CULTURAL AND ECONOMIC VALUE: A (P)REVIEW

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Cultural and economic value: A (p)review

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Abstract

In this paper we present the state of the art concerning the distinction between economic and cultural value and the way the two values interact with each other. In order to analyze the relationship between the artist’s characteristics and the cultural good’s values, we also propose a descriptive model of how fame and talent affect the economic and cultural value of cultural goods.

JEL classification: Z11
Keywords: cultural good, cultural value, economic value, talent, fame

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1 Introduction

Recently, Klamer (2016a) pointed out the existence of a hiatus between the world of the arts and the academic perspective, and proposed the value-based approach as a way to reduce this gap. A first step toward putting this idea into action consists of identifying the values of a cultural good, that is, its economic and cultural value, through a survey of the contributions of cultural economists on this topic.

The relationship that exists between economic and cultural value is an open issue in the academic debate: several scholars, such as Bonus & Ronte (1997), state that economic value encompasses cultural value, other researchers, such as Throsby (2001) and Hutter & Frey (2010), affirm that cultural value has an effect on economic value, but the two are separate, while for some other students the two values can be evaluated independently: following Candela & Scorci (2004), the economic value of a cultural good can be assessed in principle without taking into account its cultural value; on the other hand, as pointed out by Klamer (2004), since the evaluation of economic value makes sense only in the market, cultural value can be quantified outside of it.

Our work is a review of the burgeoning literature on the value of cultural goods, aimed at systematizing the different views of the scholars; but it is also a “preview” of a possible solution of the above-mentioned open issue in the academic debate. In Section 2 we present a review of the cultural economics literature on economic and cultural value, shedding light on the several characterizations of these values proposed in literature. In Section 3 we introduce the artist’s and cultural good’s observable characteristics, reviewing the related literature, and we explain their relationships and the dynamics of their formation processes. In Section 4 we conclude.

2 A review of the literature

There are several definitions of “cultural good” in literature; for example, Throsby (2001) defines the three main characteristics that a cultural good should have in order to be called such: “that the activities concerned involve some form of creativity in their production, that they are concerned with the generation and communication of symbolic meaning, and that their output embodies, at least potentially, some form of intellectual property” (p. 4), while Klamer (2004) states that “[A cultural good] has cultural value in that it is a source of inspiration or symbol

\footnote{See also Velthuis (2007), Van den Braembussche (1996), and Klamer (2016b).}
Defining the “value” of cultural goods, however, is a controversial issue, since these goods present both a cultural and economic value; moreover, while there exists a consensus on how to evaluate the economic value of cultural goods, the evaluation of their cultural value is still an open issue, which has recently been addressed by several cultural economists. While there exists a consensus on the definition of the economic value of a cultural good, that is its exchange value or the value that “comprises any direct use values of the cultural good or service in question, plus whatever non-market values it may give rise to” (Throsby 2003, p. 279), there is no precise definition of cultural value in literature, but several characterizations of its components.

Among the early contributions to the analysis of cultural value in cultural economics is a work by Throsby (1990), in which the author addresses issues concerning the valuation and the measurement of the quality of a piece of art (in particular, a theater play). More recently, Throsby (2003, pp. 279–280) states that cultural value is “multi-dimensional, unstable, contested, lacks a common unit of account, and may contain elements that cannot be easily expressed according to any quantitative or qualitative scale”, and that it is made up of several values:

1. The aesthetic value, that refers to “properties of beauty, harmony, form, and other aesthetic characteristics of the work” and other possible factors, like “style, fashion and good or bad taste”; the spiritual value, that is the value given to a work of art either because of its “significance to the members of a religious faith, tribe or other cultural grouping”, or its secular importance; the social value, that is the value linked to the sense of connection with others evoked by the artwork; the historical value, related to the way “it reflects the conditions of life at the time it was created”; the symbolic value, which is linked to the capacity of the artwork to convey a particular meaning; the authenticity value, that is, the value that comes from the fact that the artwork is original.

Figure 1 contains a graphical representation of Throsby’s view.

These sub-values are explicitly said to be only a part of the constituent elements of cultural value, although they can be considered the most important ones. Throsby’s decomposition of cultural value has been accepted, either implicitly or explicitly, in the cultural economics literature. For example, Hutter & Shusterman (2006) propose a decomposition which is very similar.
to the Throsby’s one, calling some components of cultural value by different names: Throsby’s spiritual value is called “moral/religious value”, social value is called “social and political value”, historical value comprehends both Hutter and Shusterman’s “art-historical value” and “art cult value”, and Throsby’s symbolic value contains the “cognitive value”, the value linked to “expressiveness”, and the value linked to “communicative power”. Also, Dekker (2014) lists some of the Throsby (2001) components, such as the aesthetic, the social, and the historical values.

Some additional components of cultural value are: the educational value (Throsby & Zednik 2014, p. 88), that can be “identified in terms of the works role in the education of children”[4] the value linked to the importance of the good in influencing artistic trends (Throsby 2003, p. 280); the integrity of the work of art (Throsby 2003, p. 280); the experiential value (Hutter & Shusterman 2006, p. 198), that is, the “directly satisfying or pleasurable experience” given by the good; the art-technical value (Hutter & Shusterman 2006, p. 199), which “relates to the skill, technique, or technical innovation displayed by an artwork”.

Alternative views to Throsby’s have been proposed in literature, among which the contributions by Klamer (2004, 2008); he highlights the presence of characteristics that are cultural goods-specific, linked to their ability of being “symbol of something”, or their “artistic, aesthetic, or sacred qualities”, which, however, are not considered to be components of cultural

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4See also Snowball (2011).
value by the author; conversely, he states that an artistic good can be evaluated on the basis of three different, and mutually exclusive, values, that are:

1. The economic value, “the value that refers to the prices of things, or their exchange value”; the social value, which operates “in the context of interpersonal relationships, groups, communities, and societies”, like, for example, “belonging, being a member of a group, identity, social distinction, freedom, solidarity, trust, tolerance, responsibility, love, friendship”; and the cultural value, that comprises everything but social and economic values.

Also Smith (2008, pp. 36–38) presents an alternative view to Throsby’s, introducing a completely new classification of artistic values, “each associated with the observable properties or the demonstrable effects of artworks”. Specifically, these values are: the existent value, that comes from the fact that art can be seen as the intensification of “the quality of being as appearance” which is typical of all living beings and things, and the formation of the value linked to this quality occurs prior to acknowledging and categorizing the object as a work of art, through the recognition of something both familiar and new at the same time, and through the way we link this new aspect to something which we already know; the representation value, linked to the capacity of the artwork to “bring into play an immediate set of qualities that make the work a secondary object”, through the way the individual links it to a set of practices, craft skills, etc., which can highlight a relationship, whose acknowledgement occurs after having recognized the artwork as a piece of art; the formative value, generated by the way the content of the work of art is made, not only for what concerns “arriving at adequate compositional balance, pleasing harmony, the right sequence, or a resolved narrative”, but also in how “unconscious impulses, the social demands, and the dense cultural repertoire that converge on the creative process” are gathered “into a configuration”; the insight/idea value, which “refers to the content of the work of art, what it is about, the idea in it, the way it shows the world to us, the perceptiveness of it”, so, as pointed out by Smith (2008), this value contains what Throsby calls social, historical, spiritual, and symbolic value, but it is not only a “consumption value”, but also a “production value”, in the sense that ideas emerge through art (being it visual, performative, or music); the transformatory value, the deep differential, which is specific to “exceptional work of art, the one that redefines its type, redefines its practice, redefines art as such, and redefines culture”.

More recently, Hernando & Campo (2017) present an alternative characterization of value and

\[\text{See Klamer (2004, pp. 147-150).}\]
its components in the art market, based on literature from both economics and marketing, but also from other fields, such as psychology, art history, philosophy, and sociology. The authors distinguish between four components of value in the art market, that in turn can be made up of different components: the hedonistic value, the economic value, the social-symbolic value, and the artwork brand value. In particular, the hedonistic value includes the aesthetic value, the emotional value, the ownership value, and the cognitive value; the economic value consists of the investment value and the value linked to its characteristic of being a “good legacy” for future generations, the value attributed by prescribers, that is, the experts, and the scientific value, linked to the authenticity and the origin of the artwork; the social-symbolic value, which is linked to the status conferred by the ownership of the artwork, and the artwork brand value. The scale of value introduced by Hernando & Campo (2017), and then empirically tested through qualitative and quantitative data, is centered around the concept of perception, and hence appears to vary depending on the individual considered in the evaluation. Although Throsby’s and Klamer’s views seem to be more objective, this does not mean that the components of cultural value introduced by these authors are perceived in the same way by each individual.

Other scholars addressed the value issue, though they did not decompose cultural value but instead they focused on the potential relationship between economic and cultural value (if any), or the possible empirical strategies to investigate this relationship. In the early years of the formation of this debate, the dichotomous distinction between economic value and cultural value was not explicitly stated, and the “quality” of the artwork was more worthy of attention than its cultural value (Throsby 1990). One of the first contributions to the analysis of the cultural versus economic value issue was the book by Klamer (1996), “The Value of Culture”, in which the author collected a series of works by various scholars, ranging from economics to philosophy, anthropology, and sociology. Bonus & Ronte (1997, p. 104) highlight the particular feature of the quality of an artwork of not being judged objectively, stating that “there is no way to establish the quality of a certain picture or oeuvre”. The issue of the quality evaluation of an artwork has been addressed by Ginsburgh & Weyers (1999), suggesting to decompose the work of art into “quantifiable characteristics” and apply their technique to the movies industry. More

6 Another empirical investigation on the quality assessment is the one presented by Chossat & Gergaud (2003), which use the experts official judgments to quantify the quality of gastronomy. Tobias (2004) uses the relationship between the experts opinion in the performing arts as a proxy for the quality and the economic variable, such as production costs.
recently, the same authors (Ginsburgh & Weyers 2008b) reprise the evaluation of the beauty of a work of art, identifying three “types of beauty” that can be evaluated and measured using tools of economic analysis. Also Candela & Scorcu (2004) addressed the cultural versus economic value issue, calling the former “artistic merit”: the idea is that the same object can be recognized to have artistic merit (that is, a cultural value) depending on how it is perceived by the public, the experts, or some other group of influence; there exists a relationship between artistic merit and economic value, although the evaluation of the economic value of the object can be made also without considering its artistic merit[7]. This distinction, however, is not easy to make, since the two values are strongly correlated, and in some cases it is hard to value an object only based on its artistic merit or economic value. McCain (2006) distinguishes between economic and non-economic values; in particular, he reviews a series of works on the concept of value, both from economics and non-economics fields. In his essay, the author identifies three main values a work of art can have: the economic value, the cultural value, and the artistic value, admitting the possibility of an overlap between the last two values. Velthuis (2007) recognizes two approaches in literature to the distinction between economic and cultural value inside cultural goods’ markets: the “hostile worlds” approach, which focuses on the idea that comparing art creation and diffusion with the logic of the market is detrimental for the artistic world, and the “nothing but” approach, according to which the economic value can encompass cultural value, that is, the two markets in the art market (the artistic value’s market and the economic value’s market) can be reduced to a single market. Velthuis’s view, however, is that the two worlds cannot be divided and, in particular, that nowadays one cannot evaluate the artistic merit of an artwork without taking into consideration its economic value, which is the opposite of what Van den Braembussche (1996, p. 33) points out, that is, that “[O]ne can value a work of art without being in a position to buy it”. A recent work that reprises the issue of the relationship between the cultural and the economic value of artistic goods is the one by Hutter & Frey (2010), in which the authors affirm that cultural value has an effect on the economic value of artistic goods, providing various examples to support their thesis; specifically, they analyze the effect of certain components of cultural value on the artworks’ price, the best indicator of economic value (Throsby 2001), implicitly recognizing a time effect on price dynamics. In

[7] The authors take the artwork “Ballet français” by Man Ray as an example, pointing out that one could extrapolate the artistic merit of the object and consider only its economic value linked to its value as a broom.
particular, even though the authors do not use Throsby’s classification explicitly, they still refer to the authenticity value in the Raffaello Sanzio’s “Madonna of the Pinks” and Rembrandt’s “Man in a Golden Helmet” cases, and to the symbolic value together with the historical value in the Pollock’s “Number 12, 1949” case.

Besides the classifications of value presented above, other classifications have been proposed in literature, in particular: vertical and horizontal qualities of a good (Ginsburgh & Weyers 2008), with the former being the ones every consumer prefers to have more of, the latter being all the other qualities: this distinction can be called the Lancaster’s view of the value; objective and subjective value (Throsby 1990): Throsby distinguishes between those characteristics a customer might create an objective scale of, those that depend on subjective interpretation but whose consensus can be predicted among a majority of people, and those based on subjective assessments and without predictable consensus; collective and individualistic value (Throsby 2001, Throsby & Zednik 2014), that is, the cultural value an individual can recognize as benefiting others (the former), and the one that comes from his interpretation that is effective for himself only (the latter); intrinsic and extrinsic value (Van den Braembussche 1996, McCain 2006): both authors agree on the fact that economic value is extrinsic, while the other values are intrinsic in the sense that they depend on individual preferences; static and dynamic value (Candela & Castellani 2000): ideas as well as values can evolve overtime (the dynamic ones, like, for example, the historical value of an artwork) or they can remain stable (the static ones, such as the classical beauty, which is part of aesthetic value).

The concept of dynamic value can be considered also as an explanation of how the value itself is formed, through a process of growth/decline which occurs thanks to the exchange and the interaction between the individuals of the population of a certain “society”; Dekker (2014) calls it “societal value”, which is not Throsby’s social value; in fact, the idea behind this value is that there is some kind of value-, canon-, consensus-formation, in a process in which the exchange of points of view is crucial, that is, cultural value is a dynamic value; in Klamer’s words (Klamer 2008), cultural goods are “discursive constructs” and their values are established through conversation. In other words, value is formed thanks to an institution which works through the action of social forces (Pretz 2016). Although none of the authors cited above defines value

\footnote{8The importance of this value has been pointed out, later, also by Candela et al. (2009), analysing the case of ethnic art, and by Ginsburgh et al. (2017), quantifying the effect of the publication of Klaus Ertz’s catalogue raisonné on the prices of Pieter Brugghel the Younger’s works.}
explicitly, several of them indirectly describe its development. De Marchi (2008) goes further in delineating this formation process, stating that the exchange of points of view which is at the base of the formation of cultural value is supported by the market. In the value formation process through the market, an important role is played by experts, critics, dealers, and, in general, every individual that may influence the uninformed collectors about the components of cultural value they are not able to evaluate by themselves (Cameron 1995).

3 A preview of the literature

The framework depicted in Figure 1 can be expanded introducing the cultural good’s and the artist’s characteristics, and the relationship that exists between them. The cultural good’s characteristics we consider are price and quality. The former is an observable variable which is directly generated by economic value, acting as a noisy signal of economic value itself (Throsby 2001). Cultural economics literature studied price-formation mechanisms in the art market, focusing mainly on the secondary market. Several scholars studied also the formation of primary market price, both quantitatively, such as Rengers & Velthuis (2002), Beckert & Rössel (2004), Hutter et al. (2007), Schönfeld & Reinstaller (2007), and Angelini & Castellani (2017), and qualitatively, such as Velthuis (2002, 2003, 2007, 2011), or using a descriptive approach, such as Peterson (1997), Kawashima (1999), Benhamou et al. (2002), and Cavè (2003). Cultural good’s quality, instead, is formed over its cultural value and it directly affects economic value and therefore the price; it is a partially observable variable, since it can be evaluated only by those who own a certain level of “cultural capital”, such as experienced collectors, dealers, and critics. The latter have a key role in helping with the evaluation of the quality, since they spread information about something that is not fully observable. Their expertise, which is recognized

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10 The “social production of art” has been extensively studied in sociology, indeed, with focus on the importance of consensus on the value of cultural characteristics, on the difficulty in attaching value to a cultural good, and on the effect of the markets on the creation of cultural value; see, for example, Wolff (1981).
11 See Ginsburgh et al. (2017).
12 For an introduction of this topic, see Ginsburgh & Throsby (2014).
in the market, is formed through a reputation-building mechanism, which may be based on a network system (Bonus & Ronse 1997) or on a “market of critics” (Cameron 1995). Greenfeld (1988) affirms that the reputation of a critic depends on the social context in which his reviews are considered, providing an example of the Israeli avant-garde versus traditional art markets. Wijnberg & Gemser (2000) and Velthuis (2012) describe the role of the critics in the art market, while Ginsburgh & van Ours (2003), Reinstein & Snyder (2005), Quemin & van Hest (2015), Arora & Vermeylen (2013), and Ginsburgh et al. (2017) analyze it empirically.

The artist’s characteristics that we want to analyze are talent and fame, which have not been considered yet in literature as determinant of the cultural good’s values, except in Angelini & Castellani (2017). Since the seminal works on talent and fame by Rosen (1981) and Adler (1985), the definition of these artist’s characteristics is well-known among cultural economists. While the artist’s talent has been considered as an innate creative ability (Towse 2006), fame refers to the reputation concept and is related to the public information shared by the audience about the artist’s identity; the former is a static concept, since it cannot be modified in time neither by the artist nor by anyone else, while the latter is a typical dynamic characteristic, because it is influenced by the market’s reaction to everything that concerns the artist’s life. For example, the death of an artist has been found to affect his fame (Candela et al. 2016), but only if he is not too young (Ursprung & Wiermann 2011); at the same time, the artist’s choice of appearing in a magazine could work as a signal of his popularity that could be perceived and processed by the audience and affect his reputation (Adler 2006). Fame has been widely studied in literature, using both a theoretical approach (Rosen 1981, Adler 1985, MacDonald 1988, Chung & Cox 1994, Borghans & Groot 1999, Baumol & Throsby 2012, Champarnaud 2014) and an empirical approach (Filimon et al. 2011, Candela et al. 2016), with applications to the music industry (Chung & Cox 1994, Cox & Felton 1995, Crain & Tollison 2002, Fox & Kochanowski 2004, Hamlen 1991, 1994, Krueger 2005), sport industry (Lucifora & Simmons 2003, Lehmann & Schulze 2008, Franck & Nüesch 2008, 2012, Bryson et al. 2014, Humphreys & Johnson 2017), film industry (Pokorny & Sedgwick 2001, Jansen 2005), and gastronomy industry (Ehrmann et al. 2009). However, this does not mean that talent cannot have different effects on cultural value in different periods of time, since there could be a change in how society considers certain

\[14\] Pretz (2016) proposes a critique of these two theories based on the fact that they ignore the social forces that lay behind the superstardom formation; in other words, also fame is a societal value.

\[15\] See Adler (2006) for a review of stardom in economics literature.
components of cultural value.

Following Angelini & Castellani (2017), the role played by fame and talent in the formation of value is different: fame directly affects the economic value of the cultural good, through what could also be called a “brand effect” (Schroeder 2005, Zorloni 2005, Muñiz Jr. et al. 2014, Preece & Kerrigan 2015), that is, the positive (or negative) effect of the artist’s name on the economic value of his work; artist’s talent, instead, has an effect on some of the components of cultural value, such as aesthetic value and art-technical value, through his personal stylistic choices: this has an effect on quality and hence on economic value. While talent is an innate attribute, fame has its own formation process, which depends on the appreciation received by the collectors and critics (Ginsburgh 2003, Beckert & Rössel 2013), on the ability of the artist to promote himself (Velthuis 2011, 2012), on the popularity of the artistic movement the artist is part of (Lang & Lang 1988), on the type of style promoted by art fairs, galleries, and other sellers (Baia Curioni et al. 2015), and on the addiction/learning-by-consuming effect of the consumers (Lévy-Garboua & Montmarquette 1996, Blaug 2001, Ateca-Amestoy 2007, Zakaras & Lowell 2008). The dynamics of fame can be driven by the formation of an artistic canon, as pointed out by Ginsburgh & Weyers (2006, 2008a, 2010), Teichgraeber III (2008) and Vermeylen et al. (2013). However, the most common approach to modeling the dynamic process of formation is not causal but random, by using a stochastic process of fame formation, such as MacDonald (1988), Chung & Cox (1994) and Champarnaud (2014), that do not explain which are the determinants of the process but instead they model it as a random accumulation of fame.

Obviously, another effect on fame formation is the one that goes from price to fame: for example in the art market, an artist whose artworks’ prices reach record high will obtain media coverage and be recognized as popular by collectors, even by the less sophisticated and informed ones. So quality indirectly affects fame, through this dynamic price effect, generating a potential virtuous circle and, therefore, the access to superstar status.

Figure 2 integrates the framework represented in Figure 1 by adding the above-mentioned artist-specific characteristics (fame and talent, in the diamond-shaped nodes) and their links to the cultural good-specific characteristics, both the latent ones (cultural and economic values, 16Consider that the art-technical ability could depend also on the human capital accumulated by the artist throughout the art school years in case he attended one (Towse 2006).
in the circle-shaped nodes) and the observable ones (quality and price, in the ellipse-shaped nodes). So, the artist’s talent directly affects cultural value, through its effect on some of its components (Figure 1), like, for example, art-technical value and aesthetic value. At the same time, cultural value can change because of the societal formation mechanism of some of its components, such as social value, which needs time and interaction between individuals, together with the contribution of critics, to be formed; cultural value is then dynamic and its formation is self-reinforcing, in that a discourse on a cultural good forming its cultural value (and therefore its quality) could push other people to search information about it. Quality directly reflects on the economic value of the good, together with the effects of the artist’s fame: the formation of fame is dynamic as well, through a series of potential effects that can change this characteristic, as well as the price, a noisy signal of economic value, that could either increase or decrease fame.
4 Conclusions

The controversy over the economic and cultural value of cultural goods is still an open issue in the literature of cultural economics. In order to shed light on the relationship between these two concepts of value, in this paper we present a review of the existing literature and propose a preview of a possible solution of this issue.

Following the seminal approach of Throsby (2001), in Figure 1 we present the state of the art concerning the causal relationship between latent characteristics of the cultural good and their components: economic value and cultural value; the latter is also decomposed into social, spiritual, historical, symbolic, aesthetic, and other values (educational value, art-technical value, etc.). This review espouses Klamer’s idea (Klamer 2016a, b) of creating a value-based approach in economics, systematizing the literature on the economic and cultural value of cultural goods.

Providing a new interpretation of the dynamic aspects of cultural and economic value, following Angelini (2017), we present a potential development of this topic. In particular, in Figure 2 the artist’s characteristics, fame and talent, and the observable characteristics of the cultural good, quality and price, are included in the formation process of economic and cultural values: artist’s talent, a static variable, affects cultural value, which is dynamic in that it can change overtime as collectors’ and critics’ assessment changes; cultural value influences the good’s quality, which has an effect on economic value; at the same time, the artist’s fame, a dynamic variable, affects the economic value as well, that in turn determines the price of the cultural good; finally, the price may have a feedback on the artist’s fame, that could be either positive or negative.

The construction of a theoretical dynamic model is a challenge for cultural economists, that adds to the series of challenges posed by Blaug (2001), and could help in understanding the cultural and economic value relationship; on the other hand, the availability of data on the cultural goods’ prices and the measures of artists’ fame and talent allows for testing empirical models on these dynamic relationships. Our preview represents a potential benchmark over which one could lay the foundation for these theoretical and empirical economic models.

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