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Globalization, Culture and Regional/ Local Development

INTRODUCTION

Can regions and local communities successfully develop in the world driven by the overwhelming trend of globalization? What lever could be used to successfully sell regional diversity in the world markets? These questions – and even more so the answers to them – are critical for political and economic decision-makers to build policies that would secure development of their countries for the hopefully long years to come. Yet they are even more critical to people themselves who live in the regions and communities situated in remote parts of the country. Their regions tend to have limited opportunities compared to those in more central/developed areas of the country which benefit from increased economic activity and trade. However, in the pursuit of efficient economic policies to benefit regional economies local/regional governments shall resort to culture and culture-based production and economic activity as tools that can effectively increase opportunities for development of the region and/or local community.

VARIOUS FACES OF GLOBALIZATION

Globalization is a term widely used to account for the process of unconstrained flow of goods and services, capital and technology and causing trade liberalization and integration of economic, political and social systems of the world. The question is whether the process is a positive force that can enhance economic development of countries and their regions? There are two major perspectives on the subject. The first emphasizes the role of globalization as an effective tool for enhancing economic development and alleviation of poverty [World Bank, 2001]. In this, the main notion that underlies the argument is that of *convergence*, i.e. homogenization of models of economic and social development. The primary engine of the process is unification of the markets relying on international competition, regional integration and deregulation of national economies and making them more open [Morawski, 2001, p. 320]. To support

this, there comes the evidence that openness with regard to trade liberalization can stimulate economic growth rates – particularly in developing countries, and bring about convergence of lower per capita incomes with higher per capita incomes of developed countries [Sachs, Warner, 1995], which is referred to as *beta convergence*. This patterns of growth, as a result of their openness in economics policies, have been followed by most vigorously developing countries like China and India since the 1990s, or more recently Brazil. Moreover, another study [Dollar, 1992] confirms that openness in terms of trade fosters economic growth. All in all, convergence leads to alike economic and institutional arrangements and though countries and regions inherit various social, geographic and political legacies, their importance diminishes and yields to the rationale of market mechanism.

An opposing view holds that globalization generates increasing disparity of patterns of development, i.e. *divergence*, and as a result may harm developing countries. In this view convergence is limited to small group of developed countries (*convergence club*) whereas a much more prevalent pattern of wide discrepancies in the living standards and productivity levels in the majority of the world's countries rather gives evidence of economic underdevelopment and conspicuous divergence [Baumol, Wolff, 1988]¹. As a matter of fact, a study conducted by the United Nations Conference on Trade and Development [UNCTAD, 1995] proves that in the prior two decades trade liberalization generated divergence rather than convergence between developed and developing countries, with an exception of a few developing Asian countries. Its results are consistent with another study [Slaughter, 1997] which shows that trade liberalization can lead to income divergence. This goes in line with the argument that sees the very usage of the terms *developed* and *developing* countries symptomatic of prevailing disparities and divergence of economic growth among the world countries since the 1950s, although at first similarity of the terms might suggest otherwise.

In the light of the above arguments, a question is whether it possible to state which process, i.e. convergence or divergence, is more conducive to the development of regions, and in these terms which one more accurately determines or should determine its development strategy? The answer is neither explicit nor simple for two reasons. On the one hand, although the apparent process of convergence increases homogenization of the markets, societies and cultures and makes them more mutually linked, economic growth is still to a large extent determined by endogenous factors like human capital, innovation, knowledge,

¹ As for the European regional development, a study conducted by Bartkowska and Riedl [2012] drew attention to the fact that the key role in the formation of convergence clubs among European regions is played by the initial conditions like human capital and income per capita. The fact additionally imposes serious limitations on the even distribution of economic development among countries of disparate development levels and thus augments the prevailing economic disparities.

etc. In this view, according to Hjerpe [2003], as much as about 40% to 60% of economic growth is not justified by changes in the factors of economic growth. Thus some of this growth is attributed to the factors social capital² and institutional quality³. In this regard, a study [Cheng, Mittelhammer, 2008, pp. 885] findings imply that the *development of supporting local social and institutional conditions may be facilitating factors for allowing countries to benefit from greater economic integration*. This also creates opportunity for other elements, like e.g. culture, to be included in the analysis of the economic development and the role they play with regard to specific countries, regions and localities. On the other hand, difficulty arises from the very fact that the two process of convergence and divergence coexist and are actually inseparable. In this sense, they are rather mutually complementary processes. In view of this, an alternative notion of *selective convergence* has been proposed [Dahrendorf, 1999], which stresses the fact that globalism rather encourages, not limits, various institutional approaches which may induce various paths of development as a result.

“In an open world, there are not just two or three ways but an indefinite number. The question – how to create wealth and social cohesion in free societies – may be the same everywhere, since it results from largely global conditions. The answers, however, are manifold. There are many capitalisms, not just that of the Chicago school of economics; there are many democracies, not just that of Westminster. Diversity is not an optional byproduct of high culture; it is at the very heart of a world that has abandoned the need for closed, encompassing systems” [Dahrendorf, 1999, p. 15].

This statement expresses the very essence of importance of endogenous factors of economic growth like social capital, institutions and culture. They all become even more critical with regard to regional development for primarily two reasons. First, their impact, most notably that of culture, has huge potential for the economic development of countries and regions as presented above. Secondly, the logic of market is built on gaining comparative advantage and inevitably necessitates use of all available resources – economic but also cultural, social, institutional or political. Hence, the institution or culture-induced coexistence of convergence and divergence in the process of economic development is the very feature that accounts for the very diversity of development patterns worldwide and at the regional level. However, it is going to be the role culture that is to be explored in the remaining part of the paper.

² The literature on social capital includes, yet is not limited to, Fukuyama [1999], Coleman [1988], Putnam [1993], Knack and Keefer [1997], Temple and Johnson [1998], Woolcock [1998] and La Porta et al. [1997].

³ The most notable examples of literature on institutions relating to economic growth are North [1990], Turner [2000], Gwartney et al. [2004], Knack and Keefer [1995], Rodrik [2000], Glaeser et al. [2004] and others.

THE ECONOMICS OF CULTURE

Great potential of culture for economic development of countries and particularly regions has been gained attention in recent years. Culture has been recognized as an important factor contributing to increasing diversity of regions and hence increasing its competitive advantage in the homogenizing world culture. Consequently, it carries a great economic potential has become a valuable economic resource. As Walker et al. [2003, p. 10] indicates there are three reasons for which culture makes an important economic asset:

- active cultural participation is capable of building strong communities and fosters community spirit – this unifying feature cannot be underestimated in the face of globalization as;
- strengthening cultural communities creates economic value, moreover
- the value created by cultural production can be channeled for regional growth through exporting unique traditional products, i.e. *making locally and distributing globally*.

The above considerations are consistent with findings by Throsby [2001, p. 124] who observes four non-mutually-exclusive roles for culture with regard to urban development:

- a specific cultural facility may comprise on its own a significant cultural symbol or attraction affecting the area economy (e.g. the Leaning Tower of Pisa);
- a ‘cultural district’ may act as a node for development in the local area (like in e.g. Dublin);
- cultural production, especially performing arts, may constitute a vital component of the local economy, which is of particular importance in smaller regional centers, not just major cities like e.g. London;
- culture may have a more pervasive role in regional development through the fostering of community identity, creativity, cohesion, and vitality, via the cultural characteristics and practices which define the city/region and its inhabitants.

This approach to culture has given rise to creation cultural production programs which seemingly devoid of any market or economic implications often have a strong economic incentive. This particularly refers to a vast array of programs administered by various federal departments and agencies in the USA to promote historic and cultural heritage of the American countryside. The range from cultural landscape preservation [Hayden, 2000] and restoration of vanishing historic rural building, e.g. barns [Auer, 1989] to specific cultural production, e.g. handmade craftwork [Walker et al., 2003]. The above examples show how culture oriented activity can provide notable economic benefits. The role of external demand for cultural products – let it be a piece of handmade craftwork, scenic or historic view, or a rehabilitated historic rural building – is of vital

importance for local development. It has the potential to generate new employment and expand business opportunities which are always considered viable economic development strategies. Hence cultural production becomes the key element of the local/regional revitalization strategy.

In order to recognize the role of culture in economic growth of countries and regions, a term *cultural industries* has been coined by Throsby [ibid.]. It denotes the economic potential of cultural production to generate output, employment and revenue and to satisfy the demands of consumers despite other nobler purposes that such production may pursue. The fact that cultural activity makes a significant contribution to the economy does not disagree with the noble objectives of artists.

In the globalizing world of interacting cultures, cultural production has another important dimension. As Cowen [2002] observes that markets support diversity and freedom of choice, and trade gives artists a greater opportunity to express their creative inspiration. However, when cultures come into trade with each other, they can expand the scope of opportunities available to individual artists as they achieve synergy resulting from *gains from trade* [ibid.]. Moreover, the empirical evidence from the developed countries suggests that what people buy is not predetermined or *biologically constructed*. Rather as Cowen [ibid.] notes, in economies of decreasing cost of supply of products, people tend to use culture to distinguish themselves from others and hence pursue niche interests or/and hobbies; in poorer countries or regions, societies rather specialize in one type of consumption.

CONCLUSION

Culture has been attracting a great deal of attention particularly with regard to the role of it plays nowadays in the rapidly changing world of a multitude of competing forces and ideas which affect human environment and development. It has proved particularly useful for finding new strategies for regional/local development in the context of duality of globalization processes. In this sense, the role of cultural production (cultural industries) proves a real window of opportunity for development for the most economically disadvantaged areas. This happens due to expansion of markets for traditional arts and travel which attract special value to cultural uniqueness, counteracting the cultural convergence (or unification) trend of globalization. Under these conditions, values attributed to family traditions and the community's cultural heritage can render a direct market value and let hitherto geographically underprivileged regions capture their share of national economic growth.

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Summary

The paper deals with an issue of successful placement of regional/local community development within the framework imposed by the overwhelming trend of globalization. The problem is approached from the perspective of identification of effective strategies which could be used to successfully sell regional diversity in the world markets. These issues are of critical importance for political and economic decision-makers at both regional/local and national levels to secure development of their countries for the hopefully long years to come. Yet, they are even more critical to people themselves who live in regions and communities usually situated in remote parts of the country and characterized by more limited opportunities and resources. The paper points out that it is culture and culture-based production that can provide a viable strategy to effectively increase opportunities for development of the region and/or local community in the face of the globalizing world.

Globalizacja, kultura a rozwój regionalny i lokalny

Streszczenie

Artykuł omawia kwestię miejsca społeczności lokalnych i regionalnych w świecie owładniętym wszechogarniającym trendem globalizacji. Powyższa kwestia omawiana jest z punktu widzenia strategii pozwalającej zapewnić społecznościom lokalnym sukces ekonomiczny na światowych rynkach. Ten właśnie problem ma zasadnicze znaczenie w procesie budowania programów politycznych i ekonomicznych, które zapewnią rozwój krajów zarówno na poziomie krajowym, jak i regionalnym w dostatecznie długim okresie. Kwestie te odgrywają jeszcze większą rolę w przypadku ludzi, którzy zamieszkują regiony i społeczności oddalone od społecznych i ekonomicznych centrów państw. To właśnie one mają ograniczone możliwości rozwoju w zestawieniu z centrami krajów, które zazwyczaj czerpią korzyści ze zwiększonej aktywności ekonomicznej i wymiany handlowej. Artykuł przedstawia tezę, że to właśnie promocja lokalnej kultury oraz produkty i usługi z nią związane są istotnym narzędziem pozwalającym stymulować rozwój społeczno-ekonomiczny regionów i lokalnych społeczności.