

**CULTURAL AND ECONOMIC INTERACTION: TRENDS IN EMPLOYMENT AND
BUSINESS OF CULTURAL ORGANIZATIONS IN THE EU**

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Abstract: In conditions of economic instability the approach based on the study of the relationship between culture and economy gains particular importance. The article considers the problem of dependence on the previous development of the economy - the path dependence problem. Most scientific studies on the issue of successful development, social and economic breakthroughs, and well-being of a country are based on the concepts of economic growth, democratization of the system, and liberalization of the economic regime. However, studies of the dynamics of world statistical data for various countries over a very long period refute the validity of existing hypotheses. In order to achieve social and economic progress and consolidate the successful development of the country, the problem of the interconnection of culture and the economy is put forward. The article gives some analytical conclusions on employment and business trends in the EU culture organizations.

The purpose of the article is to put forward the problem of the interaction between culture and the country's economic development, as a way for securing successful economic development for the long term and to assess the impact of cultural indicators on economic growth indicators.

Key words: Interaction of culture and economy, dependence on the path of previous development, path dependence problem, employment trends in the field of culture of the EU countries, entrepreneurship in the field of culture, added value in the culture sector in the EU countries by type of activity.

Key words: cultural and economics interaction, path dependence effect, general trends in cultural employment and business, value added of cultural enterprises.

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Introduction

The economic situation in the world, indeed in the EU countries, is alarming for many today. And the matter is not only in the sanctions, in the fall of prices on oil, although of course they play a role, but perhaps in another factor. Responding to the question, why one country becomes highly developed while the other doesn't, Professor Aleksandr Auzan asserts, that "in economic theory, there is a path dependence problem: the country falls into the track, trying to get out of it, but all the time slipping on the same path. Values and behavioral attitudes, what people consider bad or good, acceptable and unacceptable, hold the country in the path, not the economic growth or political system. For example, what is people's opinion on paying tax, telling on your neighbor, stealing from the treasury, claiming social benefits, when you're not entitled to them" (1).

The study of *path-dependence problem*, dependence on the trajectory of the previous development, brought Nobel Prize to Douglass North. There is a David - North hypothesis, which assesses how the institutions and culture influence this 'sticking' of the country on the path. It is culture that makes a country follow this path.

Theoretical aspects: the problem of path dependence

Why do people live differently? The reasons for the difference are in cultural attitudes and the resulting development of institutions. The economic behavior of entire nations is determined by their cultural attitudes. Historically, the most prosperous in economic terms were countries with "Protestant morality". However, the matter is not in religion, but in the behavioral settings. The well-being is affected by values chosen by the society. The most economically prosperous countries are those who have chosen "Protestant morality". It is not about the choice of religion, but about the **world view**. Alexander Auzan thinks that the societies, which stop being suspicious about rich people, and poverty is no longer considered a dignity, with time reach a higher level of life. This is true for societies with different cultural backgrounds. In the long run, society itself chooses the values and behavioral patterns. Cultural processes are slow, but very effective and very significant.

There are two paths of economic development. Two paths of development are approximately like the first and second space speeds. Both are connected with growth, with development. But the countries that are in the B-path are growing much more slowly, according to long-term observations, than the countries in the A-path. So B-path is like the first space speed. 200 years of observations show that there have been only five cases of countries switching from the first speed to the second. These are South Korea, Japan, Hong Kong, Singapore and Taiwan. These are all

Asian countries, all Buddhist. But it is necessary to notice, that, say, in the end of XX - beginning of XXI century, there was a Catholic boom, as Ireland, Poland, the southern parts of Germany sharply rocketed in development.

There were attempts to explain in different ways, why the country is in a certain path. In this regard, **three hypotheses** were put forward.

The first hypothesis states that **the main goal is to achieve economic growth, and all the rest will be corrected on its own.** It is known that countries sometimes achieve economic growth; sometimes they grow even faster than others. Russia grew in the so-called "fat" years at a rate of 7-8% per year. This is a pretty good pace. Russian economy grew in the 1930-s at an incredible pace, starting from 1929, the year of great breakthrough. Lithuania reached 10.3% growth rate in 2003-2004, and 9.8% in 2007, becoming one of the leaders (and got the name of the Baltic Tiger, the Amber Republic), but again returned into the same track. This is a path dependence effect.

This means, that there are some blocks, which prevent countries from moving forward, from making a breakthrough. One of these blocks is unwillingness to get into long periods of transformations, the lack of a strategic approach; another one is impairment and lack of demand for culture and education, giving its place to commercial and monetary targets; and the third one is a complete lack of understanding of these mechanisms and no attention to them. As a result, the country, which struggles for success, self-fulfillment, material prosperity, leaving its former state, can't achieve a new stage.

It was a hypothesis that the point is in economic growth, which is not confirmed in real life. High rates of economic growth can be achieved, but the question arises, what is next.

The second hypothesis claims that **the matter in the political system**, that it is necessary to change the system, to democratize, and then people will require development, and the development will go. Unfortunately, this hypothesis is also not confirmed. (for example, Singapore is not democratic at all).

There are quantitative researches, including studies on the consequences of revolutions, and it turns out, that if a revolution takes place in a country with poor institutions, where people are not used to comply with the laws, the economic situation of the country worsens. (Egypt, Ukraine). This hypothesis proved wrong, too.

The third version, which is being tested currently, says **that the matter is in the culture, but in culture, which can be changed under the influence of education, some kind of long-term work with the population, that it is possible to change the culture in the right direction in the period of 10-15 years, destroying blocks for development.** (As is happened in the south of Germany and Poland).

The point is in the interpretation of values, such as labor, wealth, freedom, a long-term view.

The fundamental thing is that all countries, that made such a transition, were distinguished by some common features, they all considered important self-realization, and not survival, they counted upon long-term view.

Douglass North, a Nobel laureate in the field of economy, historian John Wallis and analyst Barry Weingast in their book "Violence and social orders" (2) say, that the transition from the behind the time world into the advanced world occurs rarely and requires not less than 50 years. They came to the conclusion, that there are three conditions, on which different countries, like England, France the United States, came to this curve of the 50-year transition.

These conditions are as follows. First, the elites should make laws for themselves and distribute them to others, and not to make laws for others, making exceptions for themselves. This is the first condition. Secondly, economic, commercial, political organizations must exist independently of the lifetime of their creators, not being personalized. Third, the elites should not distribute instruments of violence between themselves, like you get the military air force, and me - the secret police, but collectively control these instruments. That's when a society takes this conception of life, there begins the transition to a high stage of development.

One of the most intelligent politicians in Russia, Vyacheslav Nikonov, (3) as opposed to the 'conflict of civilizations' by S. Huntington (4) suggested a concept of a "concert of civilizations" as an interaction of cultures and countries. He says that multiculturalism is considered today as the official basis of state policy in many countries, people are increasingly looking for and find sources of strength in their civilizational roots, national self-esteem is growing, pride is being revealed for their country and its culture.

Also, in the book of Samuel Huntington and Lawrence Harrison, "Culture Matters," the title itself undoubtedly makes the topic undeniable.

Methodological approaches

There are many theories of culture, of which, it seems important to us, to undermine two main approaches to the definition of culture. According to the first one, culture should be understood as a way of life and a system of world perception inherent in one or another people (group of people). This definition covers all aspects of people's lives, and is essentially identified with the country's culture. In the second approach, culture is perceived as a set of values and norms of a given society (5).

In our opinion, culture is a very broad concept, it is a system of behavioral, moral and ethical values, beliefs, mediated by the mentality of the people, view of the world, education, motivation of the population, and finally, the quality of the elite (thinking globally or, on the contrary, having

narrow concepts). Indeed, the meaning of the existence of a nation is culture. A country, a nation is remembered not by economics, but by culture.

According to academician D.S. Likhachev, "culture represents the main meaning and main value of the existence of both individual peoples, small ethnic groups, and states. Without culture independent existence is meaningless... Culture can transcend time, connect the past, present and future... A people's life is influenced a lot by the environment created by the culture of ancestors and their own." (6).

It's important to add that D.S. Likhachev spoke about the increased aggressiveness in life. And indeed he looked into the future. The aggression of wars between nations, repressions, and alienation of peoples from each other, hostility and civil wars are aggressiveness that must be fought. How to fight it? This aggressiveness should be overcome by culture, claimed Likhachev. The culture of communication, education, reading, interests, etc. Culture is not aggressive, culture calms and brings some kind of restrained force into a person.

It seems to us that culture is one of the strengths and advantages of a country: it is a source of creating values and identity, self-awareness, sovereignty, the essence of the existence of a nation, a people. It also contributes to improving the quality of life of the population, cohesion and inclusiveness of a society. Creative and cultural sectors are the driving force for the economy, job creation and foreign trade.

In all civilized countries considerable funds are allocated for the needs of culture. However, it is pointless to expect immediate returns from all cultural institutions and organizations, because culture has a long-term effect. Business on the contrary expects immediate returns. The return, payback of culture is expressed in the material and spiritual development of people, a positive impact on society, raising its morality and intellectual potential.

Cultural values mean not only individual objects, like monuments of architecture, sculpture, painting, writing, printing, archeology, applied art, music, folklore, but also such phenomena as traditions and skills in the fields of art, science, education, behavior, customs of peoples, population groups, individuals.

The following sections of cultural statistics are highlighted in the Eurostat statistical database (7):

- employment
- entrepreneurship
- foreign trade in cultural goods and services,
- participation in the field of culture (reading books, newspapers, magazines, other publications; visiting cinemas, theaters, museums, concert halls, etc.),
- the use of IT for cultural purposes (Internet, social networks),

- spending on culture (households).

In the EU there is a statistical classification of economic activities ([NACE](#)) and occupations ([ISCO](#)) in the field of culture. Cultural activities by economic sector include the following: “creative, artistic and recreational activities”, “libraries, archives, museums, etc.”, “publication of books, periodicals and other types of publications”, “printing”, “creation of programs”, “cinema, video production, television, music production”, “designer products”. As to professions in the cultural sphere, they include writers, architects, composers, journalists, actors, dancers, librarians, artists, graphic designers, and so on.

The world knows the techniques, like techniques of Ronald Inglehart, Geert Hofstede, Schwartz, Trompenaars and others, which allow to measure the dynamics of sociocultural characteristics. And no matter how many discussions there are about the reliability of the technique of the ingenious Geert Hofstede, the first person who came up with how to measure culture with sociological tools, serious study involves the analysis of some statistical indicators on culture from an economic point of view.

In this paper we will analyze only some of the available statistical data on the culture of the EU countries, on employment and entrepreneurship in the field of culture.

The main trends in employment and entrepreneurship in the field of culture in the EU countries

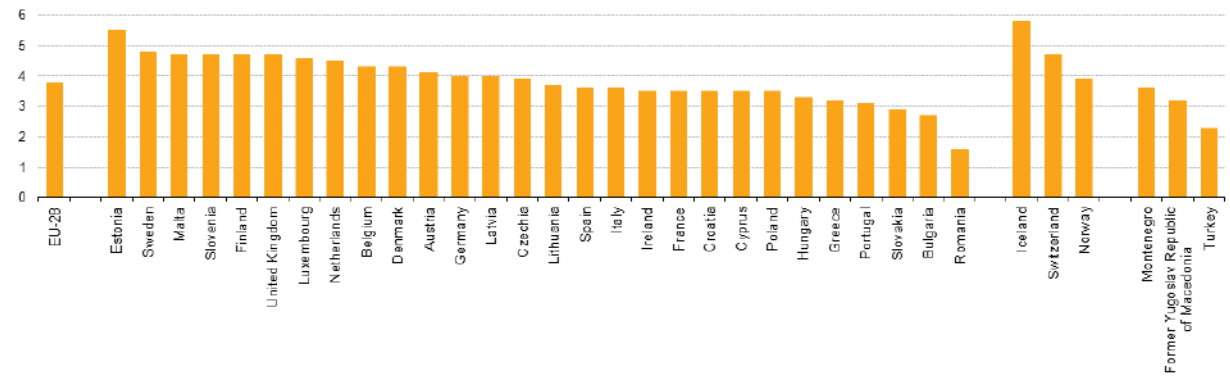
In our opinion there are two main trends in the EU countries on employment in culture in 2017:

- About 8.7 million workers are employed in the field of culture in the EU, which is 3.8% of all workers in the EU economy. This proportion is relatively small, but stably unchanged over a long period.
- The majority of workers are with higher education in almost all EU countries for all professions in the field of culture. Culture, as a rule, is an area of highly educated people, and in a sense it is an elite sphere.

According to Eurostat statistics, in 2017 there were 8.7 million people employed in all types of activities and cultural professions, which is 3.8% of all employees. (Fig.1). During the period of 2012-2017 there was a small but steady growth of employed in the cultural sector. (Table 1). In 2017 the number of cultural workers increased by 6.7 % and amounted to 544,000 people. Average annual growth was at 1.3%. However, this does not mean growth in employment in percentage terms. In 2017, the share of employees remained at the same level as in 2012, and amounted to 3.8% of the total number of employees. This means that employment in the field of culture does

not lag behind the growth rate of total employment.

Figure 1: Cultural employment, 2017 (% of total employment)



Source: Eurostat (online data code: cult_emp_sex)

eurostat

Source: Eurostat, 2018

Cultural employment, 2012 and 2017

	2012		2017	
	(1 000 persons)	(% of total employment)	(1 000 persons)	(% of total employment)
EU-28	8 113	3.8	8 657	3.8
Belgium (*)	183	4.0	198	4.3
Bulgaria	77	2.6	85	2.7
Czechia	184	3.8	204	3.9
Denmark (*)	126	4.7	122	4.3
Germany	1 690	4.3	1 664	4.0
Estonia	36	5.8	36	5.5
Ireland (*)	66	3.5	77	3.5
Greece	129	3.5	121	3.2
Spain	552	3.1	672	3.0
France (*)	863	3.3	939	3.5
Croatia	58	3.7	58	3.5
Italy (*)	813	3.6	826	3.6
Cyprus (*)	12	3.0	13	3.5
Latvia	32	3.6	36	4.0
Lithuania	48	3.7	50	3.7
Luxembourg (*)	13	5.3	12	4.6
Hungary	143	3.7	147	3.3
Malta (*)	7	3.9	10	4.7
Netherlands (*)	376	4.5	390	4.5
Austria	164	4.0	175	4.1
Poland	498	3.2	569	3.5
Portugal	129	2.8	146	3.1
Romania	132	1.5	141	1.6
Slovenia	43	4.6	45	4.7
Slovakia	59	2.6	73	2.9
Finland	125	5.0	116	4.7
Sweden	223	4.8	243	4.8
United Kingdom	1 338	4.5	1 492	4.7
Iceland	9	5.4	11	5.8
Norway	119	4.6	102	3.9
Switzerland	213	4.9	220	4.7
Montenegro	7	3.6	8	3.6
Former Yugoslav Republic of Macedonia	26	4.0	24	3.2
Turkey (*)	518	2.1	645	2.3

(*) 2012–2017: break in time series.

Source: Eurostat (online data code: cult_emp_sex)

eurostat

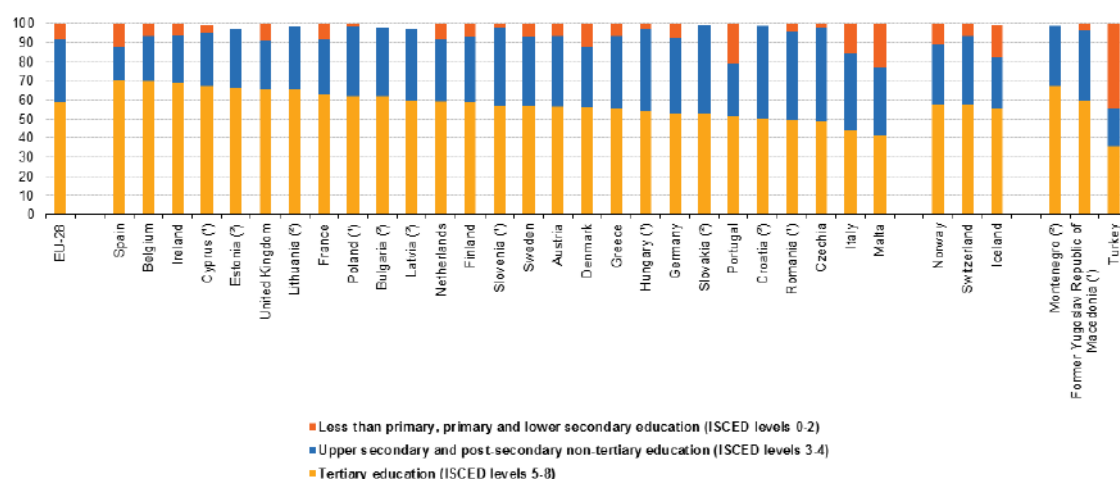
Table 1. Employment in the field of culture, 2012 - 2017

Source: Eurostat, 2017

The employment rate in the sphere of culture in the EU countries in 2017 varied from 1.6% in Romania to 5.0% in Estonia. In the countries of the European Free Trade Association (EFTA) (Iceland, Switzerland and Norway), this figure is significantly higher than the EU average, while in the EU candidate countries (Monte Negro, Macedonia and Turkey) the percentage of people employed in culture is below the average in the EU. Employment dynamics in the members of the EU for the period of 2012-2017 is not homogeneous. While in most EU countries there has been a slight growth or a steady level of employment in the field of culture, other countries (Luxembourg, the Netherlands, Germany, Estonia, Greece, Hungary, Finland) are characterized by a decrease in the level of employment. In 2017 compared to 2012 employment in occupations in the culture field increased by 155 000 workers, the UK accounting for 30% of the total growth of cultural employment in the EU, Spain accounting for 22%. Spain is the country with the highest relative growth in culture employment (from 3.1% to 3.6% of total employment).

The professions in the field of culture are filled mainly by employees with higher education, that is, culture is a branch of highly educated people. In 2017 almost 60% working in this field had tertiary education, only 8% were with lower secondary education, and about one third with upper secondary and post-secondary education (Figure 2).

The share of workers with higher education in the field of culture (59 %) was twice higher than in general employment (34 %), the gap between these indicators was 25 p.p. (Figure 3). Education is the most significant characteristic of cultural employment. And this is not surprising, since most professions in the field of culture require long years of study (e.g. architects, journalists, writers, composers, etc.).



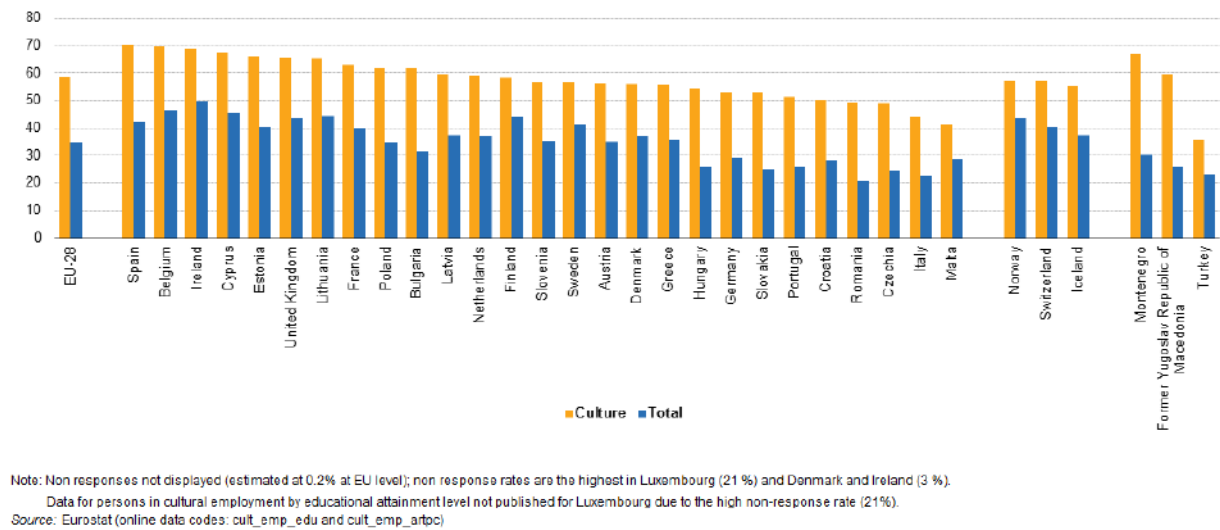
Note: Non responses not displayed (estimated at 0.2% at EU level); non response rates are the highest in Luxembourg (21 %) and Denmark and Ireland (3 %).

Data for persons in cultural employment by educational attainment level not published for Luxembourg due to the high non-response rate (21%).

(*) Low reliability for low educational attainment (ISCED levels 0-2).

(*) Data not reliable for low educational attainment (ISCED levels 0-2) and therefore not displayed.

Source: Eurostat (online data code: cult_emp_edu)

Fig. 2. Persons in cultural employment by educational attainment level, 2017 (%)*Source: Eurostat, 2018*

eurostat

Fig. 3. Persons with tertiary education in cultural employment and in total employment, 2017 (%)*Source: Eurostat, 2018*

In 2017, almost half of the cultural workers in 25 EU countries had tertiary education (Figure 3). The proportion of people with higher education accounted for two thirds in four EU countries: Cyprus, Ireland, Belgium and Spain. This situation is significantly different from the general level of employment, where the share of people with higher education reached 50% only in Ireland, and in only 9 EU countries it is about 40%.

Entrepreneurship in the cultural sphere. In 2015 1.2 mln cultural businesses created an added value of 200 bln euros. 5% of 1.2 mln cultural businesses worked in non-financial business. Commercial enterprises in the cultural sector accounted for 2.8% of the total added value of the EU, or about 200 billion euros.

For comparison, it should be noted that this indicator is higher than the same indicator for wholesale and retail trade and vehicle repair (165 billion EUR). Total sales volume in the sector of culture reached 475 billion euros, with non-financial businesses accounting to 1.7% of it.

There are over 150,000 enterprises of the culture in France and Italy alone, each of these countries accounts for 15% of the total number of EU cultural enterprises. Together with Germany (with 130 000 culture enterprises) and the UK (100 000 companies), these four countries account for about a half of the total number of EU cultural enterprises. All these countries, with the exception of Italy, account for an average of 5% of the total number of cultural enterprises in the EU. The

biggest shares of cultural enterprises accrue to Sweden (7.6%), Holland (7.3%), Belgium and Slovenia (6.5% each).

In terms of the total sales volume of cultural enterprises Croatia, Cyprus, France, Sweden and the United Kingdom create an average of about 1.7% of the total turnover, including Cyprus's highest contribution of 3.2%, mainly due to computer games production. The share of the UK, which accounted for 8.2% cultural enterprises of the total number of the EU in 2015, is 25% of the total trade volume of the EU culture.

Value added is the total income from current activities after deduction of subsidies and taxes. The structure of the added value of cultural enterprises by country usually corresponds to the structure of trade. Only Cyprus and the United Kingdom exceeded the average for the European Union 2.8%. Thus, the UK with a share of value added from cultural enterprises of 4.2% created 30% of the total value of cultural enterprises in the EU. In contrast to the UK in such countries as Bulgaria, Latvia, Lithuania, Hungary, Slovakia, the share of culture entrepreneurship in the national value added did not exceed 2%.

In 2010-2015 economic trends in the cultural sector were subject to sharp fluctuations in the EU countries. There is a positive trend at the EU level in 2011-2015: added value grew from year to year by an average of 2.4%. This happened while the overall annual economic growth was at 3.2%. The gap is not due to a change in the number of cultural enterprises, it increased in pace with the growth of all enterprises (an average of 1.5% per year).

In 2010-2015 the growth of the number of cultural enterprises was stable in seven EU countries, where it did not exceed an average of 1% per year. In the rest 14 EU member states, the number of cultural enterprises increased by more than 1% per year, in the Netherlands and Lithuania, growth was above 10%.

And only in one country, Greece, the number of culture enterprises declined by more than 2%, actually by 8.1% per year, and added value dropped by 19%.

A smaller decrease in the number of enterprises was observed in Italy (1.9% on average per year) and Portugal (1.6%), which respectively affected the drop in value added (to 4.1% and 3.1%). In contrast, with a 3.7% annual growth in the number of enterprises, the UK achieved a record increase in value added of 11.8%, Lithuania came second with 8.5% increase in value added.

Another distinguishing examples are Poland (with an average rate of growth in the number of enterprises 4.2%) and Slovenia (6.1%), with the considerable drop in value added - up to 3.0% and 1.8% respectively.

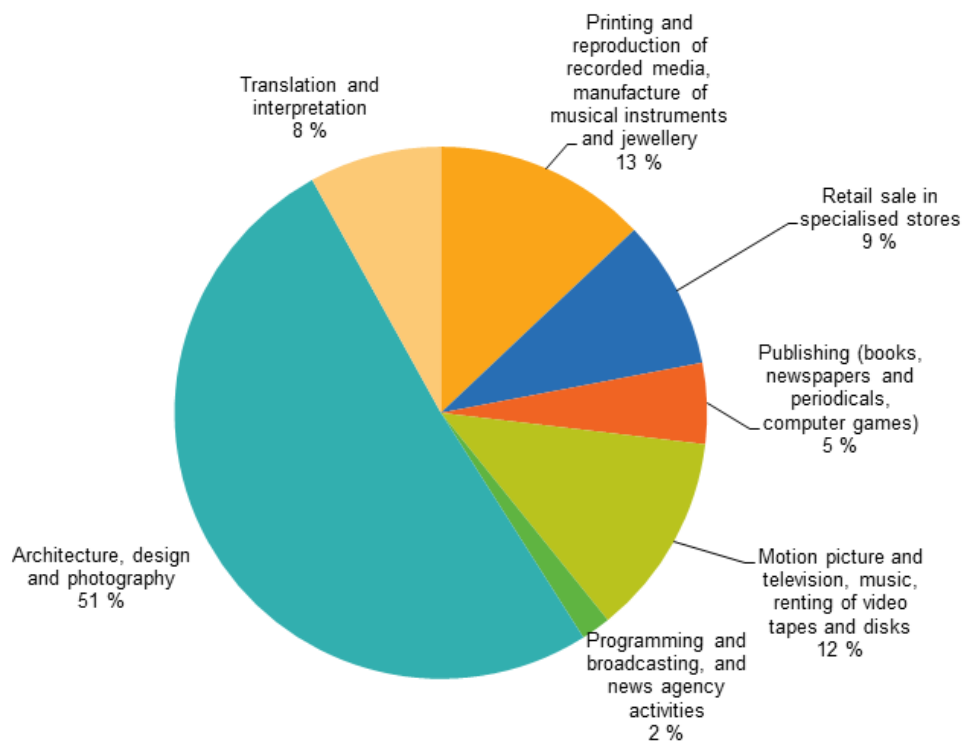
The reasons for such fluctuations in the activities of cultural enterprises were the general trends in the economy and were associated with structural and cyclical trends.

However, there are a few exceptional examples, where economic growth was several percentage

points lower than the growth of value added in the sector of culture. Thus, in Cyprus, the relative stability of value added in the cultural sector (an annual decline of 0.5%) was observed due to the business cycle that is declining, and a decrease in value added was 3.7% annually. While the UK is a country where culture is represented at a high level, growing at a faster pace than the economy as a whole (respectively 11.8% and 8.8%).

In contrast, in several countries the trends in value added were less positive than could be expected from the state of the economy as a whole. It was observed partially in Italy (annual decrease of added value in the cultural sector at 4.1% with consistently zero growth of total value added), in Poland (decline in business development for a culture of 3.0%, while the total value added throughout the economy grew by 2.5% annually), in Hungary (value added in the cultural sector decreased by 4.1% against 3.8% of GDP growth), in Slovenia (decrease of 1.8% against growth of 1.9%) Portugal provides an exceptional example of the low level of development of the cultural sector, where the rate of aggregate economic growth was declining (by 1.3% annually), and in the cultural sector there was a twofold decrease in the growth rate of value added (3.1%).

Cultural business is dominated by architecture, design and photography, that account for 51% of all kinds of culture activities.



Note: News agency activities: 2013 data; Publishing activities: uncertain data (estimation error from $\pm 1\%$ to $\pm 5\%$).

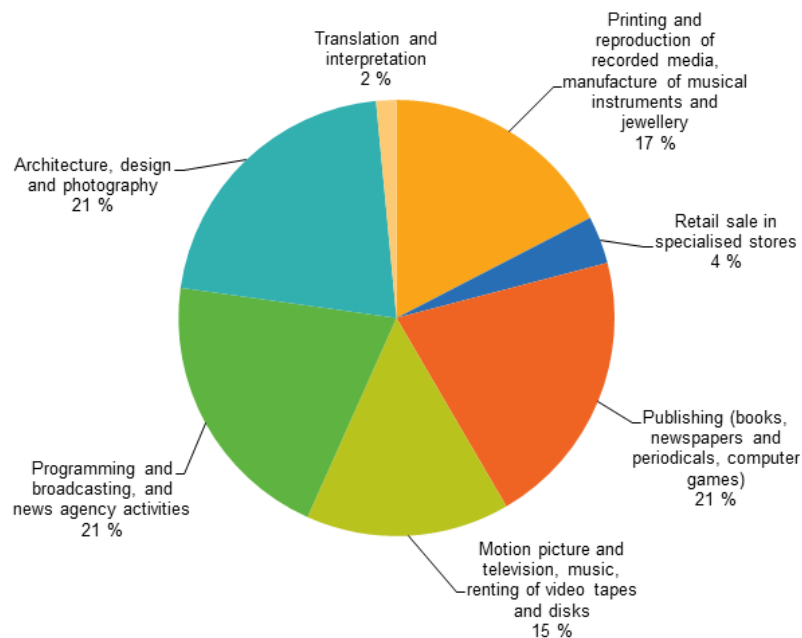
Source: Eurostat (online data code: *cult_ent_num*)

Figure 4. Number of EU cultural enterprises by broad group of activities, 2015 (%)

Source: Eurostat, 2015

At the EU level, the main activities in the cultural business are architecture, design and photography. Architecture alone accounts for 25%. The remaining activities are distributed more evenly (approximately 10% each), with the exception of publishing (4% of all cultural enterprises), and television and radio-broadcasting programs, news agencies occupy a small proportion (2 %) (Figure 4).

In contrast, in terms of added value (Figure 5), film production and software products (programs creating) create approximately the same share of added value - 21%, along with television and radio broadcasting programs, news agencies, printing books and periodicals, computer games (21%). The exception is the sale of specialized sectors (4%), translation and interpretation (2%).



Note: Renting of video tapes and disks: 2014 data.
Source: Eurostat (online data code: cult_ent_val)

eurostat 

Figure 5. Value added of EU cultural enterprises, by broad group of activities, 2015 (%)

Source: Eurostat

At the national level, architecture, design and photography occupy a leading position in all EU countries in the activities of cultural enterprises. However, in a number of countries, such as Bulgaria, the Czech Republic, Hungary, one third of enterprises are engaged in this type of activity. Production activities are often in the second and third positions (the highest figure is 25% in Croatia), with the exception of the Netherlands and Luxembourg (6% of all cultural enterprises). Culture in the EU is given an important role, there is an understanding that is embodied in real

life, that the creative sector makes a huge value added and is the driving force of the economy and the socio-economic progress. The EU gives a substantial support for the culture as part of the Creative Europe program. The development of cultural policies is carried out at the state level, which is embodied in developing of [the Work Plan for Culture \(2015-2018\)](#). This plan reflects the priority directions the field of culture of the EU. At present the development of a unified methodology and the creation of a statistics system for comparative culture analysis of the EU countries is carried out.

Conclusions

1. The path dependence theory gives response to the question, why one country becomes developed, and another one trails behind. A country, which strives for success, fulfillment, material prosperity, leaving its former state, is not able to enter a new stage for some reason, i.e. gets into the common path. What holds the country in this path is not about economic growth or political systems, but is about values and behavioral attitudes. The reasons for the difference are in cultural settings. The economic behavior of peoples is determined by their cultural attitudes.

Culture is one of the strengths and advantages of the country: it is a source of creating values and identities, self-awareness, the essence of the existence of a nation, people. It also contributes to improving the quality of life of the population, cohesion and inclusiveness of society. Creative and cultural sectors are the driving force of the economy, job creation and foreign trade. Therefore, the development of relationship between culture and economy should become one of the strategic and backbone areas in achieving social and economic progress.

2. The development of culture, creative technologies, the culture entrepreneurship sector in the EU is given a special place, there is an understanding that the culture sector creates a significant share of value added in total national income. In our opinion, two main trends stand out in culture employment in the EU countries: the first, about 8.7 million people are employed in the field of culture in the EU, which is 3.8% of all workers in the EU economy. This proportion is relatively small, but stably unchanged over a long period. And the second, in almost all EU countries in all cultural occupations, the majority of workers are with higher education. Culture, as a rule, is an area of highly educated people.

3. The cultural sector of entrepreneurship makes a significant contribution to the economy of the EU countries. 1.2 mln cultural businesses functioned in 2015 in the EU. 5% of them worked in non-financial business. Commercial enterprises in the cultural sector accounted for 2.8% of the total added value of the EU, or about 200 billion euros. Total sales volume in the sector of culture reached 475 billion euros, which is three times higher than the same indicator for wholesale and

retail trade (165 billion EUR).

4. Considerable funds are allocated for the needs of culture in all civilized countries. However, it is pointless to expect immediate returns from all cultural institutions and organizations, because culture's effects are long-term. At the same time business expects immediate returns. The return, payback of culture is expressed in the material and spiritual development of people, a positive impact on society, raising its morality and intellectual potential. The most effective way to change social and culture settings and values of a society is to develop its education, abilities, skills and competence.

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