

## 8. Cultural value and economic value in arts and culture<sup>1</sup>

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Can economic value express the ‘total’ value of cultural goods? Cultural economists recognize that the value of many cultural goods is not captured by the price-setting mechanism of the market and argue that economic valuation methods such as contingent valuation studies offer a solution to this predicament.<sup>2</sup> However, some cultural economists question this, not because economic valuation approaches are not good enough (so that if we just improve them, we will accomplish our task), but because cultural value is in principle not the kind of value that can be comprehensively expressed in terms of economic value. The point made is that all cultural value cannot be disaggregated into individual utility, and by extension, individual preferences and choices. Rather, culture should be recognized as an irreducibly collective good (Crossick and Kaszynska, 2016).

In this chapter we will discuss value pluralism – in this instance, the view that economic and cultural values co-exist side by side without being mutually reducible. What drives this thinking and what are the pros and cons of embracing this position? Does accepting this kind of pluralism enhance our understanding of the value of arts and culture and does it shed interesting light on the key presuppositions of economic valuation? At the same time, does conceding that there might be some limits to the economic valuation of cultural goods undermine the arguments that arts and culture should receive public support?

### REASON FOR CHOOSING THIS TOPIC

Value pluralism is a topic of importance not just in cultural economics but, as we have already hinted above, also in policy making. First, there might be a high price to be paid for signing up to value pluralisms. Using non-market valuation methods makes cultural value ‘visible’ to politicians and policy makers who make their funding allocation decisions based on (some kind of) cost–benefit analysis thinking. Admitting that cultural value cannot be expressed in these terms could mean that culture cannot be factored into this

thinking – if there was no ‘number’ attached to a cultural good, how can it be properly taken into account in cost–benefit decisions?

However, on a more fundamental level, recognizing value pluralism may have implications for the assumptions underpinning these ‘calculations’ and driving policy making in the first place. Notably, Throsby and Hutter acknowledge that ‘there is a sense in the contemporary world that an economic basis for determining the value of art is tending increasingly to overshadow alternative concepts’ (Throsby and Hutter, 2008, p. xv). Are our society’s privileging and prioritizing values that can be expressed in economic terms detrimental to how we think about the value of arts and culture and perhaps our society at large? Considering this question seems important from the point of view of cultural economics.

## A DETAILED EXPLANATION OF THE UNDERLYING ISSUES

In the words of Ruth Towse: ‘As a discipline, economics uses theory – economic principles – to analyse problems and it also uses empirical evidence...to try to answer them. Cultural economics uses this analysis and applies it to the cultural sector’ (Towse, 2010, p. 5). But the application of economic principles to the domain of arts and culture has not been uncontroversial. The challenge that is the key topic of this chapter cannot be overcome from *within* the discipline of economics. Rather, the argument concerns the limits of economic methods and techniques. From the perspective explored here, not all the values of culture can be broken down in terms of individual utility.

### The Limits of Economic Valuation?

Economic valuation approaches are used to monetize what are essentially non-market benefits of arts and culture. These approaches, it has been argued, allow us not only to account for the importance individuals attach to some positive externalities of cultural goods (for instance, their ‘bequest value’ and so the wish that they be preserved for future generations), but also to focus on what most would recognize as the core value of arts and culture. As Frey (2008) argues, these economic valuation techniques are often recognized as superior by cultural economists themselves, precisely because they attempt to capture what people actually value about cultural engagement – for example, the power to give rise to emotions, to express complex meanings, to give aesthetic pleasure, and so on.<sup>3</sup>

This said, even among the cultural economists working with these techniques, there is no consensus on the extent to which those ‘core’ values of arts and culture – reflecting aesthetic, artistic and more broadly cultural

significance – can be converted into economic value. Some work of cultural economists (see, for instance, Hutter and Frey, 2010; Throsby and Hutter, 2008) shows scepticism that all cultural value can be converted into, and made commensurable with, economic value. Underlying this reservation is a recognition that, as David Throsby puts it, some such values can ‘only be fully realized in collective terms and cannot sensibly be represented in individual monetary valuations’ (Throsby, 2007, p. 5). The wider point here is that standard economic theory, grounded in individual utility, cannot account for those aspects of culture that are collective or irreducibly social.

This line of thinking has led those cultural economists to distinguish between economic and non-economic values of arts and culture. The latter can be broken down further. For instance, Throsby has proposed the following sub-categories: aesthetic value, spiritual value, social value, historical value and symbolic value. What is significant here is the underlying distinction between economic and, what those economists call, cultural value – ‘the former being measurable by methods of economic analysis and expressible in monetary terms, the latter being multidimensional, deriving from a broadly cultural discourse and having no standard unit of account’ (Throsby and Hutter, 2008, p. 4).

### **Irreducibly Social Goods**

The argument that Throsby and Hutter (2008) make in favour of recognizing the existence of non-economic values, along with economic ones, can be traced to a line of argument presented by Charles Taylor (1995), and building on an argument presented by Ludwig Wittgenstein (see Wittgenstein and Anscombe, 1997).

Wittgenstein famously argued that there cannot be a private language. Language, by definition, is the kind of thing where you need more than one person – not just because you want to communicate meaning, but because, for this communicated meaning to exist and be mutually intelligible in the first place, you need a backdrop of shared culture. Even if an attempt to communicate can be performed by an individual, language cannot be decomposed into individual acts because, for communication to be successful, it has to be performed against the background of norms that are collectively shared.

Irreducibly, social goods, Taylor (1995) argues, are those kinds of goods that can only be appreciated collectively. Cultural goods – as irreducibly social – require common understanding in order to be valued. These goods are not something that an individual ‘has’ – they are not the kind of things that break down into units that can be expressed in terms of individual utility and preference. Rather, they provide a background against which valuations happen in the first place and constitute the very fabric of society as a whole.

Unlike public goods, they cannot be expressed in terms of an aggregation of individual utilities. In other words, cultural values – qua irreducibly social goods – are shown to be the kind of values where the economic principles of individual utility – the atomism behind economic valuation approaches – cannot be applied.

### Value Pluralism

It has been observed that cultural goods are subject to the so-called ‘double discourse’ of value: ‘In the first discourse, events are explained in terms of calculation, preferences, costs, benefits, profits, prices, and utility. In the second, events are explained – or, rather (and this distinction/opposition is as crucial as any of the others), “justified” – in terms of inspiration, discrimination, taste (good taste, bad taste, no taste), the test of time, intrinsic value, and transcendent value’ (Smith, 1988, p. 127). The existence of these two parallel levels of explanation has much to do with the development of the field of aesthetics and the disciplines of art history and fine arts in modern times. Indeed, historically, value pluralism is a well-established idea going back to the Enlightenment, when scientific considerations (regarding what is true) came apart from moral reasoning (regarding what is right) and what we could see as cultural preoccupations (concerning beauty) (Bernstein, 1992).

Thus, historically speaking, value pluralism is nothing new, nor is valuation pluralism (where valuation is an activity of estimating worth) surprising to value researchers in other disciplines. Anthropologists have long been discussing various ‘regimes of value’ (Appadurai, 1986) and ways of deeming things meaningful (Graeber, 2001). Even some sociologists working on economics, and indeed economists, have long been talking about different ‘orders of worth’ (Boltanski and Thévenot, 2006; see also Beckert and Aspers, 2011). Underpinning these approaches is a recognition that when people value things, they draw on different evaluative conventions, and so the same object might be judged according to different principles and norms. Furthermore, there are different and sometimes competing ways that things, events and actions can be valued and so it is possible to speak of different models of value and approaches to valuing (Kaszynska, forthcoming).

## HOW TO STRUCTURE THE TOPIC FOR STUDENTS

1. Start with outlining the findings of the study *Measuring Economic Value in Cultural Institutions*<sup>4</sup> by Bakhshi et al. (2015). For your purposes you can focus on the Executive Summary (pp. 2–9). Working with the Natural History Museum and Tate Liverpool and using data from onsite visitor surveys and online general population surveys, the study looks at the use

and non-use values attached by visitors, and the non-use option values attached by the general population. What makes the study rather unique is that it presents a comparison of contingent valuation and well-being valuation methods in the cultural sector, but it not only compares how well each technique performs, it also explores how the two methods could be combined to optimize their use by cultural institutions.

2. You may want to open by reflecting on the progress made in understanding the potential and limitations of the two valuation techniques used in this study. You may want to point out that the study shows that developing one of these techniques is still very much 'work in progress'.
3. Steer the conversation by asking students to reflect on the total value of a cultural institution such as the Natural History Museum and Tate Liverpool. Ask what kind of user benefits they can generate and how these could be captured in economic terms; raise the question of the value of the institution to someone who has never used it (attended/directly benefited) and how this can be captured.
4. Proceed by pointing out that non-use values (such as the perceived value of a museum to someone who never visits, but who might appreciate its value to those who do use it now and may do so in the future) are still fundamentally values accruing to individuals.
5. Contrast this with the concept of the irreducibly social good outlined in this chapter. Ask students to reflect on friendship and social equality and shared language as possible examples of other irreducibly social goods. Can we make sense of these goods as decomposable in terms of individual utility and expressible in terms of individual preference?
6. In this context, the contrast between public goods and irreducibly social goods might be helpful. Charles Taylor himself used the example of a dam (as an instance of a public good) and culture (as an instance of an irreducibly social good). On the one hand, a dam and culture share the characteristic of public goods in that they cannot be secured for one person without benefiting a group. The contrast is that the value of the dam (the benefits of having a dam) can be broken down into benefits for individuals.
7. Finish with a debate concerning the consequences of accepting value pluralism and the argument that cultural value is not reducible to economic value. Going back to the considerations laid out the second section above, ask students to debate the consequences this might have from the point of view of public funding allocation and spending decisions. You may also want to ask about the general consequences of recognizing the limits to economic valuations for what we consider to be valuable in our society at large.

## POINTS FOR EVALUATION AND SUGGESTED LEARNING GOALS

A successful student should be able to:

- demonstrate knowledge and understanding of the concepts of economic value and cultural value, public goods and irreducibly social goods;
- understand and explain why cultural value may not be included in the economic value and be able to discuss it;
- understand and explain value pluralism;
- understand and discuss what value pluralism may mean in terms of public funding and resource allocation for public goods/irreducibly social goods.

## NOTES

1. The author would like to thank Trine Bille for her probing questions and extremely conscientious editorial help.
2. Contingent valuation methods try to quantify in monetary terms the value of non-market goods, that is, those goods that cannot be assigned a price by the market. Typically, these methods construct a hypothetical situation where an individual is asked to state his or her maximum willingness-to-pay (WTP) for a (public) good or service.
3. See also Bakhshi, Freeman and Hitchen (2009).
4. Bakhshi et al.'s report may be found here: <https://ahrc.ukri.org/documents/project-reports-and-reviews/measuringeconomicvalue>, accessed 11 October 2019.

## SUGGESTIONS FOR FURTHER READING

See particularly Bakhshi et al. (2015); Taylor (1995); and Throsby (2007), listed below.

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