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978-0-521-86223-3 - Beyond Price: Value in Culture, Economics, and the Arts

Edited by Michael Hutter and David Throsby

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## ONE

### Value and Valuation in Art and Culture

#### Introduction and Overview

Michael Hutter and David Throsby

#### 1.1 Background

The guiding hypothesis on which this volume is based is that a distinction can be made between economic and cultural value, and that it is the nature of these twin concepts of value, how they are formed and how they relate or do not relate to each other, that needs to be investigated. These two concepts run like a leitmotiv through the volume, linking the chapters across the disciplinary boundaries.

To place the volume in its proper context, it is helpful to begin by looking over the historical evolution of ideas in this field, identifying the starting points and counterpositions from which the various chapters' arguments are derived. In the brief historical survey of the field contained in Section 2 of this chapter, we adopt a broadly chronological approach.<sup>1</sup> Then in Section 3 we discuss the contemporary debate, dealing with literature mainly from the second half of the twentieth century to date. Finally in Section 4, we provide an overview of the volume and its contents.

#### 1.2 Starting Points in the Literature

Debate about the relationship between cultural and economic value has been carried on in philosophy since Plato and Aristotle. Ancient thought claimed the attainability of a supreme value through the experience of bliss or divine pleasure; the experience of art played only a minor role in attaining that goal, and commercial action ranked even lower, being associated with the merely practical arts. But it was not until the seventeenth and eighteenth

<sup>1</sup> Some of the following discussion draws upon results of a separate research project on the history of notions of economic and aesthetic value that was one of the unintended outcomes of the workshop; see further in Hutter and Shusterman (2006).

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centuries that a major strand of modern aesthetic and economic thought was established. It was due to a series of English authors that included prominently the Earl of Shaftesbury, Francis Hutcheson, David Hume, and Adam Smith. All of them saw a distinction between value arising from the disinterested experience of beauty and value from objects that serve the self-love of individuals. The former was seen as clearly superior since it related to a contemplation of the Divine. Economic value, its complement, related to the pleasure derived from personal gratification. While morally inferior, the attainment of the greatest amount of utility became a legitimate and relevant goal of private consumption and of public action.

By the middle of the nineteenth century, the disciplines of economics and of aesthetic philosophy were well separated. W. S. Jevons and other economists were able to argue convincingly that “utility,” like physical sensation, followed a pattern of decreasing intensity at the margin. This seemed to provide a sufficient common denominator for the determination of market value: When the aggregate utility of consumers and the aggregate costs of production were joined through processes of market exchange, an equilibrium price resulted. That price was called exchange-value. Aristotle had interpreted exchange-value as the lower limit to the many natural values in use; the economic theory that emerged at the end of the nineteenth century was built on exchange-value as the equilibrium of a self-coordinating mechanism, relegating use-values to a fuzzy penumbra of subjective “preferences.” At the same time as these developments were occurring, aesthetic theory began to separate itself from the nonartistic world. Starting with Hegel, aesthetic philosophers narrowed their focus to the fine arts and claimed that artworks play a privileged role in the promotion of spiritual, comprehensive truth.

The twentieth century saw a continuation of these separate tracks of development. In aesthetic theory, the attempts to characterize the uniqueness of aesthetic value continued: Adorno (1984) insisted on the autonomy of art; G. E. Moore (1959) argued the case on the grounds of moral goodness; Wittgenstein (1970) based his language games on “cultured taste”; Gadamer (1982) focused on the relation to truth; and Budd (1995) pleaded for the intrinsic value of the artistic experience. Meanwhile in economics, theory acquired axiomatic rigor. Price expressed in monetary terms was identified with the impartial result of all the subjective and objective variables that impinge on any transaction. A new hierarchy was established wherein price and value became synonymous; in this logical universe, cultural and artistic value were seen as a subjective category, beyond the scope of scientific

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inquiry. In Debreu's (1959) canonical version, *value* is defined as "market price times commodity volume."

### 1.3 The Contemporary Debate

Despite these uninviting conditions in much of the mainstream literature in all of the disciplines touched on previously, recent decades have seen substantial discussions of the relationship between economic and cultural value, particularly in reconciling the subjective, spiritual, or ineffable qualities of art and culture with the realities of financial valuation of these phenomena in the marketplace. Contributions to these discussions can be identified in economics, literary and cultural theory, sociology, anthropology, and cultural policy studies. The following survey presents only some of the most influential works in these five areas.

#### 1.3.1 Economics

Among economists, there was little interest in reopening the value issue until the 1970s, when Scitovsky (1976) exposed the psychological sources of utility and emphasized the relevance of consumption skills as being indispensable for the enjoyment of cultural goods. The reaction to his ideas, however, was weak, and it took the art market boom of the 1980s to trigger a renewed interest in value, now focused specifically on the reasons for the high prices of some art-objects. Baumol (1986) started the debate with the thesis that future artistic prices are random, which helps to account for the abnormally low returns to investment in art-objects.<sup>2</sup> The contributions by Frey and Pommerehne (1989) were driven by problems in public policy. They shared the assumption that artistic quality can be expressed in market terms, but they did observe that reputations of artists and valuations of artworks are remarkably stable. Grampp (1989) sharpened the argument by outlining the factors that make up aesthetic judgments. He saw aesthetic value as being just as expressible as economic value. However, he claimed that "the value which the market places on works of art is consistent with the judgment which is made of their aesthetic quality" (p. 37); prices, therefore, are reliable indicators of priceless values.

<sup>2</sup> A spate of studies on rates of monetary return for paintings has since shown that returns can be high for small groups of buyers and precisely defined submarkets; see Frey and Eichenberger (1995) for a comprehensive survey.

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The contemporary discussion within the economics of art and culture sees the relationship between the two values as being more complex than a simple monotonic transformation. Different disciplinary perspectives on the issue were collected for the first time by Klamer (1996) in a book that drew together essays from economists, philosophers, historians, political scientists, and artists; Klamer included short interviews with each author in an effort to increase the dialogue. Throsby (2001) clarified the distinction between economic and cultural value, the former being measurable by methods of economic analysis and expressible in monetary terms, the latter being multidimensional, deriving from a broadly cultural discourse and having no standard unit of account. He proposed a deconstruction of cultural value into its elements, including aesthetic, symbolic, social, and other components. A trenchant analysis of value treatment in economics can be found in Mirowski (1990, 1999), who argued that value is a socially constructed phenomenon and that the determination of value cannot be divorced from the social context in which it occurs.

### 1.3.2 Literary and Cultural Theory

The discussion in the early 1980s was enriched by contributions from the literary field that exposed the complex interweaving of artistic and economic valuations in actual works of literary and visual art. Heinzelman (1980) extracted complex economic meanings from works by Blake, Wordsworth, W. C. Williams, and Shakespeare. Marc Shell in several of his writings (1978, 1982, 1995) analyzed the penetration of economic meaning in literary works from the Greek myth of Gyges to the books of John Ruskin. In other studies, he explored the common communicative structure of coins, paper money, and art. Shell's interpretation of Goethe's treatment of money in his two *Faust* dramas is particularly illuminating.

In the cultural disciplines, interest in the topic was modest until the 1980s. In the French literature, particularly in the works of Pierre Bourdieu, the economic "field" is interpreted as one of several social domains, each with a distinct mode of discourse and valuation. Bourdieu (1985) suggested a distinction between the economic field, where objects have instrumental value, and the cultural field, where objects have symbolic value. Depending on which valuation was first, he saw the emergence of markets for large-scale cultural production or markets for restricted production. Bourdieu's concept of "cultural capital," introduced to denote the specific relevance of symbolic knowledge to individuals, has found empirical application in many sociological studies. It drew its inspiration from reference to Marxist notions

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of social class, in contrast to more recent interpretations of cultural capital in orthodox economic terms as a long-lasting cultural asset (Throsby 1999). The influence of Marxist thought is also present in works by Baudrillard (1983), with a renewed emphasis on use-value and a belief that art, the “pure signifier,” is untainted by the spread of commodification to the cultural world.

A breakthrough in the more abstract discussion of value in disciplines ranging from philosophy to literary criticism was made in the late 1980s by Barbara Herrnstein Smith. Smith (1988) started from the everyday experience of valuation: “We are always, so to speak, calculating how things ‘figure’ for us – always pricing them, so to speak, in relation to the total economy of our personal universe” (p. 42). An “economy,” to her, was any set of resources and constraints in which individuals made decisions contingent on the conditions of such a “continuously fluctuating or shifting system” (p. 30). The aesthetic discourse could then be explained as such an economy “that embraces not only the ever-shifting economy of the artist’s own interests and resources . . . but also all the shifting economies of her assumed and imagined audiences” (p. 45). In consequence, we can observe two “discursive domains”:

On the one hand there is the discourse of economic theory: money, commerce, technology, industry, production and consumption, workers and consumers; on the other hand, there is the discourse of aesthetic axiology: culture, art, genius, creation and appreciation, artists and connoisseurs. In the first discourse, events are explained in terms of calculation, preferences, costs, benefits, profits, prices, and utility. In the second, events are explained – or, rather . . . “justified” – in terms of inspiration, discrimination, taste . . . , the test of time, intrinsic value, and transcendent value. (p. 127)

Smith’s “double discourse” paradigm was enormously fruitful for the discussion of economic and cultural values in the humanities and in sociology, even if many of the subsequent contributions were critical of her approach. Let us consider two such examples. First, because postmodernist thought in philosophy and cultural studies was leading to a reemphasis on absolute values and a rejection of using instrumental values as a benchmark for judging aesthetic and other transcendent qualities, Smith’s attempt to find absolute reasons for contingent values was said to fall short. Instead, Connor (1992) suggested a “paradoxical structure” as a solution: “The question of value cannot be seized all at once or all together,” and this is precisely because “absolute value and relative value are not the sundered halves of a totality” (p. 32). Rather, each follows from and is implied within the other.

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The second example relates to the reproach that Smith reduces “aesthetic value” to economic “use-value” – a distortion unacceptable to philosophical and literary scholars who grew up with Marxist political economy. In a broad study on the formation of the literary canon, Guillory (1993) discussed the “double discourse” paradigm and concluded: “To collapse exchange value into use-value . . . is to forget political economy in the very gesture of reducing the aesthetic to an expression of the ‘economic’” (p. 302). However, exchange could now be treated as a general notion of interaction “without uttering a proposition about the economic” – an approach that Guillory traced to Georg Simmel (p. 298). That interpretation is relevant for sociological and anthropological studies of valuation, which we discuss in the following paragraphs.

Before doing so, however, we must deal with a contribution that is difficult to assign to any single discipline. Michael Thompson’s “Rubbish Theory” made allusions to Wittgensteinian philosophy, to sociology, to formal topology, to cultural and anthropological studies, and to “Art and Language,” a then prominent strand of Conceptual Art. Thompson (1979) suggested that three categories of value are in operation: the lowest is rubbish, which is literally overlooked; the most common is transient value, which diminishes over the life span of an object; and the highest is durable value, which is reached only by few objects at any given time. It is tempting to assign durable value to the objects of the art discourse and transient value to the objects of the market discourse. But as Thompson showed, value by necessity moves from one category to the next. In both discourses, objects with transient value are produced, most of them move on to the status of rubbish, a few of them move on to the status of durable value and remain there as long as the social conditions remain intact (p. 45). Economic and aesthetic valuations are tightly intertwined in this process. Academic myopia, he suggested, is not helpful in understanding such processes: “The more we insist on seeing the aesthetic and economic systems as clearly separate, the more we are forced to focus upon the connection between them” (p. 127).

### 1.3.3 Sociology

In sociology, various fields of practice, discourse, and interaction have a long tradition. Talcott Parsons’s theory (1968), based on four “Systems of Social Action,” was an early and rigidly formalized variation of that approach. In the works of Niklas Luhmann, communication was substituted for action. Instead of a fixed number of action systems, society operates in a changing, potentially growing number of self-coordinating communication systems.

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Such systems begin to apply internal methods of valuation once their events have been successfully separated from the rest of their social environment by means of a “leading distinction.” In a market system, everything that can be sold for money is either scarce or superfluous; in a legal system, all court sentences are either just or unjust; in the world of aesthetic discourse, all works of art are either beautiful or ugly. Predicates applied to events of the “wrong” social system are not understood, or they are considered improper. Luhmann laid out the basics of his societal theory in 1984 (Luhmann 1995). Subsequently, he investigated the major modern value systems, among them religion, the economy, politics, law, science, art (Luhmann 2000), education, and mass media. In Luhmannian terms, economic and aesthetic valuations are “structurally coupled.” They provide each other with changing conditions – the market conditions of art and the cultural conditions of markets. These conditions are then used in each system as resources for new values, and thus for sustained self-reproduction.

### 1.3.4 Anthropology

In anthropology, issues of value and of “value spheres” inevitably arise since many of the civilizations or “cultures” studied by anthropologists operate without monetary exchange.<sup>3</sup> Two anthologies that offered perspectives on these issues provided an overview and interpretation; both of these anthologies continue to play a central role in the anthropological debate.

The first was Arjun Appadurai’s anthology *The Social Life of Things* (1986). It contained studies that observed separations of exchanges into hierarchically ordered value spheres, namely, a “prestige sphere” and a “subsistence sphere,” using gifts in the higher sphere and reciprocal transfers as well as barter in the lower sphere. Kopytoff (1986), in particular, applied it to exchanges of artistic objects in contemporary prestige spheres. He compared the value sphere practices of the Tiv people in Nigeria with the valuation practices in complex modern societies, and he isolated “singularization” as a distinctly modern cultural property: “In a complex society, the absence of such visible confirmation of prestige, of what exactly is an ‘upward conversion,’ makes it necessary to attribute high but nonmonetary value to aesthetic, stylistic, ethnic, class, or genealogical esoterica” (p. 82).

The second and more recent anthology was edited by Fred Myers and published in 2001. It focused mainly on the difference between Australian

<sup>3</sup> For further discussion of the evolution of concepts of value in anthropology, see Lourdes Arizpe in Chapter 9.

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Aboriginal and Western culture in an attempt to “re-evaluate the relationship between material culture and exchange theory” (p. 3). Myers acknowledged that the Appadurai volume “offered the beginnings of a dialogue on the tensions between productions of value based on differentiations of objects and the options of economic gain that threaten to destabilize those differences.” His volume “looks to the existence of multiple, coexisting, and variously related ‘regimes of value’ . . . and even to the embedding of exchange in more encompassing systems of value production” (p. 6).

### 1.3.5 Cultural Policy Studies

Early contributions to the emerging field that can loosely be called “cultural policy studies” maintained a distinction between fundamental cultural values and the sorts of values provided by a culture operating under a free market. For example, Lewis (1990) argued the necessity of articulating a set of values that commercial market-driven culture was *not* providing, going on to identify the value of diversity, of innovation, of creativity, and so on, as cultural values of importance in their own right. However, a primary concern of this and later writings in critical cultural policy studies such as those collected in Lewis and Miller (2003) has been with the questions, whose values? value to whom? The cultural policy studies paradigm, if it can be called that, interprets the determination of cultural value as lying within a system developed and maintained by the dominant power structures in society; in particular, the arts or high culture are regarded as the province of a cultural elite whose fine aesthetic distinctions bear little or no relevance to the concerns of the population at large.

In reviewing the values underlying cultural policy, a different line is followed by Holden (2004), who has been concerned at the increasing intrusion of purely economic or instrumental notions of value into policy formulation relating to the arts and culture in the United Kingdom. He uses the term *cultural value* to encompass the full range of values (including economic values) yielded by cultural goods and services such as the arts and cultural heritage. In his model the instrumental value of, say, the arts is augmented by the arts’ intrinsic and institutional values; these latter “noneconomic” values, he suggests, should be regarded as just as important for policymaking as the instrumental ones. These sentiments have been echoed in a report from the RAND Corporation (McCarthy et al. 2005), which refers to intrinsic values as “the missing link” in judging the full value of the arts in the United States.



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### 1.4 The Present Volume

As the above review indicates, efforts have been made in a number of disciplines over the last few decades to grapple with continuing problems in understanding value in art and culture. A reading of these various literatures gives rise to two observations. First, in keeping with our guiding hypothesis, it is apparent that there are indeed two distinct kinds of valuation at work, each with its own logic of operation. Far from being isolated from each other, economic value shapes cultural valuation and cultural valuation influences price. Their mutual interdependence leads to tensions in social practice, and these tensions are documented in the history of ritual, of art, and of its markets. The second observation is that despite interdependencies and tensions, there has been little cross-disciplinary dialogue connecting those scholars working on the various aspects of cultural value, especially with those specializing in economics. Indeed in the latter respect it can be said that there is a degree of mutual incomprehension between cultural and economic discourses in this area that cries out to be addressed. The chapters in this volume try to fill parts of that void.

In putting together the volume, we had of necessity to organize the chapters along a linear thread, a particularly challenging task given their multidimensionality. Many of the chapters touch on themes that resonate with the treatment of the same themes in other contributions. There are chapters that treat aspects of valuation in the reception and appreciation of the arts and culture (Smith, Shusterman, Ginsburgh and Weyers, Bianchi, and Brooks). Others focus on aspects of artistic production (Hutter, Throsby, Heinzelman, and Teichgraeber). There are chapters that use biographical evidence (Throsby, Honig, Heinzelman, and Teichgraeber), others that rely on historical reports and comments (Smith, Hutter, De Marchi, Wilde, and Brooks), and again others that use firsthand experience or statistical data (Knopoff, Arizpe, Ginsburgh and Weyers, Bianchi, and Frey). Some chapters deal with the economic, social, and cultural circumstances within which art is produced and consumed, contrasting the values of players in the art world and in the wider community (Frey, Brooks, and Ivey).

We opted for a thread that offers a possible heuristic approach to the issues involved. Five parts give structure to the enterprise. In every part, economists as well as humanists present their approaches. The title of Part I, “Origins of Meaning,” suggests a focus on the precarious conditions under which artistic and cultural values emerge. Part II, “The Creation of Value in Artistic Work,” emphasizes individual as well as social aspects of authoring

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and exchanging works of art. In Part III, “Continuity and Innovation,” changes in cultural valuation in archaic, traditional, and modern civilizations are studied. “Appreciation and Ranking” (Part IV) assembles four chapters, which are united by the common assumption that there are scales of quality along which excellence in the arts can be measured, and that these assessments of cultural value relate in some way to the economic value of the goods or services being considered. Finally, the chapters on “Cultural Policies” (Part V) take a pragmatic look at how evaluation procedures can clarify the grounds on which policy choices must be made.

We now proceed to describe the intention behind each of the five parts, and the major themes of each chapter.

Cultural value can be thought of as reflecting the meaning embodied in or expressed by artworks, artifacts, texts, performances, rituals, and customs. Part I, under the heading “Origins of Meaning,” presents three chapters that explore how meaning generates value in three different contexts – in the production and marketing of Australian Aboriginal art, in the consumption of something called “entertainment,” and in the history of various art genres. In each case the author puts the interplay of economic and cultural value into relief, reflecting on the conditions that give rise to different aspects of value and that mediate the relationships among them.

The origins of meaning in Australian Aboriginal paintings lie in the sacred rituals and imagery of these ancient people. Terry Smith (Chapter 2) teases out how the figurations that have evolved in Aboriginal religious practice resonate with the contemporary art market. “Sacred” value has spawned the commercial value of the artifacts that are produced in ever increasing number. The ritual meaning of the patterns and representations has been protected by a deliberate strategy of intransparency through abstraction, which has increased the fascination of art collectors whose tastes have been formed according to the criteria of Abstract Expressionism. Thus we see coexisting valuations arising from different origins of meaning – the sacred in traditional culture and the economic in the contemporary art market.

In a different context, coexisting valuations are tackled by Richard Shusterman (Chapter 3) through an etymological and logical analysis of the notion of “entertainment value.” He succeeds in demonstrating that entertainment value can be interpreted as “the sort of directly experienced enjoyment that is grasped as valuable for itself rather than simply being appreciated for its instrumental value in achieving other ends.” Given the generally commercial basis on which entertainment is produced and distributed, its economic value is readily recognizable. Shusterman, however, concentrates our attention on the transient and contingent qualities of entertainment