The Economics of Art and Culture*

Victor A. Ginsburgh

ECARES, Brussels and
CORE, Louvain-la-Neuve

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Introduction

The two landmarks of art history and economics, Johann Winckelman's (1764) *Geschichte der Kunst des Altertums* and Adam Smith's (1776), *An Inquiry into the Nature and Causes of the Wealth of Nations* are almost contemporaneous. This should have paved the way to a good understanding between the two emerging disciplines. Unfortunately, it did not, though most forefathers of the science that came to be called "economics" made forays into "art:" Jean Bodin (1530-1596), Bernard Mandeville (1670-1733), David Hume (1711-1776), Adam Smith (1723-1790), Anne Robert Jacques Turgot (1727-1781), Ferdinand Galiani (1728-1787), Jeremy Bentham (1748-1832), David Ricardo (1772-1823), John Stuart Mill (1806-1873), Stanley Jevons (1835-1882), Alfred Marshall (1842-1924), Lionel Robbins (1898-1984), a would-be artist. Even the great John Maynard Keynes (1887-1946), an active member of the Bloomsbury Group, and therefore close to Roger Fry, Clive Bell and other art theorists and artists, was of course interested, but contributed little to the question.[1]

Of course, at least before Marshall, these were times at which economics was closer to philosophy, and it is not surprising that great thinkers dealt with economics *and* the arts. Most of them were concerned with art as a "luxury" or as the object of "conspicuous consumption;" prices; talent needed to create; "progress" in the arts; why people buy art; why competition is needed; exorbitant rewards (already!); copyright; public support of the arts (or its regressive nature, since anyway, art is for the riches); moral utility of the arts, etc., but aesthetics and art history were far from being important in the discussion.[2]

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[1] This is what Sir Roy Harrod (1900-1978), professor of economics at Oxford writes in his biography of Keynes: "Maynard was infected by the enthusiasm, and, in due course, became a buyer of pictures and books. His flair for the subject is testified by the value of his collection of modern pictures (£ 30,000 at his death in 1982) which he bought, for the most part, at very modest prices." See Harrod (1951).

[2] For a good survey, see Goodwin (2006). The paper by de Marchi (2008) describes some relations between aesthetic value and economic thought starting with Adam Smith.

David Hume and Stanley Jevons are among those who are closest to art history and philosophy. Hume's (1757) essay "Of the standard of taste," probably at the origin of "the test of time," generated many books,[3] and papers in aesthetics. Jevons was an aesthete, who "acknowledges having had a profound aesthetic experience while seeming unwilling to incorporate the artistic dimensions of life into economics" (Goodwin, 2006, p. 54). He suggests that to make unsophisticated people benefit from the arts, these should be imposed on them, since aesthetic experience cannot be anticipated.

Goodwin (2006, p. 49-52) singles out three historical art figures who were against the general laissez-faire ambience in Great-Britain in the late 19th century: the poet and essayist Mathew Arnold (1822-1888), William Morris (1834-1896), and art historian John Ruskin (1819-1900). Arnold was afraid that economic development is destructive and leads to anarchy, which could be avoided by actions such as "the cultivation of the arts and culture through a liberal education" (Goodwin, 2006, p. 50). Though Morris became a well-to-do businessman, he "believed that the arts could prosper only under conditions of collective ownership of the means of production, either through conversion to a socialist state or through a communist revolution" (Goodwin, 2006, p. 52). Ruskin embarked on a crusade against the economics that were prevailing. He rejected the laissez-faire motto of the time: markets alone do not ensure that consumers make the best use of the goods that are offered to them, unless they are educated to do it.[4]

This being said, research on the economics of the art really started with the essay by Baumol and Bowen (1966) on why, unless they receive financial support, the performing arts may disappear. In a nutshell, today as in 1750, a quartet needs four musicians, and while there may be productivity gains in the rest of the economy, and therefore, wage increases, they will also have to be passed through to musicians. Otherwise, nobody will be attracted to become a professional musician, and quartets will disappear. If, on the other hand, these wage increases are passed through to musicians, and since no productivity gains can be made, quartets will become too expensive to run, and will also disappear. Therefore, intervention (public or other) is needed. Many arguments have been suggested to counter this theory, but it still has a lot of appeal, and generated a large literature.

The field is now relatively well established, has an association, the Association of Cultural Economics International, publishes a quarterly journal, the *Journal of Cultural Economics*, organizes, every other year, a conference that is attended by two to three hundred scholars, and has been able to generate teaching

[3] In particular Savile (1982).
[4] See Ruskin (1957, 1862).

positions in a few economics departments in Europe and in the United States. Though the discipline is now the subject of several handbooks and collections of papers,[5] it is still in its infancy, and, as will be discussed, is looking for some firm ground, and a name which keeps changing.

Indeed, the subject is not well-defined, since it is located at the crossroads of several disciplines: art history, art philosophy, sociology, law, management, and economics, and tries (or should try) to tackle questions such as why Van Gogh's paintings are expensive, and why copies of his works are cheap; why Pre-Raphaelite painters were rediscovered in the 1960s, after having been completely forgotten during almost a century (with an obvious effect on their prices); why European public or national museums are not allowed to sell parts of their collections; how the performance of museums should be evaluated; which (and given the budget constraint, how many) buildings should be saved from demolition, and kept for future generations; why or why not, the arts should be supported by the state; why there are superstars who make so much money; why is contemporary classical music so difficult to listen to; whether works that have been sold should nevertheless be subject to copyright law; whether copyright in general is right or wrong; why internet pirates may not be so wrong; and why there is such a big need for competitions and awards.

The field also started to make forays into topics that used to be discussed in other fields, such as anthropology, development economics, cultural conflicts, psychology, religion and customs, and languages. These extensions will not be discussed here.[6]

The list raises the issue of whether economists interested in cultural economics should simply apply their usual tools to questions related to and data coming from the arts, or whether they should take culture as an opportunity to add new issues to the existing economic literature. Should economists take as granted that prices and income are the main determinants of the demand for theatre plays or should they also understand what quality means in such heterogeneous markets, define it, measure and enter it as a variable in their empirical models? Blaug (2001) concludes in a pessimistic way: "We have all been hoping that the field might actually suggest and promote developments that would spill over with benefit to economics outside its own domain. Has this happened? Not really but is that perhaps asking too much of a subject no older than 30 years?" Not only did nothing spill over from art or cultural economics to economics in general. But there is worse, since many tools are or have been "invented" and imported from economists who certainly have some feeling for

[5] Ginsburgh and Throsby (2006, 2013), Towse (2003, 2008a). See also Frey and Pommerehne (1989), which contains a very complete and useful list of references written before 1989.

[6] The interested reader is encouraged to visit Hutter and Throsby (2008) and Ginsburgh and Throsby (2013).

art and culture, but whose main field of research was or is different. We shall give some examples later, but here are some papers that are worth singling out: Stigler and Becker (1977) who emphasized rationality in cultural consumption; Montias (1978-1979) and his choice of looking at inventories and other microdata to analyze painters and collectors in the Dutch 17th century Golden Age; Rosen's (1981) superstar model showing that small differences in talent make for large differences in income; Baumol (1986) who suggested that the difference between the returns on art and financial markets could be interpreted as accounting for the aesthetic pleasure provided by looking at artworks; Ashenfelter (1989) who made auctions known outside of the difficult theoretical field in which they were entrenched, and made economists who were interested in the arts aware that hammer prices could be used to estimate price indices; and Peacock for his many contributions, but especially for his *Paying the Piper* (1993).

To describe the main problems which arise in cultural economics, it is useful to make a distinction between the visual arts (paintings, sculpture, art objects), the performing arts (music, theatre, opera, dance), and cultural heritage (museums, historical buildings, monuments and sites), though there are some unavoidable intersections (museums accumulate paintings, some artists in the visual arts produce unique performances in galleries). There is a tendency, nowadays, to add what came to be called the cultural (or creative) industries, which are interested in books, movies, popular music, records, the media and the internet. We shall devote most of our discussion to the first three groups, which are often referred to as "high culture," and try to point out what cultural economists have found interesting, discuss the tools which they have imported from economics to analyze art and culture, and what is still open or untouched. However, we start with a topic that applies to all groups, has kept many cultural economists busy, and has led to a large literature in the field: Should the state support the arts and, if so, how?

Public support of the arts. Why?

Many arguments have been invoked to justify public support, and correct for assumed market failures. Some arguments apply to all forms of artistic activity (including the cultural industries), some are more specific. Here is a non-exhaustive list of the most important economic rationalizations for such support.

(a) The oldest and most often invoked argument is that art, whatever its form, is a public good. It benefits not only those who see it and who pay for it, but also all other consumers, who do not necessarily wish to contribute voluntarily to its production (performing or visual arts) or to its preservation (museums) and free ride, or who cannot contribute, since they are not yet born (heritage). If the arts are left to the market, they will not be priced correctly, and will thus be under-produced or not saved for future generations. Artistic activities are also said to produce externalities that cannot be sold on the marketplace, such as civilizing effects, national pride, prestige, and identity (justifying, for example, the French position in its fight against free trade of movies and TV programs), social cohesion, etc.[7] which benefit all consumers.

(b) But the arts are also said to yield economic externalities. Old castles, well known opera houses or orchestras, and art festivals attract visitors and tourists. So do museums with good collections, while newly constructed museums are claimed to contribute to city renewal (an argument used, for instance, to attract public support for the Guggenheim museum in Bilbao). This is supposed to have spillover effects on hotels, nearby restaurants and shops, generate new activities and came to be called the "arts multiplier."[8]

(c) Art is a "merit" good. It "is a means of educating the public's taste and the public would benefit from a more educated taste" (Scitovsky's, 1972). Since consumers are not fully informed, they are unable to evaluate all its benefits without public intervention. Moreover, even if there is addiction to the arts, it develops only slowly, and consumers have to be exposed as much as possible.

(d) For equity reasons, art should be made available also to low income consumers who cannot afford to pay. Poor artists should be supported alike. Schemes for doing this will be discussed below.

(e) Culture is transmitted by education but also from parents to children. Since parents can hardly be considered as purely altruistic, an additional externality is generated, which needs support for efficiency (and equity) reasons.

(f) The last argument on the difficulty or impossibility to achieve productivity gains is more specific to the performing arts: the Baumol cost disease, which we discussed earlier as being the starting point of cultural economics.

These issues have of course their supporters and their detractors, the most enjoyable to read being Grampp (1989). Detractors base their case on the public choice theoretic claim that some people wish to use the state's resources for their own

[7] Similar arguments had already been suggested by Stanley Jevons, Adam Smith and Arthur Pigou.

[8] Grampp (1989, p. 247) ironically grips that the arts multiplier takes "its place besides the investment multiplier, the foreign trade multiplier, and the balanced budget multiplier in the kitchen midden of Keynesianism." See also the paper by Seaman (1987).

benefit, and on the regressive nature of supporting high-income groups who are more likely than others to attend, and who can afford to do so.[9]

The cost disease has led to a host of quantitative studies, which show that the curse is not as severe as what Baumol and Bowen had originally suggested. Empirical studies on the performing arts point to price elasticities which are smaller than one, so that there is still some room for price increases; bundling—bookstores at opera houses, museums, drinks during intermissions—can also be used more systematically); technical progress (sound and lighting, for instance) can make for larger audiences; broadcasts and records could be used to cross-subsidize live performances, and make these less expensive; synthetic music is being composed, which needs no or less performers, and is even sometimes used in ballet or opera performances; opera music is performed under the form of concerts; contemporary theatre plays save on the number of characters, etc. In the visual arts, Duchamp and later on, Andy Warhol created ready-mades and multiples by the hundreds. Reproductions of paintings in books pay royalties to artists, also a form of cross-subsidization. But there is still more empirical work needed to prove (or disprove) the reality of the other arguments that call for public support.[10]

Public support of the arts. How?

In most developed countries, the arts are supported, though the volume of public intervention can vary substantially. It is very low in the United States (three to four dollars per head), reaches $16 in the United Kingdom, $19 in Australia, and $30 to 40 in Continental Europe where private support is negligible.[11] No convincing argument has yet been put forward to explain these large differences in behavior between the Anglo-Saxon and other cultures.

Government intervention takes several forms. It can be direct: Some art institutions or companies are state-owned (museums in most European countries, but also opera companies, theatres, symphony orchestras) and are, therefore, supported, at least in part, by public funds. Their efficiency has been questioned on many occasions. Arts education programs are also often supported by the state. In the 1960s, Peacock[12] suggested to distribute to poor consumers art vouchers exchangeable for seats or visits to museums.

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[9] In 1997, in the United States, for example, 35% of the high income population (more than $75,000 per year) attend classical music live performances, while this percentage drops to 6.8% for the lowest income group. See Heilbrun and Gray (2001, p.47). See also Benhamou (2000) for Europe.

[10] See Towse (1997b) for a collection of papers on the disease.

[11] See Throsby (1994, p. 21) as well as Netzer (1978) for more detailed data.

[12] See Peacock (1993, p. 122).

In most cases, public funds, including lottery funds, are channeled to companies, or directly to artists, through subsidies, or tax relief (reduced VAT rates, no or lower rates of taxation on profits or on income). In the United States, most of the effort is concentrated on tax deductions or exemptions to donors (individuals or corporations) for charitable contributions; gifts or bequests of artworks are also encouraged by tax concessions, and more and more often, inheritance taxes can be paid for by artworks. This indirect subsidization system is much less used in European countries, though similar incentive schemes are present.[13]

The less direct (and, sometimes, most insidious) form of intervention is regulation, which is mainly concerned with (a) guaranteeing artistic freedom, though this right has often been breached, for example, to "protect" consumers against pornography; (b) ensuring moral rights, i.e. protecting artists against being plagiarized, or against alterations or destruction of their works; (c) ensuring financial rewards to living artists and to their heirs during as much as 70 years after their death under the form of copyright. Copyright has led to a very large literature, at the confines of law and economics.[14] Its economic justification is based on the idea that it provides incentives to create, and that the absence of protection would lead to underproduction[15]—the same idea is used to justify protection of industrial patents.

Copyright applies mainly to plays, literary and musical works. Authors usually do not "sell" their creation, but get compensated through authors' rights for each copy (book or record) sold or for each performance of a play or of a score. However, the idea has been extended to all other forms of art, including the performance itself (the staging of a play can be copyrighted and so do live performances by visual artists), and the visual arts. Reproduction of a work pays rights to the artist even after he sold it; resale rights (droit de suite) pay to the artist a percentage on the resale of a work on the secondary market. The photographer of a work by Rembrandt is, in some (European) countries, entitled to rights for his "original" photography. One can wonder whether copyright laws still provide incentives for art creation, or whether they generate incentives to use Mozart's music in movies, and Schiele or Klimt paintings (no longer covered by copyright) to illustrate book covers, in order to avoid the intricacies of the law on contemporary scores and illustrations. Obviously, regulation has led to overregulation, much more driven by the rent-seeking behavior of the music industry and author societies than by artists.

The international trade of cultural goods has also been the concern of regulators. Some countries fully prohibit the export of artifacts of some age—

[13] See also O'Hagan (1998) for more information.
[14] See Landes and Posner (2003), and Merryman and Elsen (1998) for excellent surveys and Towse (2008b) for a collection of recent papers.
[15] Waldfogel (2011) shows that this is wrong in the music industry.

although illegal exports from Africa, Mexico, Italy or Greece keep going. Some countries (France and the United Kingdom) are more lenient and require export licenses for “national treasures;” this procedure is often used to delay the export and give time to the potential exporting country to raise funds and buy the object at the price at which it could be sold abroad. France insists on maintaining import quotas on American TV programs to “protect” local culture and national identity. This is the so-called cultural exception argument, which is very reminiscent of its forefather, the infant industry argument.

Rich man, poor man, beggar…

A folk theorem states that most artists are poor—or have lower income than the average consumer, die poor, while salerooms, their dealers, and editors become rich.

Using the 1980 US Census data, Filer (1986) concludes that, on average, artists do not earn any less than they would in a nonartistic employment. It has later been shown, however, that this is due to multiple job holdings, including in nonartistic activities.[16] If these extra jobs are not accounted for, artists' average incomes are smaller than those of workers with comparable education. It is also said that artists devote less time to their work on art than do others to their main occupation, that they may have to go to lower paid jobs to supplement their income, that their earnings are more variable and less directly influenced by education than those of other workers. To explain why artists accept this income differential, one has to appeal to differences in motivation; this is summarized by Throsby (1994, p. 17) who suggests that “the primary desire to create art as a principal occupation must be recognized as the essential driving force behind an artist's labor supply decisions.”

But the income distribution of artists is also markedly skewed and there exist superstars, whose earnings are impressive. Rosen (1981) shows that talent only does not explain these differences. He models income as a convex function of talent, so that small differences in this endowment may result in large differences in income. This is compounded by the fact that there is little if any substitution between various degrees of talent, or between quality and quantity. As Rosen points out, "hearing a succession of mediocre singers does not add up to a single outstanding performance."

Economists also became interested in the life’s of composers. Scherer (2004) uses microeconomic theory and some econometrics to analyze a sample of 646 musical composers born between 1650 and 1849, and present in the *Schwann Guide*. One of the important contributions he makes is on geographical and political determinants. He contradicts the “competing courts hypothesis” suggested by Elias

[16] See e.g. Wassal and Alper (1992).

(1991) and, independently by Baumol and Baumol (1994), that in Germany and Italy there were dozens of courts and cities competing for prestige and thus for musicians, so that every local court had its orchestra, and the more affluent ones even had an opera house. Scherer shows that even though Germany had the largest number of local courts, it ranks only third (after Austria and Czechoslovakia, which were both more centralized) once the number of composers is related to population. The prevalence of music in Austria and Czechoslovakia is probably due to the schooling system, in which schoolmasters, even in small villages were expected to teach singing and violin to their pupils. Nevertheless, some died rich, others poor.

Careers of artists

In a series of papers and a book, Galenson (2001) studies the careers and life cycles of impressionist and modern French and American painters (as well as writers) and consistently finds that some artists bloom early, while others produce their best works later during their life cycle.[17] The two types of careers are related to innovative behavior. *Conceptual* artists, who bloom early "communicate specific ideas or emotions. Their goals for a particular work can usually be stated precisely, before its production...[and] consequently [they] often make detailed preparatory sketches or plans...[T]hey think of it as primarily making a preconceived image, and [the execution is] often simply a process of transferring an image they have already created from one surface to another." *Experimental* artists, on the other hand, bloom late. They are "motivated by aesthetic criteria [and aim] at presenting visual perceptions. Their goals are imprecise, so their procedure is tentative and incremental. [They] rarely feel they have succeeded, and their careers are consequently often dominated by the pursuit of a single objective...They rarely make specific preparatory sketches or plans for a painting."[18] The idea that some artists bloom early, while others are late, and that artists may follow two paths in their creative work seems very reasonable. What is less so, and is questioned by many art historians and philosophers, is the association between age and type of creativity and the dichotomous behavior of being either conceptual or experimental; most artists are both at different times in their careers and even at the same moment in different works.[19]

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[17] Galenson and Jensen (2001), extend the approach to Old Masters.

[18] Quotations are taken from Galenson (2003).

[19] See Ginsburgh and Weyers (2006) for a critical assessment of Galenson's views. Psychologists have also intensively worked on creation. See in particular Simonton (1997). For more recent papers, see his website http://psychology.ucdavis.edu/simonton/.

Issues in the market for visual arts

Art works are, with some exceptions, heterogeneous. Each creation is unique and markets can hardly be analyzed by the usual supply-demand mechanism. The very high prices reached by some works has led economists to study (a) what can be said about the characteristics that determine values, (b) whether the returns obtained on artworks outperform those of financial markets, and (c) why tastes change. None of these issues has been given a definitive answer.

Values are obviously mainly determined by the name (or the reputation) of the artist, but this explains little, and one should understand why reputations differ, and what makes a painting "good" or "bad." Decomposing "quality" in terms of (hopefully) objective characteristics should be possible. After all, this is what the French art historian de Piles (1708) had in mind when he wrote that "the true understanding of painting consists in knowing whether a picture is good or bad, in distinguishing between that which is good in a certain work and that which is bad, and in giving reasons for one's judgment." This led him to grade on a scale between 0 and 20, characteristics such as composition, drawing, color and expression, for a group of painters, and rank them accordingly. Art historians and philosophers have strong objections against such views. Economists are used to work on horizontal and vertical differentiation, but consider quality in art to be the playground of art historians and philosophers. Some collaboration between the two species should therefore be possible.

Financial returns on works of art have been analyzed very often,[20] but Baumol's (1986) paper was probably the most influential one. Baumol finds that between 1650 and 1960, the average real return rate is equal to 0.55% per year, some 2% lower than the return on bonds. He suggests that the difference is attributable to the return provided by aesthetic pleasure. Using the same data, Buelens and Ginsburgh (1993) qualify the results and show that this conclusion does not preclude the existence of 20 to 40 years-long time intervals during which returns are much higher; since tastes change slowly, there may thus be opportunities to do better than bonds. Landes (2000) even shows that skillful collectors can beat the stock market, as long as they spend time and effort and follow a buy and hold policy.[21]

Tastes change, and prices commanded by works of art often follow these movements. There are many examples of painters who have been "rediscovered,"

[20] See Frey and Eichenberger (1995) and Ashenfelter and Graddy (2006) for surveys.

[21] Part of the returns is also due to provenance of the works (the Ganz collection in the paper by Landes). The very high prices obtained at auction for the Kennedy or the Marilyn Monroe memorabilia are of course only due to their provenance.

including Botticelli, Vermeer, Goya or the Pre-Raphaelites.[22] It is unclear whether such changes are due to fads or fashion, or to more fundamental reasons. Grampp (1989, pp. 66-68) suggests that the rapid succession of styles in contemporary art is due to the rapid increase in consumers' income, "who seek novelty more often than they would if their income was lower." To our knowledge, economists have never seriously investigated the changing tastes issue.[23]

Montias, an economist turned to famous art historian, respected for his work on Vermeer (1989) and on Dutch Golden Age painting—analyzes art history in the same way as what the French *Ecole des Annales* did for history in general.[24] Instead of analyzing leading figures and facts, his work centers on ordinary people. In his 1996 analysis on 17th century Dutch art collectors in Amsterdam, he illustrates how quantitative methods can be used in art history. In another strand of research, he uses archives that had not been brought to light before, and examines the intricate relations between artists, art dealers and their patrons. Montias (2004) shows that dealers were only modestly successful. They relied on friends, business as well as religious acquaintances, and their family for their working capital, of which they seemed to be in constant need. Their role in dealing works by the major artists of their time seems also to be quite limited. Much work in similar directions is described in the papers jointly written by economist de Marchi and art historian Van Miegroet. Their papers on copies (1996), on early auction markets (2004), and more generally on economic art history (2006), should be singled out. So should the book by Nelson and Zeckhauser (2008), who use information economics to understand art markets from the Italian Renaissance.

The status and the prices of copies (to be distinguished from fakes) have also varied over time. While copies were close substitutes for originals during the 17th century, and priced at about half the price of originals,[25] they are hardly considered to have any value nowadays. Again, little is known about the reasons and the period at which the break occurred.[26]

Many issues discussed above have often been analyzed on the basis of works sold and prices obtained at auctions. This has led to several observations on the possible inefficiency of auction mechanisms, which theory considers to be efficient. Among these observations, let us single out the declining price anomaly (prices of homogeneous lots sold in sequence decrease over time, but this is also the case for the

[22] See Haskell (1980) for an account of these changes in France and in the United Kingdom between the late 18th century to the early 1920s.

[23] At least empirically. Stigler and Becker (1977) develop a theory of changing tastes in the neoclassical framework of unchanging preferences,

[24] See among others Montias (1982).

[25] See De Marchi and Van Miegroet (1996).

[26] See Benhamou and Ginsburgh (2006).

ratio between hammer prices and pre-sale-estimates for heterogeneous works of art (Ashenfelter, 1989, and Beggs and Graddy, 1997), the existence of systematic price differences across salerooms and/or countries (Pesando and Shum, 1996), the biasedness of pre-sale estimates by salerooms and the fact that pre-sale estimates do not reflect all the information that is available to them, though theory shows that it is efficient for the auctioneer to reveal the truth (Bauwens and Ginsburgh, 2000).

Issues in the performing art: opera, concerts, theater and other live performances

The performing arts were the first to be studied after Baumol and Bowen (1966) introduced their cost disease alluded to earlier.[27] It is also the sector that that can be thought to conform best to the classic supply-demand framework. Demand is modeled as depending on own price, prices of substitute, income, quality, and the "price of leisure," since the performing arts are time consuming.

However, both quality and the price of leisure are usually difficult to assess.[28] Supply is multidimensional, and can hardly be represented by the number of seats or the number of performances offered. Indeed, what is offered is also variety and width of repertoire, categories of seats sold at different prices,[29] as well as intertemporal price discrimination and peak load pricing during certain days, which all affect demand.

The performing arts are prone to the superstar phenomenon, which is difficult to study empirically, since talent can hardly be measured, and has to be circumvented by other measures.

And most importantly, read Peacock's (1993) book, *Paying the Piper*.

Cultural heritage, where do we go[30]

Forty-five thousand monuments are listed in France, and this number is increasing every year, without any legal possibility to drop a monument once it is listed. In the United Kingdom, there are 40,000 scheduled monuments and sites and 500,000 listed buildings. Maintaining this heritage obviously implies costs, and these costs are increasing. The number of specialists who are able to reconstruct and restore these sites is dwindling, the materials needed are becoming rare and often expensive to

[27] See for example Blaug (1976), which contains a collection of papers written in the late 1960s and early 1970s that are mainly devoted to the performing arts. See also Throsby and Withers (1979).
[28] See Throsby (1983) for an example.
[29] See Courty and Pagliero (2013) for a highly interesting survey and application of price discrimination by rock singers.
[30] Detailed accounts faced by heritage policies are discussed by Towse (1997a), Schuster (1997), and Peacock and Rizzo (2008). See also Feldstein (1991) on museums.

extract, and monuments deteriorate at an increasing rate, since they are subject to pollution and visited more often (Benhamou 2000, p. 58). The decision to list heritage sites less often will have to be made, and perhaps also the decision to drop monuments and allow their demolition. Property rights may have to be redefined to induce private owners to care for their properties, and tools, such as contingent valuation, polls or even referenda may be needed to elicit preferences and help decision makers.

The number of museums has also increased dramatically during the last twenty years, and so have collections, generating serious constraints on exhibition space.[31] It happens that as much as 80 to 90% of the works are not shown (97% in the case of the Art Institute in Chicago). Though the International Council of Museums (ICOM) recommends that each museum should have a statement describing its collecting policy, many have no such written documentation. Why can't existing museums stop increasing their collections, and why is it that so many new museums are being born? Why is it that if curators are empowered with the possibility to buy works of art, it is made difficult (in the United States) if not impossible or unlawful (in Europe) for them to sell works, including the thousands of broken Greek vases that almost each museum holds? This would not only ease their financial situation, but also reduce the incentive for illegal excavations and sales.

Should museums charge entrance fees? Curiously enough, the French, whose successive governments claim to have the largest budgets to support the arts, insist that museums should charge visitors and they do so, while free admission at the six British national museums, some of which currently charge, was introduced in April 2001. Some (natural) experiments are being run in French museums on the effect of charging, and not charging entrance fees once every four weeks, on Sundays, but the evidence that this increases the number of visitors is scant. More serious econometric work is obviously needed in this area.

How would the management of museums be affected if the value of their collections were considered as capital? How should museums (as well as many other cultural institutions) be evaluated? Their output can obviously not be measured by profits, or by the number of visitors, as has often been suggested, and done. According to the ICOM definition, a museum "acquires, conserves, researches and communicates, and exhibits for the purpose of study, education and enjoyment, material evidence of people and their environment." This makes for an activity with multiple outputs and calls for using of appropriate efficiency frontier methods to measure performance.

[31] The forms used by contemporary art (e.g. installations) make this constraint even more binding.

The cultural and creative industries

Cultural industries mainly produce "copies," such as books,[32] records, movies, newspapers and TV programs, and the value of the work is not conferred by its uniqueness or its scarcity. Like in other sectors, these industries are faced with globalization and follow the move to more concentration, both in terms of production and of distribution, which may open the road to more uniformity.

At issue are also (a) the public support to (and even the ownership by the state) television and radio stations and, in some countries, newspapers, and the complex problems of (dis)information this may generate, (b) the import quotas on cultural programs in a world which moves to free trade in all other industries as well as (c) the complex economic and legal copyright problems generated by the internet and what came to be called "piracy," though, as shown by Waldfogel (2011a, 2011b), this has not affected the creativity of singers and composers, and though protecting very concentrated industries such as the recording industry by tougher copyright laws does not necessarily increase consumers' welfare.

The terms "cultural industries" has recently morphed into "creative industries," the title of Caves' (2000) important volume in which contract theory is used to illuminate the workings of the industry.

Other issues and, why not culture for the enjoyment of life?

We are left with many unresolved questions. The economics of certification or authentication ("authentic" works versus copies, or fakes) is one of these. While many art philosophers maintain that this does not change the aesthetic qualities of a work, it definitely changes its price! The formation of values also raises the interesting issue of who are the agents endowed with the power to discriminate between good and bad art. What is the expertise of those who grant prizes and awards? Who would today award the 1959 Oscar for best movie to *Ben Hur* and forget about *Some Like it Hot* produced during the same year? Time obviously does a far better job than experts.[33]

Why did blockbuster exhibitions or music, opera and theatre festivals become so numerous? Don't such events simply displace the public from more traditional venues? Or do they, as is sometimes claimed, attract visitors who also have a look at the permanent collections, and familiarize with music those tourists who would

[32] Some books can be viewed as works of art. This is obviously the case for old manuscripts, but also for limited editions which become collectors' items.

[33] See English (2005) on prizes and competitions and Ginsburgh and Weyers (2008) on the test of time.

otherwise never attend a concert in their own city. Much has been said on the rent-seeking behavior of those who organize such events, but little is known on the long-term effects on the behavior of those who attend.[34]

The last question, which is also one of the most important ones, is how does culture affect the preferences of consumers. This is the subject of the important paper by Stigler and Becker (1977), who were among the first to discuss changing tastes and addiction to culture (as well as to other goods) in terms of a household production function and the stock of past consumption (of culture) and not consumption itself, appearing as argument in the utility function.

Addiction (if positive) should enhance the role of education to culture. More education to culture would certainly lead to more participation in cultural activities[35] and, therefore, to less need for public support. It would also increase efficiency, since we would have to accept that consumers possess the knowledge and have the right to choose in a sovereign way, and accept the consequences to which this could lead.

[34] See Frey and Busenhart (1996).
[35] See Bergonzi and Smith (1996).

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