

# Value and Culture

## *An Economic Framework*

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# Overview

1. Why do we want to value culture?
2. Culture in the economy – economics is more than \$\$\$
3. How do economists define value?
4. How do economists value culture?
5. Techniques for estimating values
6. Issues with economic approaches
7. Conclusions



# Culture in the economy

How big is the cultural 'sector'?

Can justify attention to standard regulatory concerns – capacity issues...

But doesn't say sector should receive more resources

Impact analysis: Contribution to the economy – financial return on investment?

'Arts festival brings \$56 million boost to Wellington'

Useful to know how many people came to an event, and who they were....but



# Culture in the economy

Criticisms of 'impact' analysis - Stadiums generally found not to lead to economic development despite the studies!

Why?

- Where do visitors come from?
  - Other regions
  - International
- Does other activity fall?
  - e.g. fewer conferences and non-festival visitors
  - What would artists have been doing otherwise?
- Inappropriate use of 'multipliers'
  - were people, venues, hotels under-employed?

Creates false impression of precision

Fragile basis for argument – and not really why we want Arts Festivals



# Culture in the economy

Focuses on very narrow definition of value

- Narrow view even of financial return – cultural activities could be more important in recruiting and retaining skilled labour

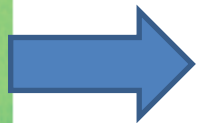
Culturally vibrant cities attract smart people

- What happens in markets is only a small part of what matters for people and society



# Why and how to value culture

To allocate scarce resources we need to understand how government can most effectively add value



Be clear on government's role in culture – why don't people do this without government?

Simple financial calculations are misleading and incomplete

Economics can offer much more



# How do economists define value?

## Individuals' perceptions of their wellbeing

- People know what they like
- People know what they will like when they are 60
- The excitement of a rugby game can be compared with the strengthening of community identity from participating in a local theatre production

## Aggregate individual preferences for social welfare



# How does culture affect wellbeing?

Total Economic  
Value







Enjoying a play at your local theatre



# Economic Perspective of Value

Total Economic Value

Use Value

Market







## Playing a game of cricket at the beach with your friends

- Direct enjoyment from playing sport
- Indirect health benefits from physical activity



Total Economic Value


Use Value

Market

Non-market

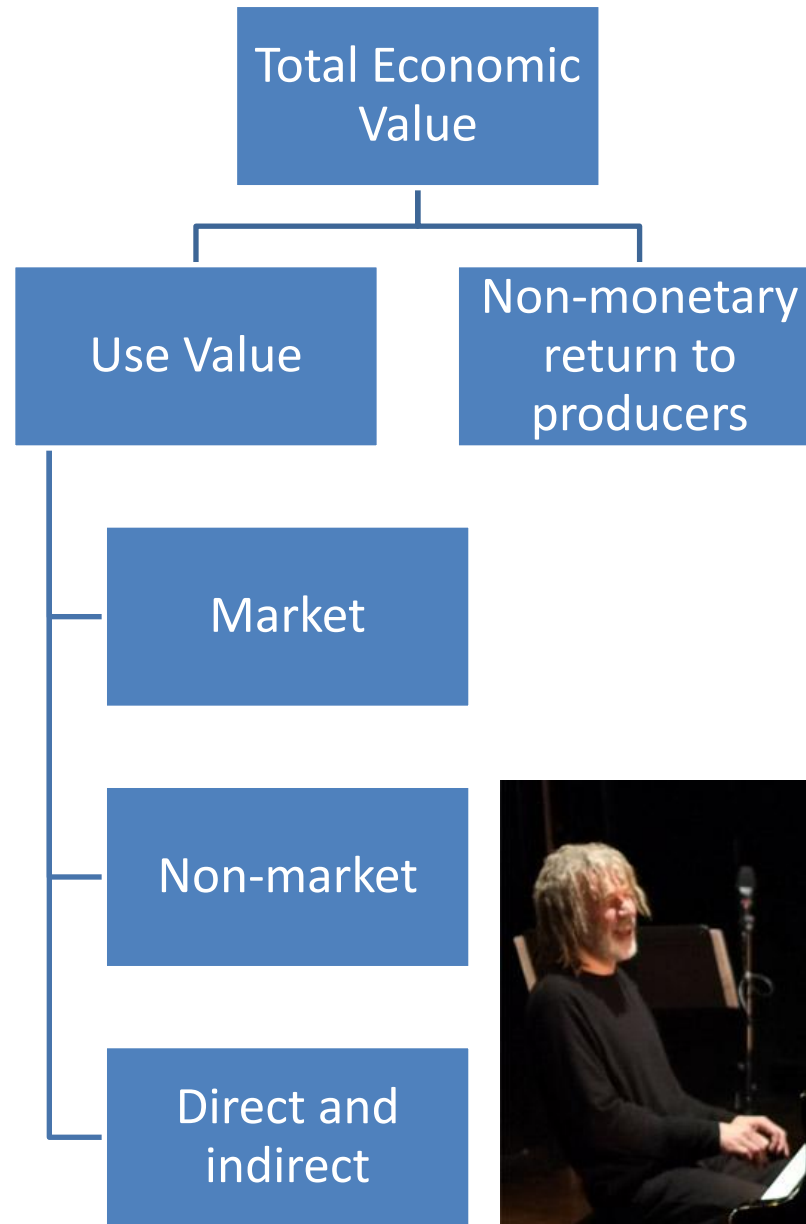
Direct and indirect



A photograph of a man with long, light-colored hair and a beard, wearing a black long-sleeved shirt, sitting on a black piano bench and playing a black grand piano. He is looking towards the right. To his right, a woman with long, light-colored hair, wearing a dark, textured cardigan, stands and sings into a microphone on a stand. She is smiling. The background is dark, suggesting a stage or concert hall setting. The text "Creative freedom and artistic self expression" is overlaid in white on the left side of the image.

Creative freedom and artistic  
self expression



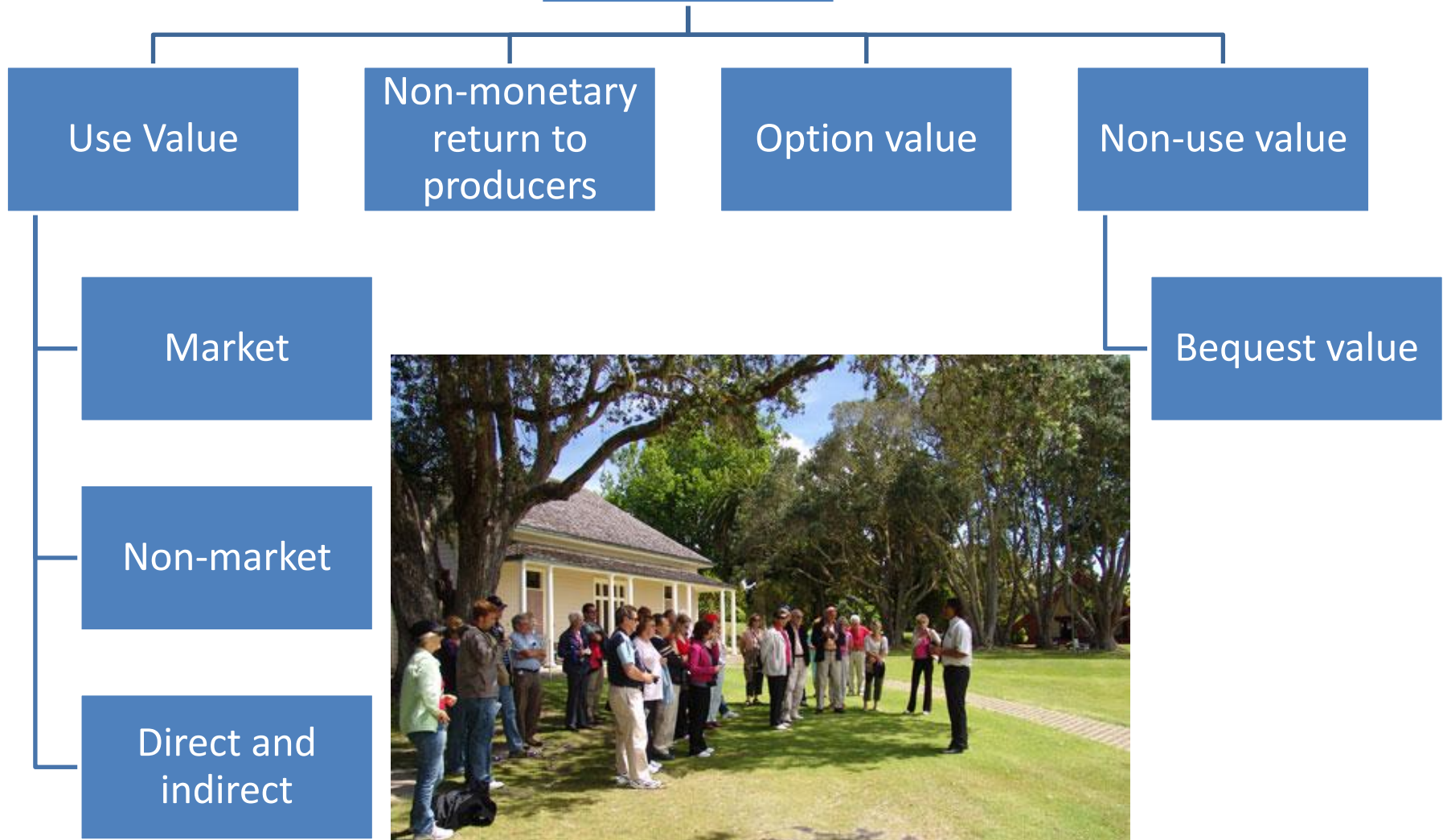


# Knowing that you are able to experience the Waitangi Treaty Grounds

- On a future trip
- For your children and grandchildren



# Total Economic Value



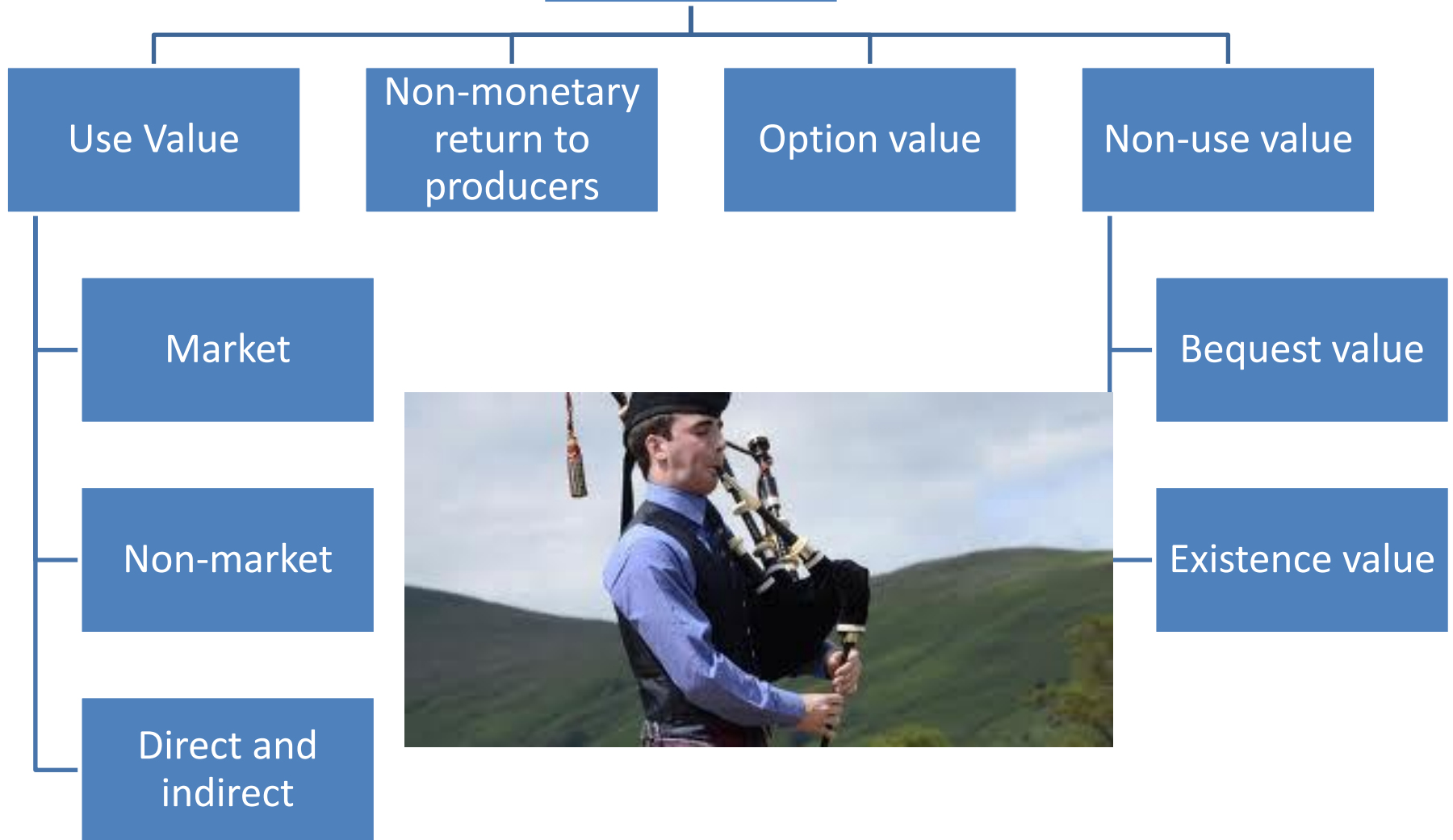




Even though I don't like bagpipe music, I value its existence because of what it signals about human creativity, diversity and creative freedom.



# Total Economic Value





Culturally vibrant cities attract smart people

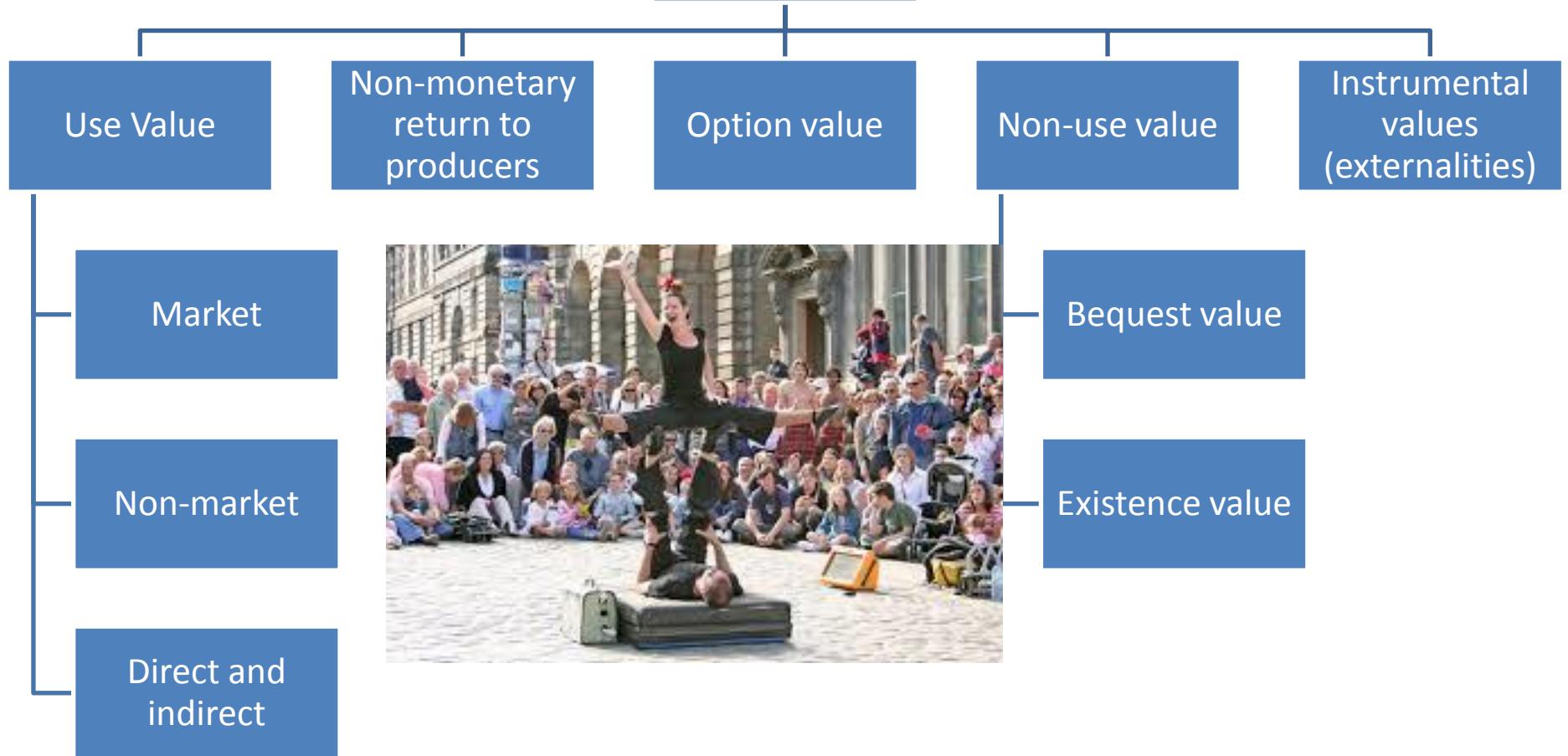




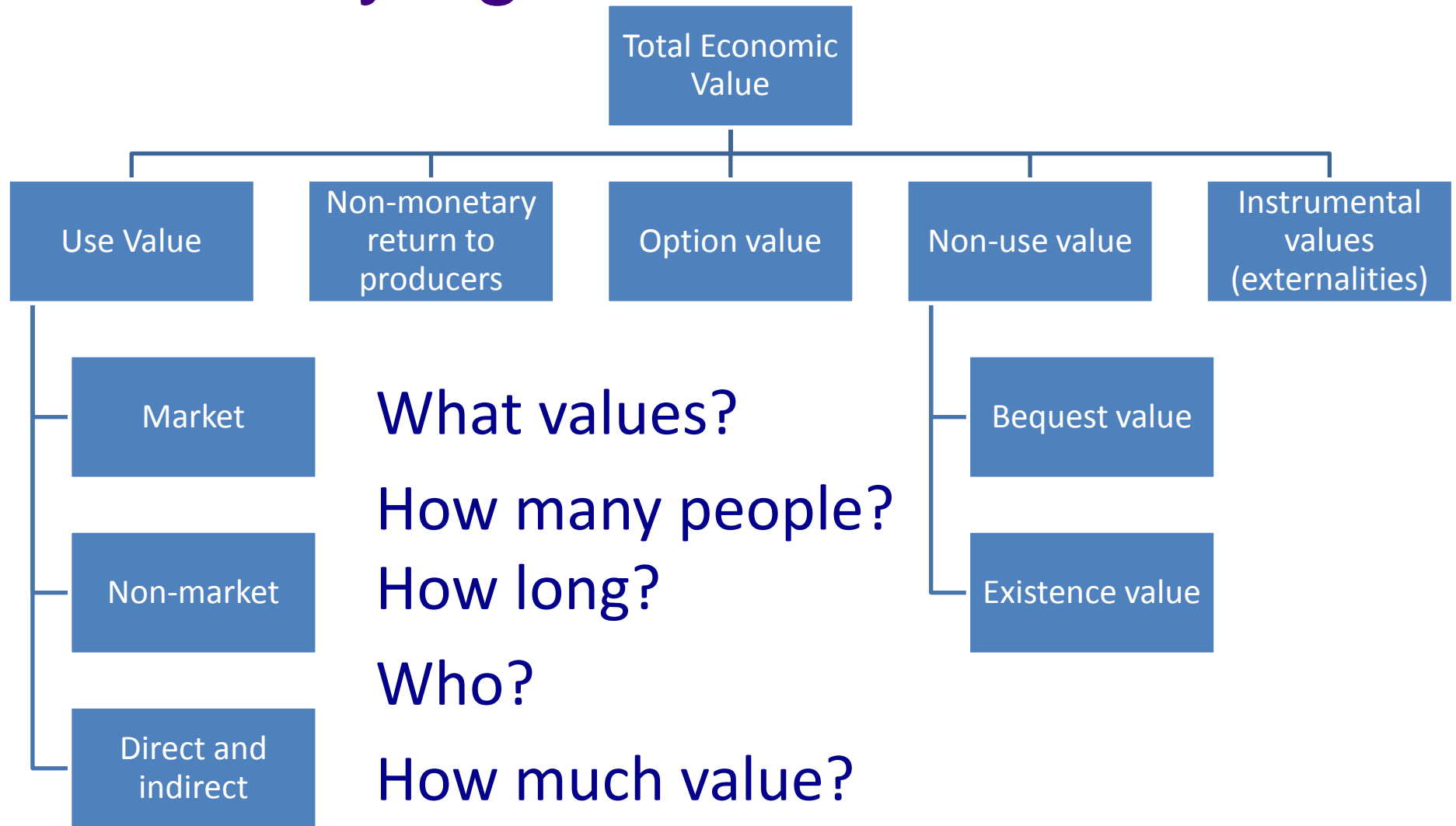
Celebration of all cultures in society fosters cross-cultural understanding and tolerance



# Total Economic Value



# Quantifying value: local theatre



# Quantifying value: local theatre

What values?

- Market use, non-monetary return to producers, option, existence, instrumental

How many people go to performances?

Who goes?

How much value?



# How can we measure Total Economic Value

## **What people do – (Revealed Preference)**

- Ticket sales – but people may value the concert more than the ticket price; some people may not be able to afford to go
- Private funding
- High price of central city apartments
- How far people travel to attend events
- Artists accept low wages

## **Can't handle non-use and option values**

- Nothing to observe, so have to ask





# Techniques for estimating total economic value

## **What people say:** (Stated preference)

- Ask people how much they like things
- Which things they like the most

Neither of these approaches will adequately capture external benefits

These can be estimated, but require different techniques



# Adding it up for society

## Explore distributional issues

- Which groups benefit?
- What non-governmental groups contribute to provision of cultural externalities?

How values to different groups are aggregated or compared is subjective – there is no right answer



# Issues with Economic Valuation Techniques

Assumes full knowledge of stable preferences

Specialists may have better ability to predict evolution of individual and collective tastes – trust judgement of experts

Assumes all values are commensurate – offers no advice on comparing cultural activities with quite different values (e.g. identity vs transformation)

Impossible to get precise estimates

Cannot say who should receive benefits



# Strengths of Economic Approach

Systematic

Consistent

Uses data

Assumptions are transparent

Captures a broad range of values

Can provide information on access to culture



# Conclusions

1. Economic approach is much broader than often thought
2. Total set of values combined with distributional information can provide a framework for consistent reporting and evaluation
3. Measurement cannot be precise
4. Not a complete approach – one input to a wider process



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