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## 6 Cultural and related impacts

### Key points

- Books are a significant source of cultural value to Australia.
  - Australian books can act as repositories of national history, help to build or maintain a unique national identity and enhance an individual's connection with Australian society.
  - While there is particular local value in Australian works, books by overseas authors also have cultural value.
  - The cultural value arising from the creation of a book is significantly amplified by the broad dissemination of the ideas it contains.
- Books can also provide benefits through improving literacy, diffusing knowledge and ideas, and enhancing interaction.
- The PIRs, by increasing returns to publishers and authors, provide incentives for the creation of additional Australian books, increasing cultural and related benefits to Australia.
- The benefits consumers gain by reading books will generally be reflected in demand for those books, that is, in the prices they are willing to pay.
  - It is the additional value to the broader community that is the appropriate focus of government support for the industry.
- The unpriced 'externality' component of the cultural benefits that is dependent on the PIRs is unlikely to be large, and PIRs do not target such benefits effectively or efficiently.

Books differ from many other 'everyday' consumption items in that, in addition to the enjoyment, knowledge and other benefits received directly by the reader, the reading of a book can create broader benefits for members of the community. In elaborating on the nature of these benefits, Kate Grenville stated:

If we were producing socks or toasters the decline of a local industry would be of no importance except to the individuals involved. But if Australian writers can't afford to go on writing (and Australian publishers can't afford to publish us) then there will be many fewer books reflecting our unique Australian experience ...

Schools will have a narrower base of books with which to explore Australian life. Overseas culture, language, history and values – especially from the US – will dominate our bookshelves as they now dominate our screens.

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It's obviously important for the vitality of our nation to be able to read about our own history, our people, our issues, in books written by Australians primarily for Australians. Without that conversation with ourselves we'd be an impoverished and stunted society. (sub. 2, p. 1)

Numerous study participants discussed the cultural and related benefits of books and literature (see box 6.1). Most thought that the total cultural value was significant, a view shared by the Commission.

This chapter discusses the nature and extent of these broader benefits to the community arising from books, and explores the extent to which the Parallel Import Restrictions (PIRs) are an effective and efficient means of capturing the policy-relevant component of them.

## 6.1 Cultural benefits

### The aggregate cultural value of books

The concept of cultural value applies to a range of products — predominantly in the arts sector — including heritage buildings, paintings and theatre, among others. The existing literature identifies several elements that make up the cultural value of a good. For example, Olivier, Thoenig and Verdier (2008, p. 357) characterised it as thus:

In addition to its intrinsic economic value, consumption of a cultural good confers symbolic and non-pecuniary value. It reinforces a sense of belonging to a particular community of people and facilitates social exchange within that community.

In discussing the nature of cultural value, Throsby (2000, p. 11) identified the following aspects of value as potentially being embodied in, or flowing from, an item of cultural value:

- aesthetic value — beauty, harmony
- spiritual value — understanding, enlightenment, insight
- social value — connection with others, a sense of identity
- historical value — connection with the past
- symbolic value — objects or sites as repositories or conveyors of meaning
- authenticity value — integrity, uniqueness.

Throsby notes that Uluru, as an example, can be a source of all these aspects of cultural value.

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## Box 6.1 Selected participants' views on the cultural value of books

Several participants highlighted the cultural significance of books to Australia:

There is a benefit attached to the reading of all books but a country without books in which it can describe itself, without a literature, without its own histories and biographies, without its own novels and poetry and plays, will be imaginatively impoverished. (The Text Publishing Company, sub. 63, p. 27)

... books are at the apex of the media tree ... they are the most comprehensive, most thoroughly argued, most influential and the most permanent form of knowledge, culture and information in society ... Non-fiction books are the prime vehicles for ideas, knowledge, serious debate and the historical record. Books of fiction inform us in a very different, but no less profound way. They investigate culture, values, morals, the way we live our lives, the way we think and feel and relate to each other. (Black Inc, sub. 113, p. 1)

Australian books help to keep Australia's cultural identity alive and well. Books are not just a commodity like canned beans or shoes. (Public Libraries, New South Wales – Country Association, sub. 100, p. 1)

Books are more than just objects to be consumed. They help shape a person's sense of self. They help a community define, explore and develop its cultural identity. (Marianne Musgrove, sub. 179, p. 1)

It is vitally important for Australians' sense of self for us to read our own stories as told by Australians. Competing as we do in an English language market with the two biggest story-telling machines on Earth, Australian publishing is especially important culturally because it allows us, as a people, to talk to ourselves clearly and unaffectedly. (Australian Publishers Association, sub. 244, p. 46)

People want to understand themselves better and their families, communities, society and country. To do this they need to read their own stories told by their own compatriots. Books of all types are needed but a country's culture cannot be fully formed by others. (Allen & Unwin, sub. 214, p. 6)

In all countries [books] are recognised both as commodities in [a] commercial sense and are seen as *social property* — it is this character as social property which marks them off say from refrigerators and tvs and cars ... They are given this special standing as social property — as property held in common and secured by copyright — because they are considered to be the building blocks, to a significant degree, of the other arts of our civilised life. (Frank Moorhouse, sub. 103, pp. 8–9)

Children need to read books they identify with, books written in Australian voices, with Australian humour and set in Australian landscapes. A nation's literature has traditionally been seen as a reflection of the values, tension, myths and psychology of that culture. These books cannot be replaced by books written for another culture. (Bren MacDibble, sub. 46, p. 1)

... [Some would argue] that Australian children can be served, culturally, just as well with film, television, etc, as opposed to books. I would argue (and I also speak here as an ex-Early Childhood teacher) that books provide the strongest link to the development of the imagination, more than any other media. A book is tangible; it can be a friend on the darkest night, a mentor or a magic carpet ride into lands unknown. (Sheryl Gwyther, sub. 51, p. 2)

Australian fiction and non-fiction informs us about ourselves and illuminates, reviews and critiques our society and culture. I believe it should exist ... for the benefit of Australians and those interested in Australia. (Ann Cunningham, sub. 233, p. 1)

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Many of these aspects of value arise from the purchase and reading (the consumption) of books. Books can contain historical value in the way they record and convey important events. They can convey society's 'unwritten' rules — or challenge them — and provide readers with a sense of connection with their society. And in some instances they may attain a status as a symbol for what it means to be a member of a particular culture or nation. While the main benefit people gain from any individual book is likely to come from the utility of the content or enjoyment and stimulation gained while reading it, it is clear that the cumulative cultural value of books can be material. Thomas Keneally (sub. 16, p. 8) said, with reference to local literature:

... there is no doubt that cultural benefits are palpable and that communities express their value and welcome them ... No literate society has ever doubted the immeasurable benefit of a native literature whether the works cherished dealt with or transcended identifiable national issues.

Books are not the only platform for conveying cultural value in the form of storytelling and the transmission of information and ideas, as these can also be conveyed through film, television, music, art and live performance, among other things. Indeed, in the modern world, competition in the 'marketplace for ideas' can ensure that new concepts are available freely and quickly to a wide audience. For example, many academics now diffuse their research and thinking through the internet. At the same time, these other media can amplify the diffusion of ideas contained in books.

### **Factors affecting the cultural value of different books**

While the aggregate cultural value of literature may be substantial, the cultural value of each book will vary, depending on matters such as category and genre, specific content and idiom.

In relation to category and genre, several participants argued that children's books are of particular cultural importance. The Children's Book Council of Australia said:

We see these books as a major enculturating force — they help Australian children to discover and celebrate who we are and what is important to us; they tell us our own unique stories in our own language/s, asking us to critically examine ourselves and our way of life. (sub. 71, p. 1)

Bren MacDibble focussed on the role of children's literature in facilitating learning and creating a sense of national identity:

Children enjoy reading books where they can [empathise] with the main character. Children who enjoy reading become children who find learning easier. In order to teach children well, they need to have access to books they enjoy reading. For young readers, national literatures play a crucial role in developing a sense of identity, a sense of belonging, of knowing who they are. (sub. 46, p. 1)

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(At the same time, the *Harry Potter* books are considered by some to have been the most important in promoting children's reading, both in Australia and overseas.)

Some educational books may also hold cultural value for the nation. Texts on national history and politics are examples. However, educational books on more universal subjects, such as mathematics and physics, are unlikely to have significant specific cultural value for Australia.

In relation to trade books, those with specifically Australian content — namely books that tell 'Australian stories' including Australian history, biographies of notable Australians, or novels featuring Australian settings or characters and Indigenous writings — clearly can contribute to cultural value by providing a means of better understanding Australian society.

Some books without particular Australian content may also be of some cultural value if they are authored by an Australian, in that they may convey their story in an Australian 'voice', or from an Australian 'angle', and/or through underlying Australian themes within more general stories. Pamela Freeman contended that the works of several Australian fantasy writers are relevant examples:

The issues dealt with ... have resonances which are uniquely Australian. For example, ... [several writers] have engaged with the issue of dispossession of indigenous people, a form of racism rarely examined by writers from other English-speaking countries. [Karen] Miller's current series investigates religious war and the need for a secular state in which different cultures can coexist – certainly relevant to Australian readers. Fantasy often allows writers to explore themes in depth or in extremes in a way which realistic fiction cannot. The way writers do this is influenced by their own culture and experience, and I believe that Australian fantasy and science fiction writers present a type of discourse within the genre which is unique. (sub. 3, p. 4)

Just the use of Australian terms in the language of the book may be of some cultural value. This is a matter that many participants from the book industry felt is of considerable importance (see box 6.2).

However, Australian authorship alone does not necessarily give rise to substantive cultural value. For example, even where they contain Australian-specific content, there may be little or no additional cultural benefit arising from an Australian-authored 'do it yourself' book, financial guide or computer manual, as opposed to a foreign-authored one.

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## Box 6.2 National identity in the preservation of language

Many participants were concerned about the harm to Australian culture through any replacement of uniquely Australian aspects of language with foreign terms:

The US edition of my book is not the same as the Australian edition ... In my US edition, babies wear diapers, not nappies. People do not eat Tim Tams or Yum Cha. They push a cart around the supermarket, not a trolley ... They eat a pot pie at the football, rather than a meat pie. My characters do not wear thongs, in case readers think they are walking down the street clad only in a G-string. (Toni Jordan, sub. 26, p. 2)

It is common for changes ... to be made before a book is published in an export market ... Many Australian references are lost and idiomatic language is altered. ... If something stands out as inauthentic, it pushes you out of the story, and spoils the reading experience. Some changes also have real potential for confusion ... (Nick Earls, sub. 17, p. 10)

To open up a book bought in a local bookshop and read in US spelling with US references ('dial 911') is to create a creeping erosion of Australian culture that's difficult to measure and impossible to reverse. Within Lonely Planet, this is a very real and tangible issue. The word 'traveller', for example, is spelt with one 'L' in American English. (Lonely Planet, sub. 69, p. 2)

The Commission notes, however, that where Australian idiom or terminology are central to the work, not all authors have changes made to their books, and in some other cases, the adjustments in overseas editions can take the form of a glossary explaining them, rather than changes in the text to eliminate them — Mem Fox's *Possum Magic* being an example of this approach.

Participants' concerns were not limited to terminology alone, but also extend to the content and even the narrative of a work:

Australian writers will be forced to write for a more "global" market. ... when I write for the American educational market: not only do we get American terms (sidewalk, Mom, ketchup, jelly, gasoline), but any religious figures are banned (no priests, nuns, rabbis, imams), and even coffee and birthday cake are outlawed (junk food!). (Pamela Rushby, sub. 31, p. 1)

High profile authors such as Nick Earls and Emily Rodda have already gone public with their experiences of American publishers wanting to change everything from setting (the Brisbane suburb of Indooroopilly being deemed unacceptable for an American audience) to vernacular (Aussie kids asking "Mom" for "cookies") to omitting scenes (because they don't "get" our humour). (Christine Bongers, sub. 95, p. 2)

My 2004 novel *Giants of the Frost* was revised significantly for the American market. Along with the letter "u" dropping out of colour; along with the "taps" become "faucets"; the US editors required a "happy" ending to a story that was set up from the beginning as a tragedy ... should this book, for example, outstrip sales of my Australian editions here, something essentially Australian has been lost. (Kim Wilkins, sub. 12, p. 1)

Such changes to content can also occur in educational books. Cengage Learning Australia provided examples of content changes required for the US market including:

- in an illustrated reader on the source of milk, with a line drawing of 'Daisy the cow', the depiction of the udder would be removed
- in a non-fiction reader on jobs involved in building dams (such as Hoover Dam), it was recommended that the word 'Dam' be removed from the book's title (sub. 52, p. 9).

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Moreover, books by foreign authors can culturally enrich Australians in their own ways. Each culture has its own history, identity, symbolism and unique insights into human affairs, spiritual matters and so on. Through exposure to these foreign perspectives, readers may discover new ways of resolving problems, come to appreciate a wider set of viewpoints, develop greater tolerance or understanding of people from other cultures, and gain new insights into their own way of thinking and their own culture. Accordingly, it may be that a balance of works from different cultures — grounded by exposure to Australian culture — provides the greatest benefit for Australians.

Thomas Keneally accepted that books by authors of all nationalities can supply cultural benefits to varying degrees, while emphasising the particular importance of local literature:

... cultural benefits arise from foreign works in so far as we are members of an international community, but the cultural benefit attaching to Australian works, given our book-buying choices, is obviously a matter of great value to Australian readers. (sub. 16, p. 9)

As noted in chapter 2, the Commission estimates that around one-third of trade books sold in Australia in 2007-08 were Australian authored.

In addition to the genre of the work and nationality of the author, the specific content of each book obviously affects its overall cultural value. While some books may hold particular cultural value, equally there are others whose value will lie almost solely in the entertainment of the reader, rather than any cultural aspects. In this context, one Australian author was critical of ‘commercial novels’:

The commercial novel has now grown to become the giant best-seller, the “page-turner” of today. Their writers seem to show more talent for research than for creative writing, and indeed they appear to have more in common with journalists ... These novels usually have little or no literary merit whatever and do little if anything to truly hold a mirror up to nature or reveal a country’s culture ... (Robert Morrison, sub. 1, p. 1)

## **Cultural value from creation and dissemination**

A component of the cultural value in a good can arise simply from its existence. In the context of books, this ‘existence value’ is often stated in terms of the choice of a range of titles, particularly Australian titles, and the associated presence of a literary ‘community of creators’ who provide such works:

Australia is undergoing a tremendous burst of growth and development in the literary arts. It has a strong publishing sector, and all that goes with that – the nurturing of Australian writers, our literary culture, the small presses, the specialist booksellers, the diversity of voices ... (Graham Storrs, sub. 22, p. 1)

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As in most creative industries, a diversity of voices within literature is clearly beneficial. As such, there is likely to be some threshold level or ‘critical mass’ of creators that is of benefit to a community, below which any reduction in the number of creators could clearly lead to net costs to society. Some participants, such as the Australian Booksellers Association (sub. DR478), argued that the presence of, and additions to, a community of creators of itself leads to benefits, and pointed to the work of theorists such as Richard Florida, which observed a correlation between a city’s prosperity and its ability to attract the ‘creative class’ (see, for example, Florida 2002). However, the theory that the presence of the creative class leads to prosperity has been criticised on several grounds.<sup>1</sup>

Whatever the size of any particular community of creators, the Commission considers that its main cultural value depends on the extent to which it is responsible for the creation of a range of literary works, and the cultural value that the broader community obtains from those works. In this regard, the main cultural value of a work is likely to arise from its dissemination and use:

We strongly believe that a thriving Australian book industry is of little use if those books are not readily accessible to the Australian public. We gain value from books by being able to access, read, discuss, and draw from those books. The creation of books is just one side of the coin; the other side is having adequate access to those books. (Australian Digital Alliance, Australian Libraries Copyright Committee & Australian Library and Information Association, sub. 252, p. 3)

There can also be some exposure of the ideas in a book associated with the marketing of a book, particularly when it is initially released, regardless of whether it goes on to sell in great volumes.

## **The relationship between cultural value and market value**

Beyond the intrinsic motivations of authors and publishers, the extent to which the creation and subsequent dissemination of books occurs depends in large measure on the price of books in the market place. A mismatch between a product’s total value to the community, and its market value, can in some circumstances lead to insufficient (or excessive) production and consumption. This section explores the relationship between the cultural value and market value of books.

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<sup>1</sup> The primary criticisms of the theory relate to a lack of supporting research, a lack of clarity in defining the creative class and the issue of causality — that is, wealthy cities may attract creative people, or creative people may make cities wealthy. Further, policies aimed solely at the creative class may neglect the needs of other groups of other parts of the community (VCEC 2008). The Commission further notes that PIRs would, at best, be a very indirect mechanism for attracting the creative class to cities.

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Although they are separate concepts, cultural and market value are related and in the case of many cultural goods they ‘overlap’. Throsby (2000) notes that cultural value can increase the price that individuals are willing to pay for a product beyond the value of its other, more prosaic features and uses — for example, a building is likely to command a greater price if it has heritage value that is appreciated by prospective purchasers (although, equally, they are unlikely to be willing to pay an amount that reflects a heritage building’s full value to the broader community).

For most books, it is likely that there is a close relationship between market and cultural value. As noted in chapter 2, individuals purchase books for a variety of reasons, including pleasure and enjoyment, but also the pursuit of knowledge and understanding. Consumers often choose books (whether for themselves or for others, such as their family or their students) because the books potentially embody cultural value or may be culturally enriching to read. This value would generally be reflected in the price that purchasers are willing to pay for different books.

While purchasing decisions driven by cultural value are clearly the case for books whose content is directly of a cultural nature (works on art, history and the like), the demand for Australian works in the domestic market today suggests that Australian consumers are also willing to pay to purchase other works of particular cultural value to them. This demand exists even though Australian works may be more costly than similar foreign works, as Working Title Press stated:

... Australian publishing companies must be sustainable and the cost of producing Australian literature for a recognizably small market is not cheap. Print runs are relatively small and unit costs comparatively high. In most cases it is not possible for local books to compete dollar for dollar against the imported products of much larger markets. In short, if Australians want to buy books that reflect their history, culture, geography, idiom and values, they must pay for them. (sub. 143, p. 2)

In submissions to this study, Australian authors also stated their belief that their readers place particular value on the Australian aspects of their work. For example, Tim Winton felt that his use of Australian elements in his work is an attraction for his readers as he writes ‘about peculiarities of place, region, landscape. Vernacular language is integral to my work and is valued by my readers’ (sub. 204, p. 4). And Kate Grenville commented that, early in her career:

... my first six books of fiction made modest sales, always supplemented by other work and grants. I continued writing because of the satisfaction of being part of the conversation we Australians were having with each other about issues of importance to us. My readership was almost exclusively Australian. I received large volumes of mail from readers, all with the same refrain: that I was talking about our own issues, in our own language, and this was why they valued the books so highly. (sub. 68, p. 3)

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## The cultural externalities of books

While much of the cultural value from the consumption of books will be reflected in their market value, there is also likely to be a component that is not. Where one person's purchase and consumption of a good or service generates benefits for others (aside from the producers and sellers of the good or service who of course receive payment for their work), unpriced benefits, or 'externalities' in economic parlance, can be said to arise. It is these external benefits (and, in some cases, costs) of activities that provide the strongest rationale for governments to support (or, in the case of external costs, discourage) many activities.

Some externalities involve direct and obvious impacts. Pollution from a factory affecting nearby residents is one example of an external cost. Conversely, equipping a car with anti-skid devices can improve the safety of not only the occupants but also of other road users and pedestrians, and as such provides an external benefit. Where externalities are significant and can be addressed effectively by some form of government measure, intervention in the market will potentially be warranted.

The cultural externalities that arise from the consumption of books are likely to operate in much more subtle, intangible and diffuse ways. A key way such benefits can arise is through impacts on stocks of social capital. Though difficult to measure, elements of social capital have a range of beneficial effects on individuals, society and the economy (PC 2003b). While the impact of any particular book on the stock of social capital will typically be very limited, collectively the creation and dissemination of culturally valuable literature will have a more discernable impact.

Specifically, the consumption of culturally valuable books, and the ideas they contain, can help diffuse social norms. Where more people come to understand the unwritten rules of a society, their actions become more predictable or 'trustable' to others, facilitating social and economic exchanges. Further, as more people read works that reveal and effectively promote aspects of group identity, other members of the group may benefit insofar as the effective membership of the group is widened. More generally, the reading of books of cultural value may help individuals to feel more connected to, and to be more productive within, particular social groups or the wider society, to the benefit of all:

... the consumption of cultural goods is not only beneficial for the individual consumer but contributes to form a "better" or a "more civilised" society which is enjoyed by all its members irrespective of (and in addition to) their own cultural good consumption. (Pethig and Cheng 2000, p. 21)

As with overall cultural value, the significance of any externalities will vary from book to book. For example, as a number of participants emphasised (for example, the Australian Publishers Association, sub. DR513), the ideas embodied in some

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books have had far reaching impacts. Most obviously, the core ideas that were embodied in books such as *The New Testament*, *The Wealth of Nations*, *Mein Kampf* and *The Female Eunuch* have had major impacts on how societies operate. Truly ‘iconic’ works are rare, but some books have similar, though smaller, external effects through their influence on people’s views and attitudes. However, for the vast majority of the hundreds of thousands of titles purchased and read in Australia each year, the Commission considers that most of the cultural value they generate will be ‘internalised’ by the individuals who consume those books.

Even where books do contain ideas that have a wider influence on society, determining whether this influence translates into *benefits* for society can be contentious. Thus, some books that are seen as reinforcing existing norms and attitudes, when released, might be looked upon, at a later date, as having retarded beneficial personal or social change. Likewise, some books that criticise existing views, norms and attitudes might not be seen by all as advancing thinking on the topic but rather as unravelling the social fabric or undermining community action. For example, some people would see Professor Ian Plimer’s recent book *Heaven and Earth* — which purports to debunk the scientific consensus on climate change — as generating external costs, to the extent that it weakens community support for measures to reduce greenhouse emissions. Most clearly, books that have the effect of promoting intolerance between groups can diminish certain forms of social capital and generate external costs.

While the creation of some negative as well as some positive external effects may be part and parcel of the operation of the marketplace for ideas, it should also be recognised that books and literature are but one way by which ideas and social norms are diffused and group identity is communicated — other media (such as film, television, radio and the internet) have a particular ability to reach large groups in society. Indeed, as noted above, many academics and others now diffuse their research and thinking quickly and freely through the internet.

Beyond such impacts, another way that Australian books could generate external benefits is if they make Australia a more ‘marketable’ identity to the eyes of foreigners. According to the Australian Society of Authors:

Seen as cultural producers, Australia’s authors and publishers are as important to the national interest as our primary producers. When we export our culture, we open the doors for our businesses and their products ... [without PIRs] Our nation would lose a strategic resource and our ability as a nation to represent ourselves as culturally unique to the rest of the world would be diminished. (sub. 70, pp. 9–10)

Similar arguments are sometimes raised in relation to the hosting of high profile sporting or political events, or films such as the recent release, *Australia*. In relation to books, these arguments rely principally on the idea that the consumption of

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Australian-authored books by foreigners, or the recognition by foreigners that some Australians are successful authors, leads to an unpriced benefit to Australians, for example through more travel to Australia or higher demand for Australian goods. However, in the Commission's view, such impacts are not likely to be significant in most cases.

## 6.2 Educational benefits

Aside from the obvious educational value of books in the 'educational books' category, reading in itself can improve literacy and expand vocabulary. Depending on the subject matter, it can also enhance a person's awareness and understanding on specific topics as well as their cognitive capabilities more generally.

The educative benefits of particular books will accrue mainly to the individual who buys and uses those books. For example, reading an engineering textbook will help the reader's career in that field. This constitutes a direct benefit to the individual, and one they can obtain a return on themselves by using the knowledge and techniques gained from the book in advancing their career. That said, there is also a broader benefit of improved human capital, in the form of a more innovative workforce, greater labour productivity, higher taxable incomes and potentially lower welfare dependency (although the broader benefits of formal education are generally the province of dedicated government policies).

The dissemination and consumption of books generally may also yield some external benefits insofar as it promotes higher levels of overall literacy. Observed behaviour patterns of more literate societies include 'reduced criminal activity, more informed public debate, better informed judgements with respect to health, and more sophisticated voting behaviour' (Chapman and Withers 2001, p. 6).

As noted above, several participants argued that children's books have a particular role to play in supporting not only cultural but also literacy objectives. For example, the South Australian Government stated that:

... research demonstrates that building literacy skills begins in early childhood and is increased by building onto the home literacies and cultural literacy practices of the family. The closer the match of the literacy product to the child's life experiences the greater the learning. This is why Australian publishers and educators are being encouraged to publish even more Australian books for children aged from birth to 5, 5 to 8 and 8 to 12 years ... (sub. 201, pp. 7–8.)

However, Black Dog Books (pers. comm., 28 May 2009) contended that parents and schools do not sufficiently value the benefits of children's books, and particularly Australian children's books, compared to the long term benefits they deliver:

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Many parents who do buy books for their children don't, or no longer, read. There's a general expectation that items for children will be less expensive than for adults ... and this carries over into the under-valuing of children's books by adult purchasers. The adult purchaser puts too much emphasis on the cost of the item, not apportioning the cost over the number of times the book will be read or shared. ...

With the decline of the teacher-librarian, the book purchaser within the school will often lack an understanding of the value of particular books to the ultimate consumer, the child reader.

Magabala Books noted the particular importance of culturally relevant material in improving literacy outcomes in Indigenous communities:

From 2005–2007, in partnership with the Broome and state libraries in WA, Magabala Books produced a series of Babies Board Books. This project aimed to break the inter-generational cycle of illiteracy by focusing on parents together with their children and improving the life chances of Indigenous children through increased literacy providing opportunities for participation in mainstream economy and higher income levels. Research showed that most of the board books on the Australian market originate from overseas and the few Australian board books available do not reflect the diverse cultures of our communities. It is therefore difficult to encourage Indigenous parents to read and inspire their families to do so when the available resources are so far removed from their own life experiences. This project addressed this gap. (sub. 188, p. 2)

As with cultural benefits, it should be noted that while books are an important source of such educational benefits, they can also arise, for example, from (educational) television programming and, increasingly, from the internet.

### **6.3 Effects of parallel import restrictions on external benefits**

Associated with the market impacts discussed in the previous chapter, the PIRs may influence the extent to which Australia obtains the external benefits available from books. In this context, the effects of PIRs may, in some cases, overlap with existing government programs designed to promote culturally valuable literature and reading, such as Australia Council grants (appendix F). The PIRs also affect books that such programs do not — and are not intended to — support.

#### *Size of the impact*

As noted in chapter 5, the price-raising effects of PIRs encourage a greater level of activity by Australian publishers and authors. Many participants argued that this allowed the publication of more literary works in Australia — including those

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which might otherwise be marginal commercial propositions — and as such the repeal of the PIRs would threaten these works and the cultural value they embody.

To the extent that such works generate external benefits for the community, these externalities would likewise be diminished in the absence of PIRs. Indeed, in commenting on the Commission’s draft recommendation to liberalise the PIRs, Leading Edge Books contended that:

... the likely resulting contraction in the Australian book industry would ... [have] a significant and detrimental impact on the cultural externalities associated with Australian publishing and currently enjoyed by Australian consumers. (Leading Edge Books, sub. DR388, p. 5)

However, the view that PIRs generate significant cultural externalities has been challenged. The Coalition for Cheaper Books and Professor Henry Ergas questioned to what extent the additional returns publishers receive by dint of the PIRs are used to support Australian authors (box 6.3). The latter also argued that removal of the PIRs would not necessarily have any negative impacts on cultural externalities, pointing among other things to the experience of New Zealand (see appendix C). Similarly, in the context of the Dutch fixed book price (FBP) agreement (which has some similar effects to PIRs), arguments for the policy on the basis that cross-subsidisation is used to support cultural benefits have been criticised:

First, the market even without a FBP will cross-subsidise debutantes and other risky projects in the hope of possibly getting a best seller. Second, even if this cultural policy ‘works’, there is no accounting for what is done with the cross subsidies ... there is no guarantee that profits on bestsellers will be used to cross-subsidise less popular, more esoteric books. In fact, publishers and booksellers have an incentive not to do this. Fourth, if less popular, more esoteric books are less price elastic ... than popular books, monopoly profits on less popular books will be higher and the cross-subsidy argument does not work. (van der Ploeg 2004, p. 16)

Further, it is not clear that additional financial returns for books consequent upon PIRs would be necessary to induce the creation and dissemination of a major share of the ‘big ideas’ and other culturally significant work that may give rise to external benefits, given:

- the intrinsic motivations many people have to express and promulgate their ideas, beliefs, experiences and stories
- the market rewards potentially available for doing so
- the increasing use of alternative platforms for promulgating such material.

Additionally, the cultural benefits from the creation of additional literary works that PIRs sustain are likely to be offset, to some extent, by the higher prices to which they give rise. These could result in somewhat lower overall sales than would

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### **Box 6.3 The impact of the PIRs on the creation of Australian works**

Several participants commented on the role that the PIRs played in encouraging the creation of Australian works, and submitted that their removal may have negative impacts on the incentives for further creation:

Without [territorial copyright] ... many Australian educational publishers, Era included, would find the costs of developing large series of works too risky. The creative effort is a costly, sophisticated process and cannot be denied or ignored. Territorial Copyright is not an 'incentive for investment and creative endeavour', it is a fundamental precept used to calculate the balance of risk to reward in the publishing process. (Era Publications, sub. 54, p. 3)

The potential removal of the current parallel importation restrictions poses a serious threat to Magabala Books as a publishing house as well as to the many Indigenous creators that benefit from the work of Magabala in promoting Indigenous literature, not to mention the wider Indigenous community whose culture is better understood and celebrated. (Magabala Books Aboriginal Corporation, sub. 188, p. 2)

We have a literary cultural heritage that is beyond 'market value' and well worth protecting. ... The cultural and economic longterm effects of changing the present restrictions on parallel importation are largely unknown and could be disastrous. We believe that the publication of quality Australian children's fiction is far too important to jeopardise. (Children's Book Council of Australia, sub. 71, pp. 1–2)

Other participants questioned the connection between the PIRs and the incentive to create new Australian works:

... there is no evidence provided by publishers of a systematic and accountable program of support and promotion directly stemming from the benefits of Australia's closed market. ... The Coalition contends that this is because such transfers do not occur, other than to an insignificant extent, as the multinational publishers who dominate the book market retain the bulk of PIR benefits as profit. (Coalition for Cheaper Books, sub. DR509, p. 13)

... there is no reason to believe that the cross subsidy potentially derived for all beneficiaries of PIRs because of higher prices and thereby higher profits facilitated is devoted to Australian authors or is the most effective means of developing and promoting local publishing. (Henry Ergas, sub. DR543, p. 2)

otherwise be the case, thus reducing the dissemination of the ideas contained in the books. While consumers are likely to take price into account when choosing between different booksellers and different titles, as noted in chapter 2, there is mixed evidence on the extent to which overall demand for books responds to changes in price.

Some participants, including the Coalition for Cheaper Books (sub. 218, p. 5), went further and argued that the price-raising effects of PIRs also discourage reading and the building of literacy skills. However, the Commission does not consider it likely that the PIRs would have much impact in this respect.

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In relation specifically to Australian children's books, and building on its view (set out above) that parents and schools undervalue the benefits of such books and give too much weight to cheapness, Black Dog Books argued:

The effect of putting a downward pressure on the price of books [by removing PIRs] is to prefer the cheap mass-produced product, which will have limited resonance, over the quality local book that will resonate for a lifetime. Often the decision will be made on price which advantages the short-term price advantages of imported titles (with long printruns) over quality and Australian writers and illustrators. (pers. comm., 28 May 2009)

In the Commission's view, were it to be judged that parents and schools give insufficient weight in their spending decisions to the benefits their children would gain from books in general, and from Australian children's books in particular, measures such as PIRs that increase the price of children's books to schools and parents would not be an efficient and effective policy response. Rather, were marketing by children's publishers to prove insufficient, the appropriate response would more likely entail measures to raise awareness of the particular value of such books, or direct government support for the provision of such books.

### *Targeting of external benefits*

As a means of targeting cultural external benefits, the PIRs have some mixed features because, as discussed in chapter 4, they provide greater rewards to copyright holders in line with the market success of a book. Some participants were inherently concerned about linking support to sales. Thus, Kate Grenville commented on the difference between 'mass-market' and 'literary' fiction, noting in regard to the latter that:

... these are often the books that reflect what's unique about our culture and that invite us to think about ourselves in new and productive ways. The cultural value of lower-selling books is impossible to quantify. But an Australia without the whole choir of local voices – big and small, highbrow and lowbrow, conventional and innovative – would be an infinitely impoverished nation. (sub. 68, p. 6)

However, as discussed above, in the Commission's view, linking the amount of support to sales will generally be desirable. This is because most of the cultural externalities attaching to books come from dissemination and readership, not from existence *per se*.

That said, it is true that PIRs do not differentiate according to the cultural value of particular books. Thus, for example, a bestseller of limited cultural value will receive equivalent assistance to a bestseller of high cultural value.

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As an instrument for targeting the cultural externalities associated with Australian-authored books, the PIRs have some other limitations. First, a sizeable proportion of Australian-authored titles do not have overseas editions and thus do not receive any significant direct protection from the PIRs. Second, as discussed in chapter 7, the PIRs result in income leakage to copyright holders of foreign-authored books. Given the small share of total sales in the English-speaking world accounted for by the Australian market, these extra returns to foreign copyright holders are unlikely to result in the creation of any additional works by them, whether of cultural value to Australians or not. But the assistance that leaks abroad has an opportunity cost in that it could, if directed to Australian-authored works, have increased the output of those works and the cultural benefits associated with them. Third, some of the assistance provided by the PIRs to copyright holders (of whatever nationality) is likely to be dissipated in the form of higher production costs.

## **6.4 Summing up**

Although the total cultural and educational value of books is significant, the bulk of the benefits of buying and reading most books is likely to be internalised by consumers and reflected in the market price of their purchases. It is the beneficial externality component of books' value that provides the key rationale for government support for the industry, although there are mixed views on the extent to which the PIRs generate such externalities. It is also a separate question as to whether the price raising effect of the PIRs on individual purchases is at least matched by the size of any external benefits to the broader community.

In the Commission's judgement, by assisting Australian publishing, the PIRs undoubtedly support some cultural and educational externalities associated with books. However, PIRs have intrinsic limitations for targeting such externalities, and the actual external benefits dependent on the PIRs, while policy-relevant, are unlikely to be large.

These limitations need to be considered alongside the benefits and costs of other instruments that might provide support for Australian writing when assessing the merit of the restrictions. These matters are taken up further in chapter 7.