

## PPHA 39611 Economics of Cultural Policy (Spring 2023)

Keller Center room 0021

Tuesday & Thursday 11:00 AM – 12:20 PM

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By-appointment-only office hour

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Regular TA office hour: Monday 01:00 PM – 2:00 PM Keller Center room 2050

Additional TA office hour: by-appointment

### COURSE PAPER REQUIREMENT

**The single requirement for this course is the writing of a paper. This should cover an original topic in the area of cultural policy. Questions that you might explore that are particularly relevant for this course are the following:**

- A. Is there a problem? What is the problem?
- B. What scientific information is available about the problem?
- C. What effect does the problem have upon people?
- D. How might the problem be classified?
- E. What has been done about the problem in the past?
- F. What characterizes current thinking and debate about the problem?
- G. What economic effects does the problem or its solution generate?
- H. What political or ideological effects does the problem or its solution generate?
- I. What do we know about the empirical nature of costs and benefits?
- J. Is the problem being handled in an efficient manner?
- K. How is the problem being handled?
- L. Is the current resolution of the problem stable?
- M. Are “higher order” issues important in evaluating current policy?
- N. What will be the nature of future policy?

# COURSE OUTLINE

## 00. INTRODUCTION: SOME POINTS OF DEPARTURE

- A. For most people, culture is one of the more valuable parts of their lives.
- B. Culture may be non-definable. It is hard to think about policy where the area of interest is not defined. From a pragmatic perspective, only William's definition of culture as services, products, and property provides guidance to a social scientist or a policy maker.
- C. Other definitions are more holistic (and probably better). Yet as social scientists, thinking about holistic systems presents complicated challenges involving general equilibrium and linkages. Art may be better understood from an ecosystems perspective.
- D. Once outside the realm of popular culture, many cultural values fall into the range of non-use values including that most elusive of all values, existence value. This may be most true for "high cultural" values.
- E. There is a high correlation between the central control of cultural policy and whether a state is, or was, ruled by a monarchy. Institutional trajectories may strongly affect cultural policy in a state (especially relevant to other dimensions of social policy). History may be more important in explaining behavior.
- F. Federal monetary support for culture is weak in the United States. However, the role of local and state support is large. All are dwarfed by private expenditures.
- G. Utility functions may be more difficult to define in the arts world. Complications such as prestige, whether artists are born or made, the notion of superstars, trends, cascades, networks, motives for collecting, aesthetics, philosophy, and sociology play stronger roles than is usually assumed in analysis.
- H. There appear to be more problematic relationships between explanatory variables and demands for culture. This is true with respect for income, time, risk, wealth, and education, variables that perform quite nicely in explaining behavior in other settings. At a deeper level, this forces us to examine the economic axiom that voluntary exchange leaves both parties better off.
- I. Leisure time and cultural demand are complicated to understand. Time itself has unique properties in the world of arts. Sometimes no time is required for consumption. Other times prescribed, finite packages of time are required.
- J. It is harder than I originally thought to make arguments that culture is a public good except at the very small scale level (family, tribe, clan) or the very large scale level (national pride or shame). In this latter category, some important public goods such as self understanding, identity, personality, and attitude may have pure public good characteristics.
- K. Non-market arts support is huge. The state does support the arts heavily, but not through traditional command and control remedies. Mostly through tax write-offs, non-for-profit status, and by defining strong property rights. Business support forces many traditional NGOs to act like corporations.
- L. The politics of winners and losers will make it difficult for measurement and accountability trends to take hold in the cultural community.

M. For most people, culture is one of the more valuable part of their lives. As a whole, Culture and culture form a large portion of our national product. As social scientists, we know a lot about values and behavior in market settings. We know almost nothing about values and behavior in public settings. Research remains a scarce resource in our understanding of cultural efficiency, cultural equity, and cultural prestige.

## **0. DEFINING CULTURAL VALUES AND UTILITY**

- A. “Culture” as a kind of economic property, as a set of tastes and goods, as a set of objects and preferences.
  - i. Cultural capital
  - ii. Intellectual property
- B. “Culture” as a resource.
  - i. Preservation
  - ii. Preciousness
  - iii. Nurturing and stewardship
  - iv. Social capital
  - v. Culture and the production of utility
- C. “Culture” as an aesthetic or spiritual experience of transcendence.
  - i. Market goods
  - ii. Public Values
  - iii. Non-use values

## **1. THE DIMENSIONS OF CULTURE**

- A. External: But is it art! What is not art, and why not? Is there a wall where economic, sacred, and political notions of value should not penetrate?
  - i. Religious practices and objects; historical antecedents to art
  - ii. Market driven work; “high” and “low” art, entertainment, kitsch, and commodity
  - iii. Propaganda; preventing bads and causing goods
- B. Sectoral: in relationship to other domains
  - i. Compared to education, health, environment ...
  - ii. Compared to other values such as interconvertability, use and nonuse value

- C. Are there cultural clusters?
  - i. How are they generated?
    - ii. Will cultural product be different with clusters?
    - iii. Are there economies of scope and scale?
    - iv. How are institutions ranked?

## **2. CULTURE AS A MARKET-BASED PROCESS**

- A. What is the nature of resistance to economic-based values? What special problems does a social scientist encounter when analyzing culture?
  - i. Money, fame, adulation, and reputation
  - ii. How is prestige generated?
  - iii. The economics of cultural superstars [Rosen]
  - iv. Profit and non-for-profit art
  - v. Can any publicity be bad? The economics of scandals?
  - vi. Information and cascades in the arts; tournaments; peer review; can the value of art rise when the great majority hate it?
- B. Cultural tourism and economic development: the role and limitation of economic impact analysis.
  - i. Cultural labor markets.
    - ii. Pricing and marketing strategies for cultural organizations and museums.
    - iii. Should we support inefficient forms of art?
- C. Culture and its substitutes: calibrating culture in the market.
- D. The notion of training, education, and the formation of cultural capital.

## **3. CULTURE AS A PUBLIC GOOD AND A POLITICAL PROCESS**

- A. When are works of art a public good? When do we require a public policy for arts or humanities?
- B. How are artistic goods different from other public goods? Are cultural pride and shame important?
- C. What functional forms of production do artistic public goods possess?

- D. Who should pay, or contribute to, culture?
  - i. Who should allocate?
  - ii. The decision-making powers of overseeing boards of directors; Who should decide?
- E. Meritocracy and the value of “high culture”. Is there a spill-down effect in culture?
- F. Who is subsidized when culture is subsidized? Do subsidies go to the rich and/or educated? Is this a bad or inefficient outcome?
- G. Should agencies like the NEA or NEH make decisions as experts?
- H. The warts of democracy and cultural policy; their affect on public policy (legislation and regulation).
  - i. Understanding the role of special interests in cultural policy: how organized are these interests?
  - ii. Bundling of legislation and earmarking directed at cultural policy.
  - iii. Political discounting and over-investing in culture; the case of museums.

#### **4. A MIXED ENVIRONMENT: THE POLITICAL ECONOMY OF CULTURE**

- A. Should we promote or restrict public culture; arguments for and against control. In what ways can culture be controlled?
  - i. Exposure and freedom of expression.
  - ii. Counterfeiting, copying, and other property rights issues.
  - iii. Controlling kinds, content, and viewpoints.
  - iv. Economic controls: property rights, taxes and subsidies, injunctions and price controls.
- B. The emergence of the non-for-profit sector and culture. How should this sector be looked at?
- C. Shared heritage as a form of cultural capital. The edge of the market, indigenous cultural property.
- D. Milton Friedman and understanding the effects of a mixed system of cultural production. The corporatization of culture.
- E. Organized pressure groups, corporate involvement, and public interest groups.

## **5. MEASURING CULTURAL VALUES I: MARKET TECHNIQUES**

- A. The private demand for culture and its drivers. Empirical estimation of demand.
- B. Hedonic measurements of cultural values. Property values and travel cost models.
- C. Arts impact models.
- D. General Equilibrium models.

## **6. MEASURING CULTURAL VALUES II: SURVEY AND CONTINGENT VALUATION TECHNIQUES**

- A. Introduction to and history of contingent valuation techniques.
- B. Lesson from environmental economics.
- C. National Ocean and Atmospheric Administration findings regarding CVM – implications for cultural policy
- D. Designing and implementing a CVM study.
- E. An examination of the scope of areas in cultural policy where CVM has been utilized
- F. Some conclusions about CVM and cultural policy analysis.

## **7. STUDENT CLASS PRESENTATIONS**

## **8. CONCLUSIONS AND A GLANCE AT THE FUTURE**