

RESEARCH ARTICLE

A Panel Study on the Effects of Cultural Influence and Heritage on Cultural Exports

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ABSTRACT

This study investigates the relationship between cultural influence and cultural heritage and its effects on cultural exports. Prior work and studies on cultural influence and its effects on the cultural economy are limited. A panel study of 26 countries in the Lowy Institute Asia Power Index was performed to evaluate the effects of cultural influence and heritage on cultural exports. The analysis results of the fixed-effects panel regression model indicate that cultural influence has a positive and significant relationship with cultural exports. However, cultural heritage and GDP are less important in influencing cultural exports. Nonetheless, evidence from the panel data analysis also indicates that inflation plays an important role and should be considered by policymakers when devising policies that influence cultural exports. Furthermore, results from the analysis indicate a need to identify suitable cultural measures and the country of firm-level variables to improve the empirical modelling and understanding of cultural factors and how they influence cultural exports. The overall findings from the study imply that policymakers, researchers, and industry participants could further benefit from studying cultural influence and its impact on cultural exports by developing new cultural measures for purposes of empirical testing.

INTRODUCTION

Recent studies on culture and its effect on the economy have suggested that an understanding of cultural influence is becoming more important when explaining culture's impact on the economy. The United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute of Statistics defines cultural goods as consumer goods that convey ideas, symbols, and ways of life. These goods include tangible or intangible products such as books, magazines, multimedia products, software,

recordings, films, videos, audio-visual programs, crafts, and fashion.

Nonetheless, various issues and challenges remain when defining, conceptualizing, and valuing culture and how it influences the economy. Numerous researchers have taken various approaches to develop proxies for culture and its effect on the economy. However, a consensus has yet to be formed on a standard set of measures that can be used for this purpose.

Recent studies performed by Khan et al. (2022)

and Kumar et al. (2024) support the argument that economic activity is influenced by culture. Kumar et al. (2024) asserted that culture, heritage, and architecture are used to improve tourism attractiveness and contribute towards improvements in economic activity in a country. Rinaldi et al. (2022) and Zadeh Bazargani and Kilic (2021) also provide evidence of cultural effects on promoting tourist destinations. On the other hand, Kumar et al. (2024) approach the issue of culture and how it affects economic growth from the perspective of tourism competitiveness. Nonetheless, apart from the work performed by Cho (2023), there is a need for more studies on the relationship between culture and cultural exports. The gap in the effects of culture and its effect on cultural exports is one of the motivations behind this study.

Previous work on the area of cultural factors that are used as a proxy for cultural influence is varied. Both Khan et al. (2022) and Kumar et al. (2024) used national culture as proxied by national cultural traits as suggested by Hofstede (1980) and included subjective measures on cultural traits such as individualism, uncertainty avoidance, masculinity, power distance, and a sixth factor known as indulgence. Nonetheless, there is a need to perform further empirical studies using cultural factors to corroborate some of the evidence provided by these studies.

Hence, another focus of this study is to empirically evaluate the effects of culture on one specific aspect of the economy: cultural exports. The effects of cultural influence and cultural heritage on cultural exports will be investigated by using proxies taken from the Lowy Institute Asia Power Index.

Cultural heritage will also be used to further test the effects of culture on cultural exports. Cultural heritage sites will be used as a proxy for this cultural factor and are taken from the Lowy Institute Asia Power Index information.

Thus, this study will address four research questions (RQs). RQ 1: What is the relationship between cultural influence and cultural exports? RQ 2: What is the relationship between cultural heritage and cultural exports? RQ 3: What is the relationship between gross domestic product (GDP) and cultural exports? RQ 4: What is the relationship between inflation and

cultural exports? The study will be performed using a short-panel fixed-effects regression model from 2018 to 2021 based on 26 countries listed on the Lowy Institute Asia Power index. Two control variables will be included, including GDP and inflation. The findings from the study suggest that cultural influence and cultural heritage influence cultural exports, even though cultural heritage is less consequential in terms of its effects. The findings from the study also provide confounding evidence relating to the effects of inflation on cultural exports. These results, however, are supported by some recent evidence relating to the COVID-19 shock and the confounding effects of inflation on cultural exports during periods involving a negative economic shock.

The rest of the study will be structured as follows: Section 2 reviews the literature and hypothesis development. Section 3 presents the theoretical framework. Section 5 discusses the data and methods used. Section 5 reports the findings' details and the empirical results' analysis. Section 6 discusses the results and their theoretical and practical implications. Finally, Section 7 provides conclusions and future directions for the study.

REVIEW OF LITERATURE

Cultural influence and cultural exports

Previous research work on the effect of culture and its influence on cultural exports is sparse. Nonetheless, there is value in evaluating recent studies relating to culture and its effect on the economy and exports to draw inferences about how cultural influences affect cultural exports. Various researchers have used the study of culture based on Hofstede's (1997) work to study its implications for the economy. Five dimensions have been identified by Hofstede (1997) to explain national culture, including power, uncertainty avoidance, identity, gender, and time orientation, and the sixth dimension, known as indulgence, was introduced by Escandon-Barbosa and Salas-Paramo (2022). Nonetheless, a recent paper by Cho (2023) provides interesting evidence relating to the effects of culture on cultural exports. The study takes a novel approach to disentangling the effects of a country's cultural influences and their effects on cultural exports by using cultural proximity in international trade as a proxy for cultural influence.

From the point of view of this study, the empirical model used by Cho (2023) to examine the effects of cultural influence on cultural exports will be used as a foundation and a guide.

In an earlier study, Jaworski and Kohli (1993) used subjective measurements as a proxy for culture and a means to evaluate the performance of employees relative to competitors. Following the same idea, Escandon-Barbosa and Salas-Paramo (2022) used subjective measures of culture as antecedents to evaluate the performance of employees and how it influences a company's global performance.

A manager's international orientation and perception is another cultural trait that has been studied to understand how managers of companies will influence their employees and how this may affect export performance. These studies have taken different guises, as exemplified by studies performed by Behyan et al. (2015), Sorensen and Madsen (2012), and others. Escandon-Barbosa et al. (2019) further validated these studies through their research work. In the same study, the cultural impact of a "born-global" international mindset and its effect on export performance was the specific area that was scrutinized by the researchers.

White and Tadasse (2008) used another method to assess the impact of culture on economic activity. The study examined the relationship between immigrants and cultural distance and how it influences state-level exports. The study also found that even though cultural distance hurts exports, immigrant work ethics reduce the negative effects of cultural distance on exports.

A recent study by Eroglu et al. (2023) empirically evaluates the effect of cultural traits such as uncertainty avoidance and how long-term orientation influences manufacturing output. The study further provides evidence to indicate that demand unpredictability moderates the effects of national culture and how it influences productivity in the manufacturing industry.

In the context of this study, a possible means of analyzing the effect of culture on cultural exports is by evaluating how the cultural values of a country influence tourist behaviour (Huang and Trotts, 2019). However, the same study suggests measuring cultural values is difficult due to culture's subjective nature.

Therefore, it is an arduous task to establish a relationship between national culture and visitor satisfaction.

Another study investigating the relationship between culture and tourism was recently published by Kumar et al. (2023). In this study, the researchers used the theoretical global leadership and organization behaviour effectiveness (GLOBE) cultural values and practices to evaluate how organizational culture influences firm competitiveness. The study proved that the GLOBE approach can guide companies in evaluating cultural norms and their effects on firm performance.

Nonetheless, the approach used by Hofstede (1997) in applying cultural dimensions to study the impact of culture on the economy has been perceived as controversial and views espoused to be too general. Venaik and Brewer (2010) contend that the observations made by Hofstede (1997) only focus on the cultural dynamics of employees at IBM and cannot be applied to other firms. On the other hand, Mueller et al. (2013) and Tihanyi et al. (2005) argue that cultural dimensions should be used to explain direct or mediated relationships.

Granato et al. (1996) used cultural variables based on survey-based data from the World Values Survey (WVS) in an earlier study. They found similar effects of the confounding relationship between cultural values and economic development. The study's authors contend that cultural values, though perceived as a diffused and permanent feature of a society, must be considered regarding their importance and effects on the economy. Nonetheless, findings from their study indicate that cultural values such as postmaterialism, though positive in their effect on economic growth, are insignificant in terms of their overall impact on the economy. Furthermore, the study argues that an empirical approach to evaluating the impact of culture on the economy is an objective means to address an area that has been argued to be vague and nebulous.

Furthermore, Efrat (2014) provides empirical evidence to support some theoretical divergences when studying the relationship between Hofstede's (1997) cultural dimensions and their effect on innovation. The counter-hypothetical results from the study imply that cultural dimensions such as power distance and masculinity have a positive but

insignificant effect on innovation. The study also cited the importance of including firm-level factors when studying the impact of culture on innovation, based on previous studies performed by Ahmed (1998), Martins and Terblanche (2003), and Shane (1993).

However, Grinstein (2008) emphasized the significance of approaching the issue of cultural dimensions from a national cultural perspective. In this study, Grinstein (2008) also elaborated on the need to account for the endogenous nature of cultural dimensions and the need to consider other factors (otherwise referred to as "forces") in modelling the effects of culture on innovation and its impact on the national economy.

H1: Cultural influence has a positive effect on cultural exports.

Cultural heritage and cultural exports

Different approaches have been used to study the effects of cultural heritage on economic activity. Even so, empirical work is still being determined on cultural heritage and how it influences cultural exports. For instance, Qiu (2023) performed a content analysis of the cultural heritage of cities to understand how tourists study the content of tourism material in different languages and how it affects tourism.

In a recent study, Al-Shawabkeh et al. (2023) studied the impact of encroachment on natural and cultural sites and its influence on tourism. The study also provides some evidence as to the effect of the increase in tourism in areas designated as cultural heritage sites in Egypt and how it influences the national economy. Furthermore, the researchers also guided what can be done to preserve national heritage sites. Studies performed by various other researchers argue that an affirmative perception of the cultural heritage of a country plays an important role in encouraging economic activity. For instance, Nag and Mishra (2023) argue that stakeholder perception must be considered when devising state and national policies on developing heritage sites. In an earlier study, Petronela (2015) argues that intangible cultural heritage factors, such as cultural factors that people use to distinguish and identify respective cultures, are valuable in encouraging economic growth. Arcos-Pumarola et al. (2023) further evaluated intangible factors and their relation to cultural exports and tourism.

Nonetheless, in a recent study by Aydin et al. (2022), the study provides some interesting evidence to support the hypothesis of the positive impact of cultural heritage on cultural exports. Using subjective socio-cultural factors such as belonging and awareness as a measure to evaluate their impact on the identification and registration of industrial heritage sites in Turkey, it was found that intangible measures such as belonging and awareness do have a role to play in influencing decisions to register cultural heritage sites, even though the effects are not significant.

H2: Cultural heritage has a positive effect on cultural exports.

GDP and cultural exports

The study of the relationship between GDP and its effects on cultural exports is varied. Nevertheless, from the point of view of this study, some of the theoretical foundations that will be adopted are based on the endogenous growth model espoused by Lucas (1988) and Romer (1990). Based on their approach, the effects of the population in terms of culture and its influence on economic growth need to be further studied in detail.

An interesting study by Lim et al. (2023) investigated online consumption of Korean cultural products as an export contributor to the economy. The study further evaluated the relationship between the cultural impact of exporting Korean culture based on an index and how it influences tourist arrivals.

Additionally, a study by Doan (2023) looked at the issue of cultural goods from the perspective of cultural proximity and how it affects trade in such goods. On the other hand, Li et al. (2019) study the effects of cultural friction and how it influences export performance as a result of internationalization. The study results could be better for internationalization and globalization regarding their impact on trade and the export of cultural goods.

Similar research studies by Shang et al. (2023), Sima and Huang (2023), and others used GDP as an explanatory variable to explain its economic effects. The studies found positive relationships between GDP and the economy. Shang et al. (2023) described GDP as an important factor that contributes to the sustainable growth of the tourism industry, using a system of variables to study the cointegration effects

of GDP on factors such as tourism, green energy deployment, and green economic growth.

Nonetheless, the relationship between GDP and growth is not significant in some studies. For instance, Aram and Nejadmalayeri (2023) provide evidence to suggest that GDP does not necessarily result in the utilization of credit lines, even after having considered cultural factors and measures.

H3: GDP has a positive effect on cultural exports.

Inflation and cultural exports

The general consensus among various parties is that inflation has a negative and detrimental impact on economic activity. For instance, an IMF Working Paper by Debelle (1997) provides strong arguments in favour of the ill effects of inflation on exports and the economy.

Recent studies have also supported the assertions made by Debelle (1997). Pereira et al. (2022) provided a stark warning of the negative consequences of a prolonged conflict between Russia and Ukraine. The same study also claims that the war between the two nations will have a disastrous effect on other countries regarding economic development and national security. From a political economy perspective, the conflict between both countries will also increase price levels and inflation, which will heighten stagflation risks and dampen economic growth worldwide.

A study by Cepni et al. (2023) argued that global inflation factors have a transmission effect on national inflation rates. This study also suggested that global factors could be more significant than local factors in influencing local inflation rates as measures of the forecast Philips curve models. Similar findings on the inverse relationship between inflation and economic

growth were also found by He (2023) when studying the effects of inflation on growth in a panel study involving 154 countries.

A recent study by Huseynli (2022) provided empirical evidence to show that inflation hurts economic growth. Using a multiple regression model, macroeconomic data, and tourism data for Morocco and North Africa, it was found that tourism revenues improve with increased economic growth. Still, inflation is detrimental to the economic growth of an economy.

Even though extant literature supports the consensus view of inflation hurting the economy, recent literature on the impact of the COVID-19 pandemic on the economy seems to suggest that during periods of negative economic shock, inflation and economic growth will decline in tandem (Gharehgozli and Lee, 2022). Using a vector autoregression (VAR) model and quarterly data to test the relationship between inflation and GDP, the authors managed to provide evidence that the traditional assumptions relating to inflation and GDP will break down during periods of economic shock and recession and that high inflation after the pandemic is not transitory but persistent. Earlier policy papers by Ghosh and Phillips (1998) also provide similar evidence of the relationship between inflation and economic growth, which they described as a spurious association between inflation and growth.

H4: Inflation hurts cultural exports.

Theoretical framework

The theoretical framework for the study is developed based on the approaches proposed by Cho (2023) and Khan et al. (2022) and is presented in Figure 1 below:

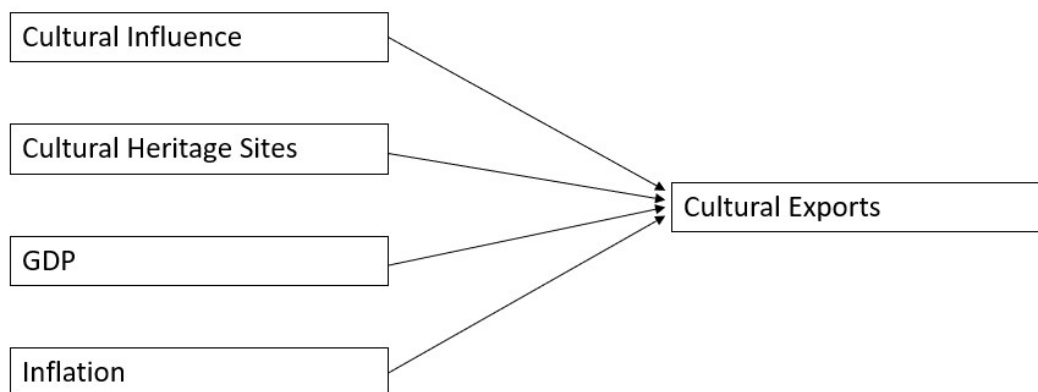


Figure 1: Theoretical framework

The model proposed in Figure 1 builds on the theoretical neoclassical growth models based on work performed by Solow (1956) and Swan (1956). In furtherance of this model, an endogenous growth model for economic growth was devised with an emphasis on the influence of population and culture in economic development (Lucas, 1988; Romer, 1990). Cultural variables were later adopted into the endogenous models as researchers probed the influence of cultural factors on the economy. Khan et al. (2022) and Cho (2023) used the same framework to adopt cultural dimensions to study its economic effects. Furthermore, Cho (2023) presented an empirical model using the fixed-effects approach to test the relationship between cultural influences and exports. The cultural measurement Cho (2023) uses is the dynamic cultural proximity between countries. Though similar in approach, this study will attempt to provide new evidence on the effect of cultural influence on cultural exports by using cultural measurements taken from the Lowy Institute Asia Power Index. Furthermore, for purposes of this study, the theoretical and empirical approaches adopted by Cho (2023) will also be used in observance of the

theoretical underpinnings of cultural factors and their influence on the economy, which were presented by Solow (1956) and Swan (1956).

DATA AND METHODOLOGY

Variables and data description

An annual unbalanced panel dataset of 26 countries is used from 2018 to 2021 to determine the impact of cultural influence and heritage on cultural exports. The countries chosen for the study were taken from the list of countries used in the Lowy Institute Asia Power Index. Macroeconomic data used for the study were taken from Statista.com (refer to <https://www.statista.com>). The 26 countries in the Lowy Asia Power Index include Australia, Bangladesh, Brunei, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Mongolia, Myanmar, Nepal, New Zealand, North Korea, Pakistan, Papua New Guinea, the Philippines, Russia, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, the United States, and Vietnam.

Summary statistics and data sources for the variables chosen for the study are listed in Table 1 below:-

Table 1: Summary statistics and data sources

Variables	Acronym	Unit	Source	Observations	Mean	Std. Dev.	Min	Max
Cultural Exports	CE	US Dollar (USD) Billion	Lowy Institute Asia Power Index1	104	0.52	0.90	0.00	6.10
Cultural Influence	CI	Score	Lowy Institute Asia Power Index2	104	20.07	20.29	0.00	87.20
Cultural Heritage Sites	CHSites	Number of Heritage Sites	Lowy Institute Asia Power Index3	104	10.36	12.93	0.00	55.00
Inflation	INF	Percentage (%)	Statista.com	1004	3.10	2.29	-1.14	10.74
Gross Domestic Product	GDP	US Dollar (USD) Billion	Statista.com	1004	2,149.51	4,615.38	12.01	23,315.08

Data sources: ¹ Total value of Cultural Exports by country is taken from UN Conference on Trade and Development (UNCTAD) information as contained in the UNESCO website. Also, this information is contained in the Lowy Institute Asia Power Index. ² The Cultural Influence (CI) score has been determined based on methods used by the Lowy Institute Asia Power Index. Refer to the Lowy Institute Asia Power Index at <https://power.lowyinstitute.org/methodology/>. ³ Number of Cultural Heritage Sites (CHSites) are based on information taken from the United Nations Educational, Scientific and Cultural Organization (UNESCO) website and listed in the Lowy Institute Asia Power Index. ⁴ The missing data relating to GDP and inflation relates to data that is not tabulated for the Democratic People's Republic of Korea (i.e. North Korea) and is not available from the Statista.com website.

For purposes of this study, the effect of culture on cultural exports will be analyzed by focusing on two (3) factors taken from the Lowy Institute Asia Power Index, which has been mentioned above, including cultural exports, cultural influence, and cultural heritage. These main variables are taken from the Lowy Institute Asia Power Index.

The Lowy Institute Asia Power Index was developed as a tool to measure the relative and changing distribution of political and economic dominance in 26 selected developed and developing economies based on eight (8) sets of variables that have been extensively tested and evaluated to act as a

proxy for a country's power and influence. These include economic relationships, defence networks, military capability, diplomatic influence, economic capabilities, resilience, cultural influence, and future resources.

Sub-components that affect the value of the variables can further explain each of these variables. These sub-components could consist of macroeconomic data, such as global reserve currency, or subjective measures that are important in measuring the relative power of a country, such as several Nobel Prize winners. A score will be determined for each of the eight (8) sets of variables based on a methodology

defined by the Lowy Institute Asia Power Index.

In the case of the cultural influence factor, several sub-components play an important role in determining the score for the variable. These sub-components can be further delineated as cultural projection, information flows, and people exchanges. Furthermore, several other factors are used to explain these sub-components. For example, cultural projection is determined based on online search interest, cultural exports, global brands, prestige, skyscrapers, status, visa-free travel, and cultural heritage.

To investigate the connection between cultural influence and culture, this study will use these cultural measures in the Cho and Khan (2023) model context. However, using cultural measures proposed by the Lowy Institute Asia Power Index, the dependent variable, cultural exports, is represented by annual country data relating to exports of cultural services as taken from the United Nations Conference on Trade and Development (UNCTAD) data set, which is contained in the United Nations Educational, Scientific, and Cultural Organization (UNESCO) website.

The independent variables, cultural influence and cultural heritage sites, on the other hand, are also taken from the Lowy Institute Asia Power index website. The Lowy Institute Asia Power Index uses a methodology to assign each country in the index a score for cultural influence. Cultural heritage sites, which function as a proxy for cultural heritage, are

represented by the number of registered heritage sites in each country, determined annually. The number of registered sites is tabulated in the Lowy Institute Asia Power index based on information taken from UNCTAD.

Based on prior data collected using the Lowy Institute Asia Power Index, the evidence suggests that the writings relate to the political economy and how the relative changes in power amongst the index's constituents would alter geopolitical conditions. For instance, Lemahieu (2019) studied the effects of the relative changes in global wealth and how they influence national security based on the Lowy Institute Asia Power Index. Furthermore, Leng (2020) also used the index to study the effect of the COVID-19 pandemic on diplomatic relationships between Indo-Pacific countries.

Following the model proposed by Cho (2023), two control variables will be used, including GDP and inflation. Both control variables are chosen from countries constituting the Lowy Institute Asia Power Index, and macroeconomic data relating to GDP and inflation is taken from the Statista.com website (refer to <http://statista.com>).

Methodology and model specification

Baseline model:

To test for the relationship between cultural influence and cultural exports, the model proposed by Cho (2023) will be used, and a baseline model will be formulated as follows:-

$$CE_{it} = \beta_0 + CI_{it} + CHS_{ite}S_{it} + GDP_{it} + INF_{it} + \varepsilon_{it} \quad (1)$$

In Equation (1), CE is cultural exports and is the dependent variable. Cultural influence (CI) is the main explanatory variable, and cultural heritage sites (CHSites) are a variable that is used to test for the robustness of the effects of CI on CE. GDP and INF are control variables, while β_0 measures the intercept. Furthermore, ε is the error term, while i and t are individual variables relating to time and country, respectively.

Fixed-effects regression model:

The baseline model in Equation (1) was initially tested based on the assumptions of traditional ordinary least squares for heteroscedasticity, autocorrelation, and

multicollinearity and the Hausman tests for selecting panel regression models subject to either fixed or random effects. A panel regression model using either pooled ordinary least squares (OLS), fixed-effects, or random effects will be employed for the dataset, as these methods are deemed most appropriate for a short-period panel dataset. Furthermore, modifications to the panel regression models will be introduced by applying contemporary econometric methods to ensure reliable results. The Stata/MP statistical software is used to perform statistical analysis. Results from the variance inflation function (VIF) are presented in Table 2 below:-

Table 2: Results from the variance inflation function

Variable	VIF	1/VIF
lnCI	5.1000	0.1961
lnGDP	4.3600	0.2293
lnLCE_L1	1.8700	0.5360
lnCHSites	1.8100	0.5531
lnINF	1.2200	0.8214

Based on the results in Table 2, there seems to be no multicollinearity between all explanatory variables. Nonetheless, the selection of the pooled OLS method will be tested for the presence of fixed effects in the model before a choice is made on the suitable method to be applied to the proposed model.

To test for the existence of fixed effects in the proposed model, the Hausman test was performed. Results from the Hausman test in Table 4 indicate that the χ^2 result is significant. This would suggest that the null hypothesis is rejected and that there are fixed effects in the model. Therefore, the fixed-effects model is chosen instead of the pooled OLS or the random-effects model.

Consequently, the fixed effects regression results based on Equation (1) indicate that there are issues relating to heteroscedasticity, as the modified Wald test result for groupwise heteroscedasticity in Table 4 appears to produce a χ^2 value, which is significant. Furthermore, the Wooldridge test for autocorrelation in Table 4 seems to indicate that there is evidence of autocorrelation. To correct these issues, White's robust standard error method was used in producing the estimates for the fixed effects model.

Hence, Equation (1) is transformed into a logarithmic form to mitigate the effects of heteroscedasticity and autocorrelation, and the transformed model is presented in Equation (2) as follows:-

$$\ln CE_{it} = \beta_0 + \ln CI_{it} + \ln CHS_{iteS_{it}} + \ln GDP_{it} + \ln INF_{it} + \ln CE_L1_{it} + \varepsilon_{it} \tag{2}$$

The term ln in Equation (2) denotes the natural log of the variables in the model. A lag variable of the log form of the dependent variable is also included in the model to improve the estimates of the model.

For purposes of this study, the pooled OLS results and random effects results are also presented in Table 4. Nonetheless, these results were adjusted using White's robust standard error method to correct for heteroscedasticity.

RESULTS AND ANALYSIS

The results from Table 1 indicate variations in standard deviations between the variables. This suggests that the data needs to be transformed into a natural log form to address potential econometric issues. The lowest standard deviation is for CE, and the highest is for GDP. The United States has the highest GDP of all selected countries at USD23,315.08 billion in 2021 and the highest value of CE in 2021 at USD6.1 billion.

Table 3: Correlation analysis

	CE	CI	CHSites	GDP	INF
CE	1				
CI	0.8458*	1			
CHSites	0.5721*	0.7148*	1		
GDP	0.8267*	0.8459*	0.5715*	1	
INF	-0.0760	-0.3180*	-0.1152	-0.1459	1

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Results from the correlation analysis on the other hand are presented in Table 3.

The results from the correlation analysis indicate

that there is a significant relationship between all variables except for INF and CE. INF has a negative relationship with all the other variables. The highest

level of correlation relates to CI and CE. Nonetheless, the negative correlation between INF and CE is not significant.

The results of the pooled OLS, fixed effects, and random effects models based on Equation (2) are presented in Table 4 below:-

Table 4: Pooled OLS, fixed-effect, and random effects results

	Dependent Variable: lnCE		
	Pooled OLS	Fixed Effects	Random Effects
Ln	1.9944*** (0.2218)	0.6903 (0.4655)	1.6646*** (0.3097)
lnCHSites	0.1854 (0.1180)	0.4022 (0.4361)	0.2438 (0.2376)
lnGDP	-0.2630** (0.1091)	0.8022 (1.4238)	-0.0815 (1.1779)
lnInflation	0.4023*** (0.1427)	0.2343 (0.2290)	0.3642** -0.1733
lnCE_L1	0.1724** (0.0774)	0.0328 (0.04469)	0.0860 (0.04563)
β0	-6.0081	-9.9248	-6.5315
R ²	0.8423	0.58	0.8329
Observations	76	76	76
Number of countries	26	26	26
Fixed Effects		Yes	No
Hausman test, χ ²		13.26**	
Modified Wald test, χ ²		16,956.73**	
Wooldridge Autocorrelation test, F-statistic		6.3670*	

Note: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Robust standard errors are presented in the parentheses.

For purposes of this study, the fixed-effects regression results will be used as a basis to draw inferences against the hypotheses that have been developed. As it relates to explanatory variables, the fixed effects model results indicate a positive and insignificant relationship between cultural influence and cultural exports in support of Hypothesis 1. Nonetheless, the results are not significant despite a positive coefficient. These results suggest that an increase in cultural influence improves cultural exports.

The results from Table 4 also suggest a positive relationship between cultural heritage sites and cultural exports. This result also supports the proposition made in Hypothesis 1 and justifies the relationship between cultural measures used in the Lowy Institute Asia Power Index. Nonetheless, the results are also insignificant.

Concerning the control variables of the study, the fixed-effects regression results indicate that GDP has a positive and insignificant relationship with cultural exports. This would suggest that the results concur with Hypothesis 3 and that an increase in GDP does influence cultural exports, even though

the insignificant results cast some doubts about the reliability of the relationship between these two variables.

Finally, results from Table 4 indicate a negative and insignificant relationship between inflation and cultural exports. These results are confounding and do not support the propositions made in Hypothesis 3. The negative relationship between inflation and cultural exports contradicts contemporary observations. Nonetheless, current studies have found that there may be justification for this relationship, and this will be discussed further in the following section.

Overall, the results of the fixed-effects regression model suggest that the propositions and hypotheses of the study are partially supported by the main explanatory variable and GDP. Still, the results are insufficient to support the study's hypotheses. For this reason, it is necessary to take a closer look at the fixed-effects regression results to gain better insights regarding the study results. The results of the fixed-effects regression model are presented in Table 5 below:-

Table 5: Fixed-effects regression results

lnCE	Dependent Variable: lnCE			
	Coefficient	Std. Error	t-stat	p-value
Ln	0.69027	0.4655	1.4800	0.1540
lunch sites	0.4022	0.4361	0.9200	0.3670
GDP	0.8022	1.4238	0.5600	0.5790
lining	0.2342	0.2290	1.0200	0.3190
lnCE_C1	0.0328	0.0469	0.7000	0.4920
β0	-9.9248	9.0500	-1.1000	0.2860
R2		No. Observations	76	
Within	0.0686	No. Groups	21	
Between	0.6004	F-stat	1.2	
Overall	0.5800	Prob. > F	0.3456	

The results from Table 5 above seem to indicate that even though cultural influence has an insignificant relationship with cultural exports based on Hypothesis 1, the significance level of the relationship between the two variables is the highest when comparisons are made in terms of the significance levels of the relationship between variables in Hypothesis 2, 3, and 4. Based on the model, this would suggest that cultural influence has the highest degree of influence on cultural exports.

Results from Table 5 also suggest that GDP is the least influential variable in the model regarding its impact on cultural exports. The lagged value of cultural exports also has a low influence on the model, with a p-value of 0.4920.

However, an interesting observation from the results indicates that even though the relationship between inflation and cultural exports is negative and has a p-value of 0.3190, Based on this observation, this would suggest that inflation has a higher level of influence over cultural exports as compared to GDP, inflation, and cultural heritage.

DISCUSSION

The findings from the study provide several interesting points for discussion. For the main explanatory variable, cultural influence, there is a positive effect of cultural influence on cultural exports. Nonetheless, the results are not significant, with a p-value of 0.154, and this finding is in support of the earlier findings by Escondon-Barbosa and Salas-Paramo (2022) as well as Leodinou and Katsikeas (1996), who argue that culture has a positive influence on export performance.

However, the proxies for cultural influence appear to produce insignificant results as opposed to using

latent factors and cultural traits like those that Hofstede (1997) proposed. The insignificant impact of cultural influence on cultural exports is further supported by the results presented by Cho (2023), where the cultural influence of Korean products was found to significantly influence cultural exports in Korea. Furthermore, observations made based on the results of this study suggest that culture is an unobserved factor that influences the economy (Williamson, 2000). This would further support earlier claims made by researchers who argue that culture is an endogenous factor that influences the performance of companies. It was further argued that country- and firm-level factors significantly impact the country's and firm's economic performance.

The fixed effects regression results are even less encouraging regarding cultural heritage sites and their effects on cultural exports. Nevertheless, the results support observations regarding cultural heritage becoming an important factor influencing cultural exports (Cho, 2023). Furthermore, the results from the study justify the use of cultural heritage as an explanatory variable to evaluate the relative importance of the variable compared to cultural influence.

Furthermore, evidence provided by Zhang et al. (2021), Arcos-Pumarola (2023), Petronela (2015), and others supports the argument that there is a positive association between cultural heritage and the economy. The Lowy Institute Asia Power Index approach to measuring cultural heritage using cultural heritage sites provides useful insights on using a macroeconomic variable, such as several heritage sites in countries. The results also support earlier observations relating to the impact of cultural heritage on cultural exports.

Nonetheless, insignificant results from cultural influence and cultural heritage have been found in various studies by researchers studying the effects of cultural influence on the economy. One of the reasons that have been cited for the insignificant relationship between the explanatory variables and cultural exports is due to modelling issues and the need to include exogenous components such as politeness, which was proposed by Kashima and Kashima (1998) as well as Davis and Abdurazokzoda (2016).

Efrat (2014) also suggests that consideration must be made for the generalizations developed when making assumptions about the selection of subjective measures on cultural traits and cultural practices. In the same study, Efrat (2014) also said that if firm- and country-level factors that should be considered aren't considered, the effects of culture on the economy could be easier to understand. Furthermore, the endogenous nature of the cultural variables needs to be accounted for in the model specification.

The results from the fixed effects regression model imply that GDP positively affects cultural exports. This supports the assertions made under Hypothesis 3. Nonetheless, these results are the least reliable compared to all the other results from the analysis. The results from the study support earlier studies from the point of view of the effects of culture on economic growth. Similarly, recent studies by Aram and Nejadmalayeri (2023), Izadi et al. (2023), and others support the argument that the GDP plays an important role in controlling for country-level differences when studying the relationship between culture and the economy. Including other country-level macroeconomic factors would be beneficial to better explain the relationship between economic growth as measured by GDP and cultural exports.

Nonetheless, after further consideration, the results of this study can be linked to Aram and Nejadmalayeri's (2023) finding that GDP could have an insignificant relationship with cultural exports when cultural influence is considered. The study also suggests that there is a need to consider model modification when it comes to incorporating latent factors such as country and firm-level measures, as well as the need to account for the endogenous nature of cultural values and practices.

Aside from cultural influence, inflation is among the most influential factors influencing cultural exports. The results, however, do not support assertions made under Hypothesis 4. To explain the positive relationship between inflation and cultural exports, we can use these confounding relationships (Gharehgozli and Lee, 2022). It has been found that the economic shocks as a consequence of the pandemic result in exports and inflation falling in tandem during the pandemic, and this is an anomaly that can only be explained during recessionary periods brought about by a pandemic. Furthermore, the transitory nature of inflation also contributes to this peculiar outcome.

The short-panel nature of the analysis also contributes to these spurious results. Nonetheless, these relationships are not expected to persist based on recent observations made by Bouri et al. (2023), who suggest that inflationary spikes during crisis periods will not persist in the long run by citing inflation rates during the pandemic and the Russia-Ukraine conflict. It has also been argued that inflation may positively affect economic growth (Ghosh and Phillips, 1998).

Theoretical implications

The study provides novel contributions using new macroeconomic variables from the Lowy Institute Asia Power Index to proxy for cultural influence and heritage. The favourable and insignificant results offer some crucial evidence regarding applying fresh cultural measures introduced by the Lowy Institute. From a theoretical standpoint, given the "fuzzy, difficult-to-define" (Triandis et al., 1986), the measures have been introduced by the Lowy Institute Asia Power index based on their screening methodologies to select cultural influence variables that present similar results from the point of view of culture having a positive impact on the economy.

However, the proposed proxies used by the Lowy Institute Asia Power Index exist in the form of submeasures based on macroeconomic variables that are used to determine the cultural influence score and provide interesting findings relating to its effects on cultural exports. Aggarwal et al. (2016) also contend that unobserved factors may need to be included in the study to improve the inferences made from the analysis. The subjective nature of the area necessitates further work based on the results of this

analysis.

The influence of cultural heritage on cultural exports plays less of an important role. There is a need for further development in the theoretical model to identify possible cultural proxies or exogenous variables to improve the model. However, the proposed model provides some useful evidence of macroeconomic proxies that can be used aside from cultural measures used by Hofstede (1997), Schwartz (1999), GLOBE, and the World Values Survey.

Furthermore, this study builds on previous Khan (2022) models in applying cultural proxies to study its economic impact. Other research on cultural factors and their effects on cultural exports must be more diverse and complete. Fetherolf and Lovelace (2023) approach the issue of national culture from the point of view of cultural dimensions taken from Hofstede (1997) and their effect on stock price synchronicity. Also, Sima and Huang (2023) approach this issue from the point of view of proxies for economic freedom and democracy.

The Lowy Institute Asia Power Index provides an opportunity to use newly developed variables to proxy for cultural effects on the economy. Having said that, There is a need to consider other cultural factors in model development. Cultural distance and unobserved cultural dimensions, suggested by Hofstede (1997) and the GLOBE cultural value measures, could be used for robustness tests and model development.

Regarding inflation and its effect on cultural exports, the results from the study are confounding and do not support conventional theory. Huseynli (2022), Debelle (1997), and Verter and Osakwe (2014) supported this argument by arguing that rising inflation hurts economic growth, and the same rationale can be used in evaluating the relationship between inflation and cultural exports.

On the other hand, Cepni and Clements (2023) argue that foreign factors have a greater influence on inflation and should be considered when evaluating how inflation affects the economy. Nonetheless, the significance and importance of inflation and its impact on cultural exports have a significant bearing on the economy. The evidence provides further validation regarding the effects of a negative economic shock due to the COVID-19 pandemic and how it influences the

economy by focusing on cultural exports.

The results suggest that the effects of inflation on cultural exports cannot be dismissed, and there is a need to further account for these effects, especially when it comes to modelling culture and its effects on the economy. Similar arguments were introduced by Holston et al. (2023).

Practical implications

Analysts and researchers:

Researchers need to build on the findings from this study to improve the modelling of culture and its influence on cultural exports. Results from the analysis suggest that further rigorous work is required to model the effects of culture on cultural exports. Inflation is seen as a significant factor influencing the cultural export economy, and further research work in this area would be welcome.

The study on the effects of economic shocks on the economy should also be closely evaluated to better understand the effects of culture on the economy. Researchers interested in using proxies from the Lowy Institute Asia Power Index have access to a wide range of areas to study. For instance, the sub-components of the cultural influence factors could be evaluated against other variables within the index. Alternatively, these subjective measures could be used as a proxy or an index to study their impact on micro and macroeconomic variables.

Policymakers:

There are several notable implications for policymakers based on the study's findings. Firstly, there is a need to better understand this subjective and unobserved phenomenon known as culture and how it influences the cultural export economy. Secondly, besides the subjective measures currently available, such as Hofstede's (1997) measures, GLOBE, and World Survey indicators, policymakers are encouraged to develop new measures and indices for culture.

Furthermore, from the point of view of policymakers, the evidence from this study can be useful as a means to forecast the impact of changes in relative cultural values (as proxied by variables listed in the Lowy Institute Asia Power Index) and how they influence the economy. The variables in the index are also useful to identify proxies for subjective measures and to use these factors to predict the economic

impact. Policymakers also need to consider the effect of inflation on cultural exports. Results from the panel regression indicate that the cultural export economy can be severely affected if macroeconomic factors such as inflation are not considered. This suggests that countries heavily dependent on cultural exports must carefully manage their economies to regulate and control inflation rates.

Industry:

The cultural export economy is a growing sector of the national economy. There is a need to study the unobserved nature of culture and how it influences the economy. To this end, a collaborative effort is needed to work with academia to gain a deeper understanding of this relationship.

CONCLUSION AND FUTURE DIRECTIONS

Culture plays an important role in influencing the economy. Results from this study provide evidence relating to the relationship between culture and the economy by studying the relationship between cultural influence, cultural heritage, and its relationship with cultural exports. Using GDP and inflation as control variables, the fixed-effects panel regression results from this study show that the proxy variables in the Lowy Institute Asia Power Index can be used as measures to figure out how culture affects the economy from the point of view of cultural exports. To answer RQ 1, we examine the effects of cultural influence on cultural exports through a panel analysis of 26 countries over four (4) years. The results from the analysis show evidence to suggest that cultural influence plays a crucial role in influencing cultural exports. However, the results are insignificant, supporting earlier findings relating to the weak relationship between cultural influence and the economy. RQ 2 investigates the relationship between cultural heritage and cultural exports. Cultural heritage, proxied by cultural heritage sites, is used as an explanatory variable to support the hypothesis presented in RQ 1. The results indicate that cultural heritage has a weaker impact on cultural exports when compared to cultural influence.

RQ 3 examines the relationship between GDP and cultural exports. The relationship between GDP and cultural exports is positive. However, the results provide evidence suggesting that GDP has the least

influence on cultural exports.

Lastly, RQ 4 looks at the relationship between inflation and cultural exports. The results of the analysis indicate that there is a positive relationship between inflation and cultural exports. Even though the relationship is insignificant, there is evidence to suggest that inflation is an important factor to consider when modelling the effects of culture on the economy. Furthermore, the confounding results relating to inflation can be explained regarding the negative economic shocks during the COVID-19 pandemic and how they affect national economies.

From the point of view of the study's limitations, one of the factors that has caused issues when it comes to the development of the empirical model for the study is the short-term nature of the variables used in the study. Furthermore, when it comes to comparative studies in the area of cultural influence, from a country- or firm-level point of view, there are few comparative studies or cultural measures that can be used to test for the robustness of the results from the study. Furthermore, the subjective nature of the study area needs to be clarified regarding the veracity of the results that ensue from performing the analysis. Notwithstanding these limitations, numerous opportunities exist to further develop this study area. The Lowy Institute Asia Power Index serves as a good illustration of the importance of developing proxies for cultural influences and how they influence the economy. More importantly, the Lowy Institute Asia Power Index highlights the importance of developing a framework to introduce and measure cultural factors. Furthermore, these newly developed cultural measures could be developed at the firm or country level. However, by applying similar approaches to Cho (2023), further empirical evidence could emanate because of the development of cultural measures.

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