

## Economics and Culture

In an increasingly globalised world, economic and cultural imperatives can be seen as two of the most powerful forces shaping human behaviour. This book considers the relationship between economics and culture both as areas of intellectual discourse and as systems of societal organisation. Adopting a broad definition of ‘culture’, the book explores the economic dimensions of culture and the cultural context of economics. The book is built on a foundation of value theory, developing the twin notions of economic and cultural value as underlying principles for integrating the two fields. Ideas of cultural capital and sustainability are discussed, especially as means of analysing the particular problems of cultural heritage, drawing parallels with the treatment of natural capital in ecological economics. The book goes on to discuss the economics of creativity in the production of artistic goods and services; culture in economic development; the cultural industries; and cultural policy.

‘What a pleasure to read an economic analysis of culture and a cultural critique of economics by a well trained, thoroughly cultured economist! This is a book we all ought to read.’

Mark Blaug  
University of Amsterdam

‘David Throsby has long been known as a leading contributor in cultural economics. His book marks a major step forward: far from a mindless application of orthodox economics to the arts, he does full justice to its special characteristics, without giving up good economic reasoning. His treatment of the value of the arts, of cultural capital and heritage are of special note.’

Bruno S. Frey  
University of Zürich

DAVID THROSBY is Professor of Economics at Macquarie University. He has published extensively in leading economic journals, including *Journal of Economic Literature*, *Economic Record*, *Oxford Bulletin of Economics and Statistics*, *Journal of Public Economics*, *Journal of Cultural Economics* and *International Journal of Cultural Policy*, and is co-author of a standard text on the economics of the performing arts. He is a past president of the Association for Cultural Economics International, an elected Fellow of the Academy of Social Sciences in Australia and has been a member of the Scientific Committee for UNESCO’s *World Culture Reports*.

Cambridge University Press  
052158406X - Economics and Culture - David Throsby  
Frontmatter  
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Cambridge University Press  
 052158406X - Economics and Culture - David Throsby  
 Frontmatter  
[More information](#)

PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE  
 The Pitt Building, Trumpington Street, Cambridge, United Kingdom

CAMBRIDGE UNIVERSITY PRESS  
 The Edinburgh Building, Cambridge CB2 2RU, UK  
 40 West 20th Street, New York, NY 10011-4211, USA  
 477 Williamstown Road, Port Melbourne, VIC 3207 Australia  
 Ruiz de Alarcón 13, 28014 Madrid, Spain  
 Dock House, The Waterfront, Cape Town 8001, South Africa  
<http://www.cambridge.org>

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First published 2001  
 Reprinted 2002, 2003

Printed in the United Kingdom at the University Press, Cambridge

*Typeface* Times Roman 10/12pt *System* 3b2 [CE]

*A catalogue record for this book is available from the British Library*

*Library of Congress cataloguing in publication data*

Throsby, C. D.  
 Economics and culture / David Throsby.  
 p. cm.

Includes bibliographical references.

ISBN 0 521 58406 X (hardback) 0 521 58639 9 (paperback)

1. Economics – Sociological aspects. 2. Culture – Economic aspects. I. Title.  
 HM548.T48 2000  
 306.3–dc21 01-063072

ISBN 0 521 58406 X hardback  
 ISBN 0 521 58639 9 paperback

Cambridge University Press  
052158406X - Economics and Culture - David Throsby  
Frontmatter  
[More information](#)

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To Robin, Edwina and Corin

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## Preface

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About ten years ago I gave a lecture under the title ‘Art and the Economy’ at a symposium on cultural policy held in Canberra. In introducing the topic for a generalist audience, I speculated on what the twin subjects of the lecture might look like if they took on human form. Being an economist myself, I was licensed to poke some gentle fun at my own profession, so I suggested that the economy as a real person would certainly be male, somewhat overweight, prone to hypochondria, garrulous and inclined to neglect his personal freshness – in short not the sort of individual you would relish sitting next to on a long aeroplane flight. In the same vein, I went on, art would just as certainly be female, smart, unpredictable and somewhat intriguing. The metaphor seemed to strike a chord with the listeners; perhaps it is that everyone enjoys a joke at economists’ expense, or perhaps it is more that the idea of art as mystery, a riddle whose secrets are not easily unlocked, has a wider appeal than we might think. I proceeded in the lecture to ponder the following question: suppose these two individuals ran into each other at a party, would they have the slightest interest in each other and, if they did, would they perhaps get together? If so, I asked, what sort of relationship might develop between them?

In one sense this frivolous allegory provided the origins of the present volume. It is apparent that the economy and art – or, on a wider canvas, economics and culture – exist as separate spheres of human interest, both as scholarly disciplines and in the more prosaic context of daily human life. Both economic and cultural concerns are of manifest importance to most if not all people at some time in their lives – few if any of us are touched only by one and not the other. Therefore an attempt to consider them both together would seem to present an interesting project. Not that such an enterprise is a novel one. Cultural scholars have for generations addressed economic questions of one sort or another in their efforts to understand the role of culture and cultural practices in society.



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More particularly, a number of economists have tried, explicitly or implicitly, to comprehend what could be termed the ‘cultural context’ of economic activity ever since Adam Smith laid the foundations for modern economic science in the late eighteenth century.

But in the late twentieth century, with increasing refinement and specialisation of the tools of neoclassical economics, and a deepening understanding of culture in a variety of discourses from sociology to linguistics, a widening gap between the two areas seems to have developed. When I began working on the economics of the arts in the mid-1970s, few colleagues saw ‘cultural economics’ as any more than a dilettante interest, doomed forever to lie beyond the scope of serious economic analysis. They were apparently not persuaded by the fact that, even at that early stage, a number of respected economists had written eloquently about various matters linking economics, art and culture, including John Maynard Keynes, Lionel Robbins, Alan Peacock and Mark Blaug on one side of the Atlantic, John Kenneth Galbraith, William Baumol, Tibor Scitovsky, Kenneth Boulding and Thorstein Veblen on the other.

In the intervening years the economics of the arts and culture has consolidated into a recognisable and respectable area of specialisation within economics, and now attracts the attention of a much wider range of practitioners within the profession than it did twenty or even ten years ago. Even so, it cannot be said that thoughts of culture have fired the imaginations of contemporary economists more generally, or that the economics of the arts and culture is yet regarded as an especially important element in the great tapestry of modern political economy. Even the acknowledgement by the profession of the legitimacy of cultural economics as a subdiscipline seems somewhat grudging; the classification granted to cultural economics in the *Journal of Economic Literature*’s taxonomy of the subject is category Z1, as far away down the alphabet from the rest of economics as it is possible to be. And as yet the volume of research and scholarship that finds its way into that classification in the *JEL* is still relatively small.

Yet even if a recognition of culture within economics itself is gaining ground only slowly, there is evidence that a wider interest in the relationships between economic and cultural phenomena is developing in the world at large. As I argue in the final chapter in this volume, the emergence of powerful forces in the global marketplace set the stage for a much sharper confrontation between the economic and cultural concerns of contemporary society. Two recent meetings would seem to confirm the fact of a heightened political and institutional interest in the relationship between economics and culture at the present time. One was in

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Stockholm in April 1998, when representatives of about 150 governments from around the world agreed that culture should be brought in from the periphery in economic policy-making and given greater prominence in policy formulation. The other was in Florence in October 1999 when the World Bank, one of the leading financial institutions in the international arena, declared that culture was an essential component of economic development, and that henceforward culture would play a stronger role in shaping and conditioning the Bank's economic operations.

For all of these reasons I hope that a book that tries to bring together these two unlikely bedfellows, economics and culture, will be timely. My task has two distinct though closely intertwined aspects. On the one hand I want to consider the relationships between economics and culture as separate areas of intellectual endeavour – in particular to think about the ways in which economics as a social science deals or might try to deal with the phenomenon of culture, taking a broader view of 'culture' than that which has generally characterised work in the field of cultural economics to date. On the other hand, and more importantly, I want also to consider the relationships between economic and cultural activity, that is between the economy and culture as recognisable manifestations of human thought and action, observed in both a macro and a micro context. The book is written as a work in economics – hence economics comes first in the title – but I have tried to make it accessible to a wider range of readers. In particular, I hope that not only economists but also specialists in a variety of cultural disciplines, as well as anyone engaged with cultural production or with the formulation of cultural policy, might find some interest in one economist's approach to cultural issues.

I wish to acknowledge a debt of gratitude to a number of organisations and individuals. First, academics often take for granted the facilities provided for them by institutions of learning which are an essential component of the infrastructure of the scholarly life. Much of this book was written in the Fisher Library of the University of Sydney, whose superb collection and ideal environment for research and writing contributed greatly to my work. In addition I acknowledge the help and resourcefulness of library staff in my own institution, Macquarie University in Sydney. I also spent brief periods working on the manuscript in the libraries of the London School of Economics and Political Science and the Institute of Economics and Statistics at the University of Oxford. As one who finds solace in libraries in much the same way as others seek sanctuary in churches or monasteries, I can only hope that these havens of scholarly endeavour will survive into the new technological utopia as places for real (as distinct from virtual) books and for the people who read them and write them.

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In 1999 I was awarded a one-month residency at the Rockefeller Foundation's Study and Conference Center at the Villa Serbelloni in Bellagio, Italy. My specific project there was on the economics of creativity and the outcome of this work forms chapter 6 of the present volume. More importantly, I was able while at the Villa to draw together, re-think and re-draft virtually the entire manuscript for this book, on which I had already been labouring on and off for several years. The superb working conditions at Bellagio and the intellectual stimulus from the small band of fellow residents contributed greatly to the successful completion of my enterprise. I express my thanks to the Rockefeller Foundation and to Gianna Celli and her staff at the Villa for making possible such a period of intense enjoyment and productivity.

Finally, a number of individuals have contributed in various ways to discussions about the substance of this volume over the period of its preparation, and/or have supplied me with comment and criticism. With the usual *caveat*, I express my thanks to Mark Blaug, Tony Bryant, Bruno Frey, Michael Hutter, Arjo Klamer, Craig Macmillan, Graham Madden, Randall Mason, Terry Smith, Michael Tooma and Ruth Towse. I also acknowledge my gratitude to Judith Riordan, who endured the preparation of the manuscript with commitment and unfailing good humour.

David Throsby  
Sydney, April 2000

## Acknowledgements

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Some parts of this book cover topics on which I have written in earlier papers. In several sections I have adapted material from these earlier works, and am grateful to the following publishers for granting me their kind permission to re-use, in edited and adapted form, some short extracts from the works indicated: the American Economic Association, for extracts from ‘The production and consumption of the arts: a view of cultural economics’, *Journal of Economic Literature* 32 (1994): 1–29; the Australian Key Centre for Cultural and Media Policy, for extracts from ‘The relationship between economic and cultural policy’, *Culture and Policy* 8 (1997): 25–36; the Getty Conservation Institute, for extracts from ‘Economic and cultural value in the work of creative artists’, in Erica Avrami *et al.* (eds.), *Values and Heritage Conservation* (2000), pp. 26–31 and from an unpublished paper ‘Cultural capital and sustainability concepts in the economics of cultural heritage’ (1999); Harwood Academic Publishers GmbH, for extracts from ‘Sustainability and culture: some theoretical issues’, *International Journal of Cultural Policy* 4 (1997): 7–20; Kluwer Academic Publishers, for extracts from ‘Culture, economics and sustainability’, *Journal of Cultural Economics* 19 (1995): 199–206, and from ‘Cultural capital’, *Journal of Cultural Economics* 23 (1999): 3–12; Macmillan Press Limited and St Martin’s Press, for extracts from ‘Seven questions in the economics of cultural heritage’ in Michael Hutter and Ilde Rizzo (eds.), *Economic Perspectives on Cultural Heritage* (1997), pp. 13–30; and UNESCO, for extracts from ‘The role of music in international trade and development’, *World Culture Report* (1998) 1: 193–209.

I also thank the following publishers for permission to reproduce the extracts indicated: to Jonathan Cape for the passage from Bruce Chatwin quoted on p. 74; to Faber & Faber for the passage from Yasmina Reza quoted on p. 19, the passage from T. S. Eliot quoted on p. 137, and the passage from Tom Stoppard quoted on p. 153; and to UNESCO for the passage from Amartya Sen quoted on p. 61.