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How modern Societies maintain Cultural Values by financing Cultural Goods

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I. Cultural Values

Can Contingent Valuation results substitute market results in the field of cultural policy? My answer is a clear "no". No, the data generated by contingent valuation surveys on the amount of dollars which citizens are willing to pay for cultural goods cannot be used to improve public policy.

The theoretical reasoning for this answer takes its start with the nature of cultural values. It then examines the cultural events in which valuation takes place. Finally, the provision of the goods that make up cultural events is discussed. It is at that point that Contingent Valuation methods and their future use come into focus.

Valuation is a kind of communicative behavior. People embed their actions into assumptions about the right way to do things which are usually not questioned because everybody shares the same assumptions. At the margin, however, valuations are constantly questioned. They are questioned in events: in debates about violations of established valuations, in events that are praised for excellence on their terms and in estimating accomplishments that "set new standards". The events generate the values, the values serve as yardsticks for a community. They assist in coordinating the actions and, even more importantly, the expectations of those who participate in the community.

Modern societies have developed a number of clearly distinct "value plays". In the course of going through the moves of one of the plays, common or joint action is arranged into sophisticated patterns of organization and interaction. Among these value plays, we observe the precise quantitative evaluations of money transactions in markets and the much less precise, qualitative evaluations in the fields of science and culture.

Markets have evolved, in a Hayekian sense, to coordinate the exchange of a large part of the items used for daily life by every community member. Markets detect new information about the valuation of items and events which are called "goods" once they have been in effect paid for. They generate constantly changing prices for the most peculiar bundles of access rights imaginable.

As individuals move in the different value plays, their actions and expectations are coordinated by the right way to make the appropriate valuations. New values emerge as new information is processed in the "valuemills" of churches, political cabinets, legal courts and markets, universities and art scenes. Markets coordinate behavior towards exchangeable items or events that are turned into goods in transactions that involve valuation in money units. What is different about the kind of valuation that is involved in the case of cultural policy? What is the nature of cultural values?

A hint at an answer is given by the empirical results of a type of experimental exchange design called "ultimatum game". In the game, person A is charged to divide up a sum of money between himself and a person B. If person B rejects the suggested distribution, no one receives anything. The results show invariably that persons B choose to receive nothing rather than to accept a "too small" percentage offered in the exchange. Furthermore, the distribution of rejection ratios is significantly dependent on the general pattern of valuation in the community tested.

The results of the ultimatum games can be explained by a benefit in maintaining self-esteem. The person accepting too small a percentage of the "loot" would violate his or her own practice of fairness in the community. The violation would blunt the sharpness of one's own valuation through inconsistency (internal damage), and it would damage the test person's position in the community, if the acceptance were known (external damage).

The result from the ultimatum game can be transferred from fairness values to cultural values. Cultural values provide the yardsticks for measuring social space – the depth of social space (the layers of classes and ranks) as well as its extension in time. The tapestry of Bayeux, for instance, marks a sequence of events in the history of 11th cty England and France, and it marks the royal context in which it was woven. The common valuation of its existence gives us one fragment, one node in the network of our common memory. In a similar way, the valuation of the destroyed Buddha sculptures of Bamiyan link those who can appreciate the artistic accomplishment of these sculptures across national cultures. In fact, it is one of the few ways of linking widely different and distant cultures. Again in a similar way, discussing the artistic rank of works by Donald Judd or Robert Wilson gives those who participate the vibrant feeling of taking part in a community with refined perceptions of structuring space and theatrical action. The same holds true for popular culture: those who follow a TV series, say, the "Simpsons", share a common appreciation which comes alive when telling each other the best scenes.

Thus, individuals are able to "read" their own position. They perceive their selves in relation to the historical development of their culture, and they perceive differences in the distance – horizontally and vertically – to other individuals with which they communicate via cultural events.

II. Cultural Events

The examples of cultural events cited are widely different. They can be brought into order by distinguishing between short and long oscillations of value change, and between individual and group generated events. The 2x2-matrix generated separates lifestyle features, like wearing pointed shoes and driving a BMW, art events, like visiting Notre Dame Cathedral or an exhibition of Cezanne's paintings, sociocultural plays, like football games, gang rites and music festivals, and ritual practices, like weaving Indian baskets and serving Japanese tea.

	individual	group
short cycle	life style features	sociocultural plays

long cycle

art events

ritual practices

Valuation events in all four quadrants are needed for knitting together the large communities, territorially or globally, that call themselves "cultures". In what follows I will concentrate on the difficulties involved in providing art events.

Cultural events always take place within some type of social interaction that can best be described as a play. There is a large set of plays that use artistic quality valuations. The play can be as intense and immediate as playing a string quartet, or as drawn out and searching as making a painting. In specially organized events of play, individuals perform, and thus they test the valuations of the surrounding community. In our examples, the community consists of those who follow the development of that particular musical form, and the community of those who follow, say, graffiti art. Those who play try to excel in terms of the current value scales of their performance features, or they even try to change the current scales by proposing alternative solutions to the dominant valuation patterns. Players gain in attention and status, and in money income. Those who constitute the audience or community of the cultural event gain, beyond their immediate emotional pleasure, in being able to position themselves in terms of the value a common heritage, or toward the paintings of a contemporary artistic style. The total audience is larger than the sum of those who actually listen to Haydn or know of Basquiat, or have been on top of the Eiffel tower. It is sufficient for orientation in a community of thought to know that events exist which are estimated to be at the high end of a particular value scale. That knowledge becomes an integral part of an individual's experience of self. In the case of a sudden destruction of such culturally valued items, the destruction is felt as a sharp loss of identity.

So we come to the following intermediary conclusion: the "nature" of cultural values is a specific kind of knowledge, a knowledge that is inevitably "common knowledge" because it refers to the social relations between players in a culture. The competence, including skill as well as knowledge, to use cultural values is acquired and maintained in cultural events. The events, in turn, are part of ongoing, highly sophisticated social plays. A broad multitude of valuation plays, ranging from fashion to Nobel Prize awards, is maintained in modern society.

III. Cultural Goods

We now return to economic considerations. Cultural events are not costless. They demand, as an input, the time of many persons and many, often very specialized material resources, from paint brushes to opera houses. Some events are produced without any direct money payments involved, as in a student jazz band or in a hobby

baseball league. But most of the larger events are produced professionally and they cost money.

For many of the events, there is a special industry that produces events and sells access to them (concerts, sport games), or sells copies of recordings of them (music, film). The market functions despite of the difficulties involved in producing "creative goods". It functions as long as there is a way to make the product excludable since excludability is a condition for the transfer of rights in a transaction. Without payment, there can be no viable "business model". The scope of such markets has been widened considerably by the integration of advertising markets ("dual markets"): when events are disseminated not by individual carrier media, like CDs, but are broadcast as radio or TV programs, they are no longer excludable. However, the attention generated by the programs is valuable enough to sell air time slots to advertisers. The programs are a viable business proposition because of the revenues in the secondary market despite of the zero returns in the primary market.

Yet, there are still many items and events which at least a part of the population of a state or the membership of a community is willing to pay for, but which are not found on any market. Both in the case of environment and culture, the argument for wasting valuable resources and underinvesting in positive externalities has become textbook knowledge.

The positive externality effect of cultural events is easily shown. Once cultural competence is acquired, it changes the productivity of human capital in the environment of production and consumption processes. Yet, the effect is not attributable to any particular event. The public good effect is also evident. Cultural events consist mainly of communication. Information, the "stuff" that communication is made of, is a prominent case of a public good because of the non-rivalry in using the information contained in, say, the Bayeux tapestry or the paintings of Cezanne. The public good effect leads to huge economies of scale due to continuously decreasing marginal cost, and it leads, at the same time, to grave difficulties in restraining access to a sound, an image or a text without payment.

It is not surprising, therefore, that public households, which are part of a society's political coordination, have retained the responsibility for financing at least a portion of the expense of cultural events. Their benefits fit in well with those of the other major public goods provided by the budgets of small and large territorial communities: security, infrastructure, administration, rule-making, health and communication. Within communication, one can distinguish more finely between maintenance of the general flow of information, of education and training, and, finally, of cultural events.

As in the case of all the other tasks of the "State", attributing the right proportion of the budget to the right projects and institutions causes problems. One can argue that there are shared valuations and shared scales of quality with regard to the items in question within the community. The shared values are then, in turn, reflected in the scale of priorities with which public households finance environmental and cultural goods. But that "reflection" is not very convincing. Environmental and cultural public policy is largely determined by historical coincidence, and it is subject to short-sighted influence by political powerholders and pressure groups.

It is therefore not surprising that efforts have been made to at least simulate the valuation results that market exchange would generate. Just asking people what they would be willing to pay for a certain cause seems better than not knowing anything at all about attributed value. However, the communication taking place in answering a survey question is fundamentally different from the communication taking place in paying a sum of money in exchange for an expected benefit.

In more concrete terms: whatever the intentions of the interrogator, the individual will make statements which maximize his or her benefits. When someone is asked a question, it is clear that nothing in kind will be received. The satisfaction, therefore, can only come from the effect that the answer has on the person that formulates it. Two major types of satisfaction are observed. The first is emotional or internal in nature. There is pleasure in voicing support for a worthy cause, even in attributing a dollar amount to the support which is not meant to be ever paid. As a consequence, the amounts overstate actual willingness to pay, and they remain fairly constant to the quantitative volume of a cause. The second type draws pleasure from seeking the right or correct answer to an external event. Since the person asked has little information on the cause to be supported, it responds strongly to information about cost figures and to the focal properties of certain numbers. Both types of answers suffer from a further defect: people have great difficulties in making judgments across the boundaries of specific categories of items. That difficulty is only removed when money valuations provide an overarching category. In all other cases, the judgments remain incoherent.

All these peculiarities are well explained by modelling the rational choice behavior of individuals toward a survey pollster. The results, therefore, tell us little about an assumed hidden willingness-to-pay. The institution of markets, seen as an evolving pattern of "information discovery", was not able to develop a variation which allows an evaluation of the items in question. In such a case, it is unlikely that questioning, albeit construed elaborately, will generate valuations which reflect the preferences of individuals for themselves and for the community in which they operate. Or, as one can formulate after the argument developed in this paper: the Contingent Valuation Method confuses talking in terms of valuation, as it takes place in buying a theater ticket or in discussing the quality of an actor, with talking about valuation, as it takes place in questions which mention the existence of money prices.

That is the reason behind the "no" in the first paragraph.

IV. Future Uses of Contingent Valuation

Is there still use for CV studies?

I am sceptical, because the fundamental difficulties in interpreting the results of valuation questions can not be made to disappear. However, the existing studies suggest at least two applications which seem to be worth exploring.

1. Testing for particularly high existence values

In every community, there are cultural events and institutions with an extraordinarily high ratio of subsidy volume to the number of persons actually attending the events. Is this situation due to the valuation of the sheer information about the performance of, say, the Copenhagen Opera, or is it due to successful rent-seeking by some incumbent interest group?

By interpreting the responses which one would get from a CV study that tests for the existence value of a particular institution, one would at least overcome one of the basic defects: consumption of the good is indeed on the level of simply mentioning the institution and its performances during some kind of communication. Therefore, the response refers to actual satisfaction in terms of some value ranking. If persons do not know about the institution, that difference should show in the results.

In consequence, CV studies might be used to test whether existence value is the significant variable for explaining the high relative subsidy to particularly prominent cultural institutions.

2. Testing for viable well-bordered sets of WTP values

The study by Santagata and Signorello suggests that payments to voluntary associations can be a welfare-superior alternative to tax-funded state support. The voluntary association takes responsibility for maintaining the cultural institution – in their case, the operation of network that finances the restauration of and the general access to 29 churches, palaces, square and museums in Naples.

The proposition is improbable. The number of voluntary associations that have found a viable way to raise the funds for their activities constitutes a temporary equilibrium, and it would take significant structural changes in the constraints to see the emergence of new associations. Yet, there are immense technological changes taking place which have a revolutionary impact on the administration and marketing cost of any organization. Under such circumstances, it might be helpful to have results that suggest that there exists a well-bordered group of respondents – in terms of territory, occupation, network affiliation etc. – with a willingness-to-pay value at a consistent, well-bordered level which is high enough to finance the enterprise.

Such a result would constitute only a necessary condition for the emergence of a viable cultural association. There are other questions to be answered yet, like: what is the right rate of write-off if the payment to a cultural association is deducted from the contributor's total tax-load? How can associations install an efficient administration, and how can they protect themselves from internal interest group pressure?

In both of the suggested cases for a future use of CV surveys, the emphasis is on pattern recognition. Because of the focus on patterns, and thus relational magnitudes, the "misguided" reference to monetary valuations becomes weaker. Pattern recognition as a research goal would need larger samples, not to mention the added complexity of the research design. For some cases of cultural world heritage, the sample would have to be spread out over the entire globe. The cost of such projects has been prohibitive up to now. Again, digital technology might make the difference.