

Dr. Ágúst Einarsson, professor

**An article based on a lecture given
at the yearly meeting of Nordisk Forfatter og Oversætter Råd (NFOR),
May 12 2015 in Harpa, Reykjavík**

The Economic Impact of Writing, Printing and Publishing – An Example from Iceland

The art of writing includes text in books, journals and newspapers, printed or digital. Occupations related to writing, printing and publishing involve writers, publishers, booksellers, and people who work in printing houses and in libraries, together with a host of other people who work in supporting fields.

The art of writing, which was not at that time an art, began with the recording of business information on tables of clay in order to remember and provide evidence of the quantity of shipments from place to place or to register debts. The development of writing was not rapid, but real progress was made 3000 years ago with the introduction of phonetic symbols and an alphabet.

The author believes – and he is not alone in this belief – that it was the Icelandic language, and the art of writing it down, that made Icelanders into a nation, which has preserved its culture for more than a thousand years, often in times of extreme hardship.

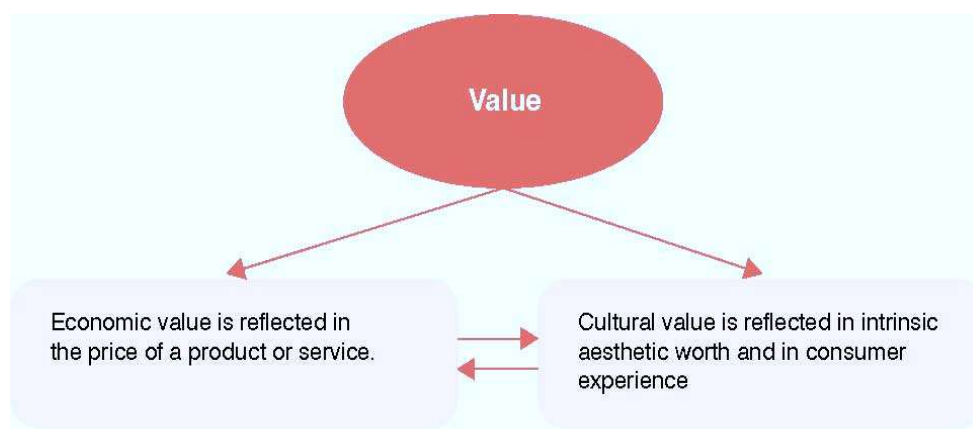


Chart 1: Value within cultural economics

In economics, and, the economists do not, despite popular belief, place a monetary value on everything. Culture, such as the products of writing, has an independent value and this dualism, represented in Chart 1, provides a good model for the creative industries. For Icelanders, and other nations, the creative industries can become a source of good living standards in the 21st century; but for that to happen they must understand the opportunities that these industries afford. Unfortunately, it is not particularly likely that they will do so.

Writing, printing and publishing create value and contribute to good living standards and general prosperity. However, the art of writing did not become public property until the 15th century with Gutenberg's revolutionary invention with the eventual result that production in the last 50 years of books, newspapers and journals now exceeds by far everything written before that time since the first clay tablets were produced.

The development of writing, printing and publishing has been extraordinarily rapid with the advent of digital technology. The experience industry, which covers writing, printing and publishing, is now the largest industry in the world, and it is impossible to overestimate the importance of writing, printing and publishing within that industry, since virtually all production of art as an experience involves writing in one form or another. In fact, writing and publishing are so complex that discussing them as a single category is virtually useless. Fortunately, writing appears to give a pleasure that is stronger than the desire for profit and, also, while writing may not be a road to fortune, it can well be a road to fame.

Support activities	(Artistic) education		Business education	Financing	
Primary factors	Writer	Publisher	Producer	Distributors	Consumers
Characteristics	Creative thinking		Companies <ul style="list-style-type: none"> • digital and electronic processing • books • printed edition • digital edition 	Companies <ul style="list-style-type: none"> • shops, the Internet • exhibitions • schools • advertisements • book clubs 	Demand, which is subject, among other things, to taste, authorship, book price and public discussion

Chart 2: The value chain in writing, printing and publishing

The cultural industry is an extensive industry, as shown in Chart 2 of the value chain in writing, printing and publishing. The production of a piece of writing, such as a book, takes place in a number of steps, from the writer to the publisher, printer, distributor and booksellers and on to the reader or consumer. The characteristics, shown in the chart, are similar to those of other business sectors. The supporting factors or activities, education and financing, are fundamental elements.

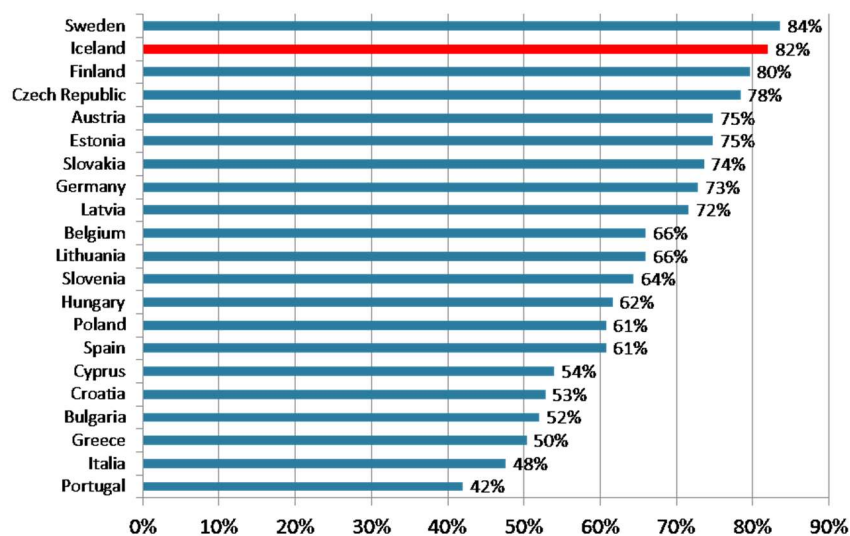


Chart 3: The proportion of the populations of 21 countries in Europe that had read at least one book for pleasure in 2011

Chart 3 shows the percentage of the populations of 21 countries in Europe which had read at least one book for pleasure in 2011. As the chart shows, Iceland occupies second place, just behind Sweden and just ahead of Finland. Interestingly, the top three spots are occupied by three Nordic countries, and it should be noted that Denmark and Norway did not participate in the survey.

Since it is one of the unusual features of the demand for creative products, such as text and music, that demand increases with greater consumption this suggests that there are significant opportunities for growth.

Although Icelanders still read quite extensively, reading has diminished in recent years among youths and children. Much has changed for today's young people with their cell phones, tablets and computers. 40 years ago 90% of the children in Iceland read a newspaper every day. Now this figure is only 30%. Icelandic children scored very poorly in the last PISA test, an international survey of children's education. A quarter of the younger generation has never read a book for pleasure, which is worse than in many other countries. Icelanders should be worried about this, but although a few people do worry, most Icelanders appear not to care very much. Finland, on the other hand, is doing very well regarding their children's reading skills.

Group 1	Group 2	Group 3
Countries with strong acquisition of books per capita	Countries with average acquisition of books per capita	Countries with little acquisition of books per capita
Britain Denmark Finland Iceland Netherlands Sweden	Austria Belgium France Germany Ireland Luxembourg	Greece Portugal Spain

Chart 4: Classification of countries by the number of books acquired per capita.

Books hold a strong position as gifts. Chart 4 shows the classification of countries by acquisition of books and by reading. Icelanders are still in the Champions League and it is interesting that the interest in books and reading is strongest in Northern Europe, followed by Central Europe and then weakest in southern Europe.

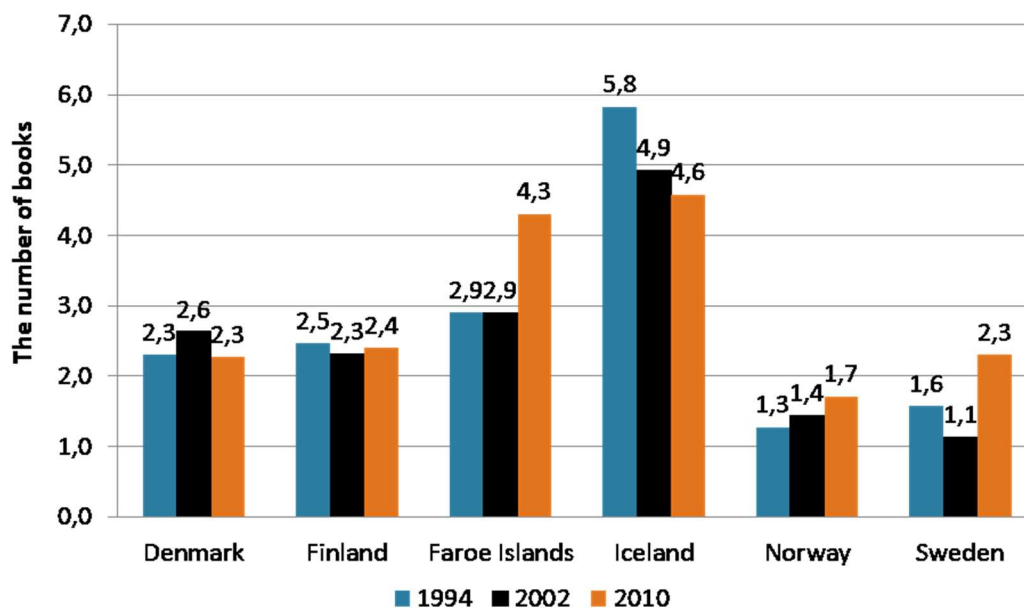


Chart 5: The number of books published in the Nordic Countries per 1,000 inhabitants in 1994, 2002 and 2010.

Iceland is at the top, or very close to the top, as regards books published per capita as the comparison of the Nordic countries shows in Chart 5, Faroe Islands included.

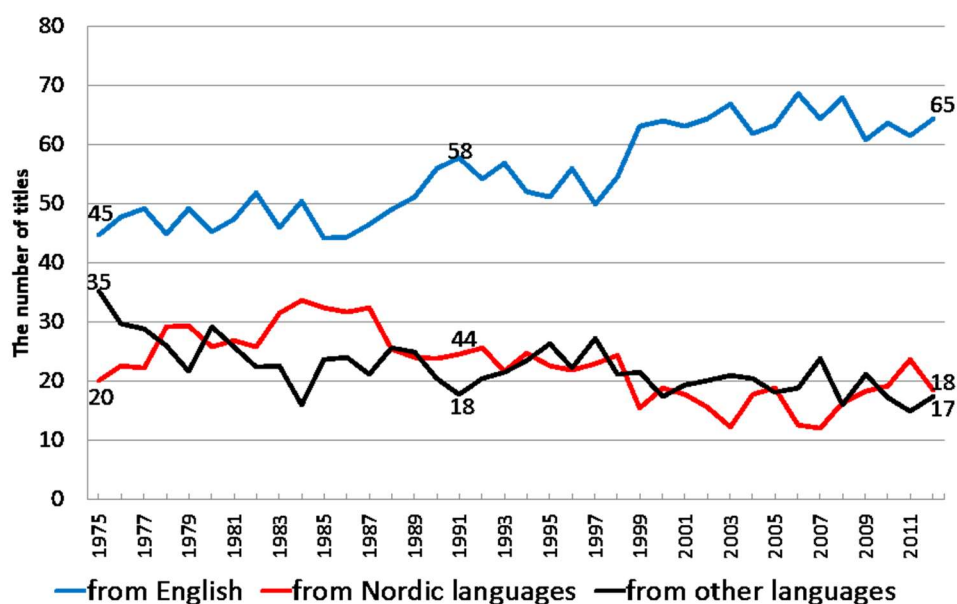


Chart 6: Translation into Icelandic by language 1975-2012.

By looking at the languages from which Icelanders translate their published books in Chart 6 it is a fact that English occupies the dominant position. The share of English was 45% in 1975, as compared to 65% in the year 2012. The Nordic languages have remained at 20% throughout the 35 years covered by this comparison, while the share of other languages has fallen by half.

In the case of fiction, which is included in these translations, up to 70% of the material is translated from English. This is not unusual, as, for example, in the German book market, which is a huge market for foreign books, the share of translations from English is about 70%.

A thousand years ago Iceland's main exports were stock fish, wool and poetry. Now, poetry and books are once again export goods and this, of course, means opportunities for Icelandic writers.

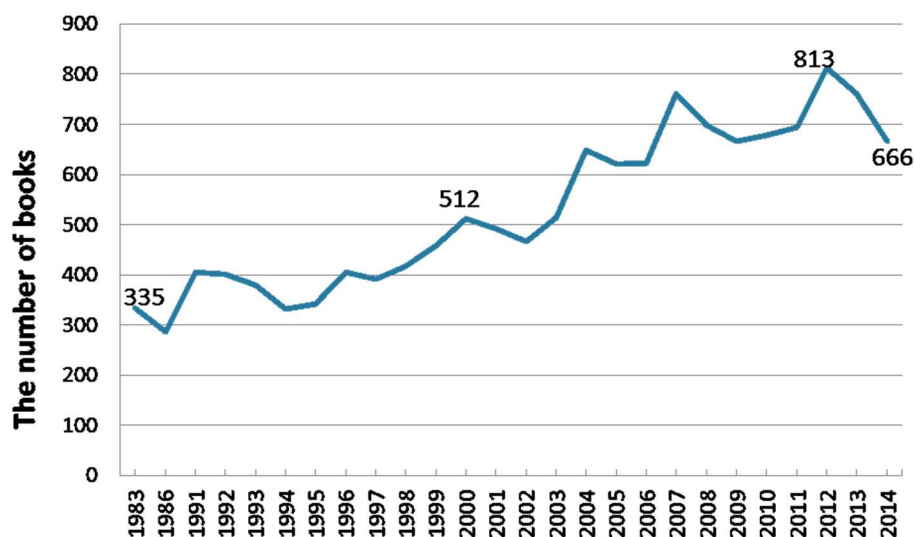


Chart 7: The number of books published according to the Annual Book Publishers' Bulletin.

The number of books published in Iceland has tripled in the last 50 years. The best evidence of this is obtained by considering the number of books listed in the Annual Book Publishers' Bulletin as shown in Chart 7. Those are the titles that the publishers hope to sell. There are published quite many books in Iceland, according to the Bulletin, some say too many for such a small market, with the result that sales of many titles are poor. The publishing of newspapers and magazines has declined greatly in recent decades.

Libraries play an important role in the Icelandic community, as they do, in fact, wherever they exist. Over 700 people work in over 300 libraries in this country, which is quite impressive for a nation with a population of only 330.000 people. The activities of libraries are quite vital and diverse. The research of the author, and the research of American scientists, indicates that what is spent on public libraries they return fourfold. Libraries contribute significantly to the creation of value in society.

It is known that copyright problems have occurred, not only in the music and the film industry, but also in the publication of written material. Copyright legislation relating to writing, printing and publishing is to some extent outdated and it is important to review such legislation, modernise it and adapt it to the reality of the new digital technology, which has advanced at great speed in recent years.

R a n k	Country	Share (%) of employment in cultural sectors in 2009	R a n k	Country	Share (%) of employment in cultural sectors in 2009
1	Iceland	3.2	10	Slovenia	2.0
2	Norway	2.6	11	Lithuania	2.0
3	Sweden	2.3	12	Croatia	1.8
4	Latvia	2.3	13	Hungary	1.8
5	Denmark	2.3	14	Estonia	1.7
6	Finland	2.3	15	Malta	1.7
7	Germany	2.2	16	Czech Republic	1.7
8	United Kingdom	2.1	17	France	1.7
9	Netherlands	2.0	18	EU-average	1.7

Chart 8: Seventeen countries in Europe arranged by the share of labour in the cultural sector in 2009.

Chart 8 shows clearly that Icelanders have great opportunities in the cultural and creative industries. The table shows the share of labour in five subsectors of culture: publishing, movies, music, broadcasting and museums. Iceland is at the top with 3.2% of its workforce engaged in these subsectors of the cultural sector, almost double the average share of the EU, which has 1.7% of its workforce engaged in these subsectors.

This highlights the great opportunities for Iceland in this context to increase the job opportunities and living standard in the country. If Icelanders want to seize these opportunities, they must make culture a priority sector through action and not only in pompous speeches by politicians on festive occasions.

Country	Value-added tax on common goods and services (%)	Value-added tax on printed books (%)	Country	Value-added tax on common goods and services (%)	Value- added tax on printed books (%)
Austria	20	10	Finland	24	10
Belgium	21	6	France	19,6	5,5
Britain	20	0	Germany	19	7
Bulgaria	20	20	Greece	23	6,5
Croatia	25	5	Hungarian	27	5
Cyprus	18	5	Iceland	24	11
Czech Republic	21	15	Ireland	23	0
Denmark	25	25	Italia	21	4
Estonia	20	9	Latvia	21	12

Chart 9: Value-added tax on common goods and services and value-added-tax on printed books in Europe.

Country	Value-added tax on common goods and services (%)	Value-added tax on printed books (%)	Country	Value-added tax on common goods and services (%)	Value-added tax on printed books (%)
Lithuanian	21	9	Russia	18	10
Luxembourg	15	3	Slovakia	20	10
Malta	18	5	Slovenia	20	8,5
Netherlands	21	6	Spain	21	4
Norway	25	0	Sweden	25	6
Poland	23	5	Switzerland	8	2,5
Portugal	23	6	Turkey	18	8
Rumania	24	9	Ukraine	20	0

Chart 10: Value-added tax on common goods and services and value-added tax on printed books in Europe.

Charts 9 and 10 show the value-added tax for 34 countries in Europe. Most of the countries have printed books in a lower level of taxation. The average level for these countries is 7.2% but in Iceland the level was raised from 7% to 11%. Some countries, such as Britain, Ireland, Norway and Ukraine, have no value-added tax on printed books. It should be done the same in Iceland as that would be a good way to encourage reading and understanding of reading, especially among young people and children. In Iceland, there is no value-added tax on sales of permits for salmon fishing, which is an extremely expensive sport, yet another indication that Icelanders have got their priorities all wrong.

Here in Iceland there was given an example of a wrong policy just a few months ago, when the government raised the value-added tax on books from 7% to 11%. Such a policy is bound to cut into the turnover in publishing and reduce the sales of books and thereby reading. Public funding for the art of writing is relatively limited in Iceland, and it is obvious that books and book publishing are not a matter of intense interest for politicians in Iceland, not only the government of today but also the governments of the past.

Book publishing is a risky business and not particularly profitable. Although this is especially true in a small language community like Iceland, it is also the case with publishing houses in larger language communities, where mergers of companies and the formation of large international diversified companies have been common, with book publishing as only a very small part of their activities.

Although the Icelandic book publishing is quite active, the companies are mostly small. 50% of the book publishers that publish more than 5 titles in a year only publish between 6 and 10 titles. 50% of the book publishers publish more than 10 titles in a year. 25% of the book publishers publish more than 20 titles in a year. One publishing house, Forlagid, is by far the biggest with more than 100 titles each year.

Some publishing in Iceland does not receive much notice, but is in fact quite remarkable, such as books for foreign markets, art books and special editions. There is also reason to note the

increased publishing of financial information, a relatively new but growing field. Such information is sold to various institutions and enterprises, such as banks.

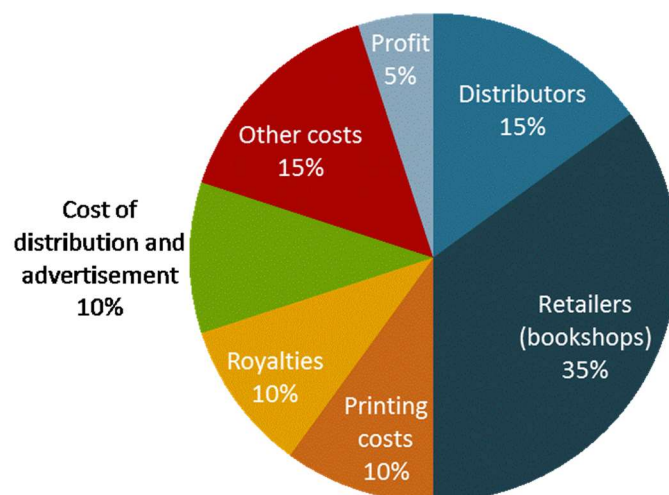


Chart 11: Proportional division of cost and profit in book publishing outside Iceland.

Chart 11 shows the division of costs, and there can be seen that the cost of book publishing is high. The chart shows a small profit but actually no profit is assured. Book shops have declined very much in the last 20 years, but at the same time book sales have changed as books are increasingly sold over the Internet or in supermarkets.

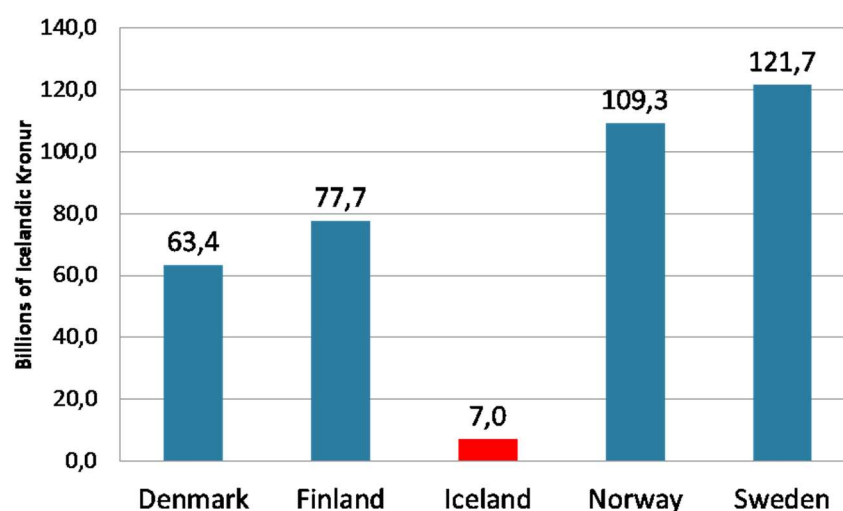


Chart 12: The size of the market for books in the Nordic countries in billions of Icelandic Kronur in 2012.

Iceland has a small population and this is clear from the comparison of the Nordic countries in this chart. The turnover in book publishing in Iceland is 7 billion Icelandic Kronur, net of value-added-tax, as the chart shows, and it looks very small compared to the other Nordic countries.

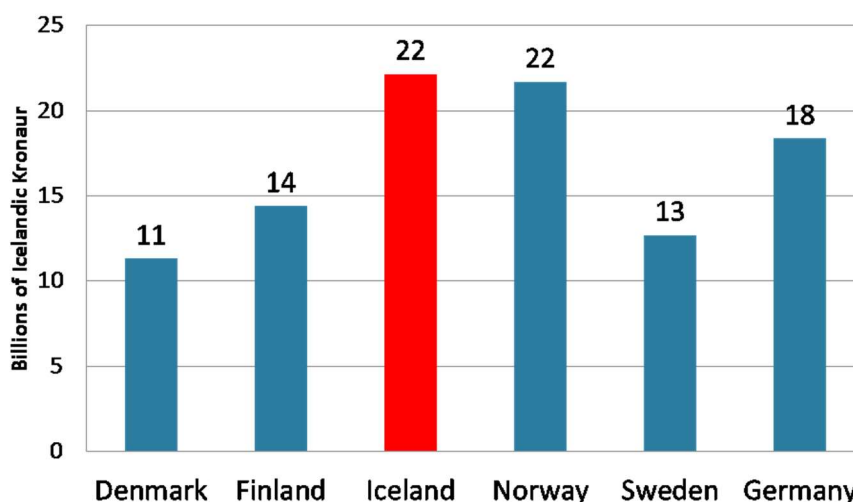


Chart 13: The size of the market for books in the Nordic countries and Germany per capita in thousands of Icelandic Kronur in 2012.

The position of Iceland improves by looking at the per capita figures, net of value-added-tax, as shown in Chart 13. It is interesting, that the turnover in Denmark per capita is the lowest in the chart. Denmark is the only Nordic country which imposes the full value-added tax on books, or 25%. That may be one of the reasons that book publishing seems to be less strong than in neighbouring countries.

The contribution of writing, printing and publishing to Gross Domestic Product (GDP), which is the creation of the final value in the economy, is 1.5%, and about 1.7% of the workforce is employed in these sectors.

This is a high contribution but a modest evaluation. Besides this, the art of writing brings joy and pleasure, which is not measured in economics. The contribution of agriculture to GDP is 1% in Iceland and fisheries contribute 12%, so a share of 1.5% is quite good. Even so, it is important to strengthen the art of writing still more, and the author have publicly made 10 suggestions for improvements.

1. In Iceland is a system, like many other countries, where the ministry of finance refunds a certain share of the cost of producing a film. This share is now 25%. This is a good system and has contributed much to Icelandic culture. In the end the state earns money through this refunding due to increased revenues from other taxes. It would be good to implement a similar system in book publishing by refunding 25% of the cost of publishing, starting with scholarly textbooks in Icelandic, for which there is a great need.
2. Public contributions to the fund that makes payments to writers for the use of their books in libraries should be doubled in the next 2 years.
3. Public contributions to libraries should be increased by 15% in the next 5 years.
4. A special effort should be made to catalogue books electronically at the National and University Library in Iceland with a special contribution of 1 million EUR in the next 2 years.

5. A long-term plan should be made to increase the literacy skills among young people in Iceland.
6. The publishing of audio books should be doubled in the next 3 years.
7. Legislation on copyright should be revised to ensure a fair payment to the holders of copyrights in the light of technological changes.
8. Public contributions to studies of the ancient Icelandic literary heritage should be increased by 25% in the next 5 years.
9. A special effort should be made to strengthen the libraries in the primary and secondary schools in Iceland in connection with a campaign to increase reading and literacy skills.
10. Value-added tax on books, magazines and newspapers should be abolished as of 2016.

These 10 suggestions are modest, realistic and feasible. These suggestions do not mean increased cost for the Treasury, because increased activities in these sectors will lead to increased creation of value, which results in higher living standards and greater government revenues in the future.

The art of writing, printing and publishing is priceless, although it can be evaluated in an economic sense using economic methods. The art of writing is not only a large factor in the economy, but also one of the main reasons, perhaps the main reason, for the existence of Icelanders as a nation. Without the Icelandic language Icelanders, would be a much poorer nation and might not even be a nation at all.