

# Economic arguments used in arts policy: A few questions

## 1: Private interests within public intervention:

Before discussing the possible objectives and means of cultural policies, take into consideration some flaws in public decision as described by Public Choice theory:

If standard welfare economics may assume that public intervention relies on “a fully informed and far-sighted planner pursuing the public interest”, this would be oversimplifying.

All interests are not equally represented at the political representative level: A specific group will form a lobby when some policy can provide large benefits to this group (Olson), but not when the group is so large and the benefits so low per capita ... that free rider behaviour will take over.

Indeed, with cultural goods, the seller receives concentrated benefits while the costs for society are diffused. But there is to this day not enough research about lobbying for the arts (Mazza).

*1) To what extent are lobby-groups endangering the welfare-function of public intervention?  
- In matter of international comparison, this depends on the political system and especially the financing of political parties (US vs. Europe).*

Let alone interest-groups, politicians often delegate implementation of policies so-called ‘bureaucrats’ who may retain information (information asymmetries). Especially in cultural policy, experts play the role of gatekeepers, which could lead them to rent-seeking strategies.

*2) How to limit those problems? .....  
- Cf. elements at hand of politicians (appoint bureaucrats, make them compete among themselves, listen to consumers/citizens as watchdogs).  
- Cf. rather naïve hope in the improvement of “constitutional rules”. (in representative regimes, the form of political debate and compromise among political actors doesn’t fit with the economic metaphor of “contracts”: indeed, constitutions are very bad indicators of political systems)  
- for “the government to design incentive schemes able to avoid collusion that would hide information” (Mazza after Laffont and Tirole).*

## 2: The significance of economic arguments as objectives for policy

The **option demand argument** calls for the continuation of a large number of cultural activities at a minimum level. “Subsidy should be widespread and aimed at maintaining the status quo” (Towse). The same goes for *Future generations* but with the additional issue of their future tastes...

1) What if we do not assume as Towse that the tastes will stay static?

- *The exemple of the French FRAC (buying a very large diversity of artworks, judging that some will become appreciated while others will no longer be valuable art works after a decennia)...*

The **‘national prestige’ argument** implies being able to attract foreign admiration and have a noticeable presence at international events. Then public support should be “directed to the most prestigious personalities, institutions and events”, i.e. the cultural activities that can give the country some “radiance” (French diplomacy’s “rayonnement”).

The argument of **externalities through spillover benefits** is difficult to quantify or even simply to confirm. It is thus difficult to translate into general objectives.

2) Can you think of spillover benefits that could be found and that could inform policies?

*Some examples could be:*

- *Effects on social stratification by change/continuation of conventions (Economy of Conventions + Bourdieu)*
- *Civilizing Process as long term spillover of the rich’s increased cultural capital (Elias) + Howard Becker’s 2 step-process (in shorter term)*
- *Cognitive spillovers through brain-development (cf. Evolutionary Biomusicology)*

**Risk and uncertainty** of Cultural Creation: calls for assistance for raising capital and for ‘risk-pooling’ to the benefit of new and untried art, not well-established art-forms.

3) Where is the boundary between new art and ‘old’ art? And who assesses that?

- *ex. of a very original re-interpretation of a piece of the classical repertoire...*

**Taste-formation:** The goal is to foster a demand not yet present:

- for new art-forms and new approaches to recognized art-forms
- for attracting new audiences by means of education and offering experience (‘experience goods’)

4) Can the economist recognize this contradiction with ‘consumer sovereignty’, and if yes what needs to be changed in basic economic assumptions?

- *Bounded rationality (Herbert Simon), emotional-reflexivel rationality (Damasio & Libset) and reliance by the individual on Conventions (Leibenstein, Orlean, David Lewis)*

**Equity arguments** call for:

- lowering the prices (vertical equity)
- reduce apprehension through education and integration (Bourdieu + Gaxie) (horizontal equity)
- an “even regional distribution” of cultural activities (geographical equity).

5) If the observed price-elasticity of demand for arts is low, under which conditions could lowering the price become effective?

6) Could you explain why there can be conflicts of objectives in cultural policies, and how to handle these conflicts? ( ex. Maintain the status quo vs. change consumer behaviour...)

### 3: The consumer/supplier alternative

These different means of public support either support the demand or the supply of cultural activities:

#### **On the production-side:**

-Deficit coverage leads to goals other than market-efficiency (reputation within the art-world, top-quality production *\_can one speak of over-quality?\_* and rent-seeking) (Pommerhene and Frey).

-The incentives that a given subsidy triggers can be different, according to the “objective function of the organization” receiving the subsidy: By nature, non-profit organizations do not respond to the demands from consumers. (ex. from Frey and Pommerhene on state-run theatre quoted by Towse: incentive to raise costs instead of reducing them).

*Should then market-orientated subsidies be directed towards the consumer?*

#### **On the consumption-side:**

-*Vouchers*: (a coupon for reduced entrance tickets attributed to specific target-groups), induces subsidization by the number of visitors... positive aspect = user-controlled thus introduces an element of competition, and reduces bureaucratic costs (though not so much if there is a pre-selection of offers to prevent market-like consumption *\_but having no pre-selection is also a drawback because it can go against promoting experimental creation\_*) + equity argument could be met (West).

-*Tax rebates on charitable contributions*: It is especially important in the US. It is especially beneficial to Museums. Positive aspect = It brings induced giving above the originally intended private giving (depends on the magnitude of this induced giving through price-elasticity); it doesn't impose the supply on the consumer (consumer sovereignty respected) + in “deep-pocket markets” this doesn't go against aesthetic value (Abbing). But works as hidden expenditure are not publicly discussed (Bourdieu-Haacke, O'Hagan).

-*Concessions in relation to the VAT*: Especially important in Europe. Provides an incentive to sectors with lower rates, especially performing arts. But problem: “a very unfocused device for the government” (as it applies to all art-institutions) (O'Hagan).

*In English-speaking countries (UK and USA), the cultural sector has been more subject to market forces than in continental Western Europe... Would the introduction of vouchers thus induce different incentives in these 2 groups of countries ?*

Sacha Kagan, 2003