, a balance needs to be struck between centralization and decentralization.

At the federal level in the United States, non-activity, non-regulation has been the dominant theme for policy-making. Rather, the market plays the crucial role. While culture industry has benefited from a completely free and open market, the market that imposes no constraints has also created troubles when the development runs out of control (Chen, 2005).

In China, there is a national-level Ministry of Culture and its subordinate provincial and local hierarchy, with a mandatory top-down policy while in the United States there is no similar cabinet-level Ministry of Culture, which is replaced by a free market system and policy is integrated with local and private participation.

4.3.3. Comparison in Law Making

The United States is recognized as the first country in the world to have passed a law for its culture industry. Despite the absence of a ministry of culture in the United States, laws on culture industry are abundantly found. What is more significant is that the establishment of law and order-based society creates a healthy environment for the development of culture industry. Anything that is not in violation of laws is free to develop following the market rules.

In the First Amendment to the United States Constitution, the United States Congress is expressly prohibited "from making laws... that infringe the freedom of speech, infringe the freedom of the press, limit the right to peaceably assemble, or limit the right to petition the government for a redress of grievances" (United States Constitution). This earliest constitutional law established a tradition that laid the legal foundation for American culture

industry development and provides a framework for the United States government to take a non-activity, non-regulation approach to its policies on culture industry.

In the history of United States government policy for culture industry, the most significant one is the National Foundation on the Arts and Humanities Act of 1965, which created the National Foundation on the Arts and the Humanities, an independent agency in the United States government. Through the Foundation, the United States government provides financial and technical supports for arts groups and individuals and the promotion and development of American arts. The 1965 Act marked a historic change in the cultural policy of the United States federal government as well as an end to traditional government policy that viewed arts as “primarily a matter of private and local initiative” (NFAH, 1965, 1). The Act has also been significant in that it sets out the ways in which the government participated in and supported cultural development. Other related laws, which place cultural development under protection, include the Family Entertainment and Copyright Act of 2005, the Contract Law and the Labor Law. While there has been an outcry for more laws on China’s culture industry, deficiencies in China’s legal system are posing a drag on the development. At present, an important issue that needs to be addressed is that so far China does not have a special law on its culture industry.

4.3.4. Comparison in Financial Support

The biggest difference between China and the United States in this respect is that diversity of channels for financial support. Over the years, a free and open government cultural policy on culture industry has prevailed in the United States. Therefore, private and local supports had remained the dominant force until the 1960s when the United States government came to realize the importance of cultural development and made subsequent policy guidance and

financial support.

The flow of financial support in the United States can be illustrated as private-based (local) or coming from private individual, private companies and a small percentage from the government, since the United States system of arts support is complex. It is decentralized, diverse, and dynamic (NEA, 2007, v). It combines federal, state, and local government support with private subvention from individuals, corporations and foundations, as well as box office receipts. Yet, only about 13 percent of arts support in the United States came from the government and only about 9 percent from the federal government (NEA, 2007, v).

In China, culture had been limited to the role of an ideological and political propaganda, defying and suppressing any of its inherent commercial elements. A highly planned economy also prevented private funds from involvement. In spite of great improvement over the years, lack of diversity in funding channels and inefficient funding have been the greatest obstacle that slows down China's cultural development. It is imperative to reform China's financing system and create easier market access for private and individual investment if China is to make a greater success in its cultural development (Liu and Shi, 2003).

5. Culture Industry Policy: The Case Study in China and the United States

As discussed above, culture industry in both China and the United States embrace extensive sectors. A narrowing down of the scope in culture industry is therefore necessary for the discussion of policies on culture industry to proceed further. In this section, two case studies will be introduced to illustrate how policies on culture industry function and how the governments play their role in promoting culture industry in China and the United States. The cases to be taken as examples are the Nanning International Arts Festival of Folk Songs in

China and the Atlanta Jazz Festival in the United States as both of them are on the municipal level.

5.1. The Nanning International Arts Festival of Folk Songs

5.1.1. The Nanning International Arts Festival of Folk Songs

Guangxi Ethnic Zhuang (provincial) Autonomous Region in the south of China is inhabited by a population of over 46 million by 1997 as home to people from 28 ethnic groups, including 12 major ones. The ethnic groups have a long tradition for their love of folk song, singing and dancing. The Nanning International Arts Festival of Folk Songs (NIAFFS) is a major cultural event that has been held annually for 15 consecutive years each November in Nanning City, the capital city of Guangxi, since it was initiated in 1993. NIAFFS changed to its present name in 1999 from the original Guangxi International Folk Song Festival, a purely artistic event relying fully on funding from the provincial level government budget after the provincial government decided to introduce market mechanism into the operation of this cultural event and decentralized its operation to the Nanning Municipal Government.

NIAFFS Mission: Is to carry forward the traditional cultural art of the ethnic Zhuang people. Today, NIAFFS is acclaimed as one of China's three major international music and arts festivals, with Nanning City as the capital of Chinese folk songs (People's Daily, January 22, 2009). In 2005, NIAFFS emerged from more than 1,500 international candidates to become one of the award winners presented by International Festivals & Events Association (IFEA) for the year 2005 (IFEA, 2006), and is elected one of "China Top 10 Festivals and Events of the Greatest International Influence."

5.1.2. The Festival Evolvement: Government Sponsored vs. Market Oriented

NIAFFS was the brainchild of the Guangxi provincial government and had been wholly funded from the government budget at its very beginning, an operation model that drained on public money and caused huge constraints on government budget (People's Daily, 2009). In an official decision in March 1992, the Guangxi (provincial) People's Government decided that the Guangxi International Folk Song Festival was to be held in 1993, with full funding from the government budget, in order to boost local image and economy (Guangxi People's Government, 1992). After more than a decade of operation, NIAFFS has turned from an initial big money loser that drained on public money, with only ¥1.6 million – about \$200,000 (Mo,1999) from corporate sponsorship in 1993 for a total budget of ¥10 million – about \$1.25 million (Guangxi Yearbook,1994), into a profit-bearing event in recent years. In 2002, the Nanning Government backed off from running NIAFFS by approving the incorporation of the state-owned Nanning Flying Songs on Earth Cultural and Communications Inc. whose main role is supposed to try to replace government funding by contracting for ticket sales, seeking corporate advertising and commercials, corporate and private sponsorship, and naming rights for selected events.

5.2. The Atlanta Jazz Festival: A Brief History

Originally named the Atlanta Free Jazz Festival that debuted in 1978, the Atlanta Jazz Festival (AJF) is a major cultural event that has been held annually for 31 consecutive years each May in Atlanta, Georgia, in the United States. A majority of its events are free and open to the public. Throughout its history, AJF has played host to the world's greatest jazz legends and turned into one of the largest and most famous free jazz events in the United States,

featuring great legends from the music scene as well as introducing new talent from many countries. According to Mayor Shirley Franklin, the present Mayor of Atlanta, AJF is “one of the city’s proudest traditions” (Love, 2007) as it provides the city with an opportunity to unify Atlanta’s diverse population, to celebrate Atlanta’s rich cultural heritage. Lasting throughout the month of May, it reaches a climax on Memorial Day weekend, at the end of the month.

Today, AJF has also bolstered Atlanta's recognition as a major cultural center in the Southeast and continues to draw thousands of visitors to the city with its creative programming, family activities and ancillary exhibitions. AJF Mission: Is to expose and entertain a diverse audience of jazz aficionados, young jazz enthusiasts and musical artists to the rich heritage and variety of jazz as an authentic form of traditional music.

5.3. A Comparison

5.3.1. Similarities

1. These two major cultural events are held at the local (city) level though Nanning has a population of about 6.8 million in 2007 while the population in Metro Atlanta is about 5 million in 2008 encompassing 30 counties.
2. The events boost local economy and local image.
3. Corporate and private sponsorship have been greatly sought and encouraged to fund the operation of both events though the first NIAFFS collected only about ¥1.6 million – about \$200,000 (Mo,1999) of corporate sponsorship against a total budget of ¥10 million – about \$1.25 million (Guangxi Yearbook, 1994) and AJF was produced with a modest government budget of \$19,000 (Holman, 2007).
4. Tax incentives are applied to encouraged private sector sponsorship.

5.3.2. Differences

Despite the similarity of measures to some extent taken by both the Chinese and the United States cities to run these cultural events, differences are more noteworthy when a comparison is made between the two.

1. In China, the government tends to involve itself heavily in any or almost all cultural activities as one of the key stakeholders, sometimes even as the only key stakeholder, as it maps out policies and comes up with a huge budget to cover the full costs of a program. As justified in the case here, government continues to play a key role in terms of financial support of the NIAFFS.
2. In summary, though more cases might be necessary to illustrate how the government plays its role in the formulation of cultural policy, the NIAFFS case has been selected to serve as a generalization of how culture industry develops in a generally top-down and government-led policy environment in China, and AJF is chosen to showcase how a cultural event, as an embodiment of culture industry, develops in a decentralized policy environment.

6. Some Proposals for China to Promote its Culture Industry Policy

Based on literature review as well as much comparison and the successful experiences in the United States, this section conceives some practical and conducive recommendations for Chinese policy-makers to promote China's culture industry policies. It is hoped that a more positive policy environment will be created in which China's culture industry will develop and prosper better.

6.1. Market-Oriented Policy on Culture Industry vs. Top-Down Cultural Policy

The development of culture industry in the United States reveals that American culture industry has benefited from at least two major contributions: a free and open market and support from the government in various ways. It can be proposed that the survival of culture industry relies on an open and free market.

The government needs to gradually back off from playing a role of full sponsor and funder so that a bigger profitable market is created that attracts more channels of funding. While it cannot be denied that China is rich in cultural resources, with a huge potential for cultural consumption, a cultural market in a true sense has yet to arrive in China (Wang, 2002, 38). Among others, one major reason lies in the fact that culture in China used to be seen as a function of Communist ideology and a means for achieving Communist propaganda. In such a policy environment, any cultural activities had turned to be government initiatives. All this has resulted in a stalemate in the cultural sector. Today, with the importance of market mechanism driven home for culture industry development, ideological consideration must give way to cultural profitability when cultural policies on market access are to be made.

6.2. Toward a cultural policy that avoids some American policy practices.

The United States is the country that owns the most developed culture industry in the world. Yet it has never had a top-down and nationally uniform policy on culture industry, with the role of the government pushed to the limits. A free market has always played an important role and the government has followed a policy of non direct intervention in culture industry. It is self-evident that confined by its political and ideological system, China cannot establish such a policy environment for its culture industry. While more private and nongovernment participation in developing culture industry in China need to be encouraged, a policy that

requires due government role is also encouraged in China.

6.3. Culture Industry Policy with Distinctive Chinese Characteristics.

The United States might have a lot for China to learn from when it comes to culture industry. A free and open market is one such example. Policy should change from its traditional practice to fully intervene in culture to keep a due arm's length from culture. A culture industry policy that emphasizes distinctive Chinese characteristics needs to integrate three approaches: administrative, economic and legal.

7. Conclusion

After extensive literature review and comparative analysis of culture industry between China and the United States, the authors have drawn a conclusion and some proposals on the development of culture industry and its policy in China as follows:

In comparison to the United States, culture industry in China features a relative late development in a government-controlled environment, and a lack of well developed system of policies, a well developed legal system in particular. With an existing gap as such, it will not be prudent for China to copy everything from the United States in the development of its culture industry. Rather, China needs to look for a type of development that can best embody its own actual conditions. In an era of intensified globalization, it is of great importance for China to maintain its cultural safety while learning from others.

In the United States, culture industry has been promoted and developed in a freely competitive market and with administrative support manifested mainly in the forms of a variety of laws and a well developed legal system. Administrative involvement has been kept to the minimum, or at the arm's length, and policies function in a highly decentralized way in what is referred to as the American policy model. In China, on the contrary, government

intervention, from the administrative branch in particular, still dominates as is evident in the case in the beginning of this paper that a government official studying public administration should take culture industry as his or her concentration. Much is left to be desired for China in terms of laws and market competition. The conclusion, however, is not supposed to favor one over the other, though much can be learned from the United States in law making and market mechanism. For China, a balance needs to be struck between market system and macro-governmental control as a good balance between the two is the key to the success of policies on culture industry. This paper proposes that China should not follow the United States for completely free market policy environment. A middle road between the Chinese model and the American model might be an appropriate choice, a choice that will turn China further away from the traditional mindset that always treat culture in an ideological way and make China's culture more market-oriented.

Last but not the least, criticism is kept open to this paper for academic and empirical improvement as the authors are still limited in terms of cognition, knowledge, and time. As a result, further research is needed in order to make more perfect and practical recommendations.

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