ABSTRACTS
CONTRIBUTED PAPERS

1. De Gustibus Disputandum Est
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The consensus view of economists is that the formation of wants does not fall within the province of economic analysis: it is contended that the objective of economic analysis is to observe the consequences of choices which reveal underlying preference structures, not to question the psychological and physiological causes of wants or to investigate the mechanisms governing the formation of preferences. This may be a correct procedure when we refer to ordinary functional goods. Troubles come in when we consider cultural goods that share, in different degrees, two common features (i) their consumption requires skills that can be generated only through education and actual consumption activity and (ii) the hedonic experience stemming from their consumption generates positive and negative psychological feedbacks. In this paper I set up a simple model of local rational learning capturing these features which stem from the fact that goods’ consumption generates local affection or disaffection processes whose characteristics depend on the nature of goods and on the type of agent. Building on it, I investigate the reliability of conventional contingent valuation techniques in the context of the revelation of demand for cultural goods. Finally, I discuss the main implications of the model for the design of cultural policies stressing the need of public support to general as well as aesthetic education.

2. How Creative are the Creative Industries? The Case of the Music Industry
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The major music companies justify their uncompromising battle against copyright infringement (Napster et al.) by arguing that they defend the artists’ intellectual property and therefore their creative potential. In this sense, the music majors see themselves not merely as a part of the so-called ‘creative industries’ but as an integral element that stir up and produce creativity. This paper analyses the music majors’ claim for creativity by providing a tentative definition of the term “creativity” derived from economic, psychological, and sociological findings about the creative environment. Further, by utilizing a descriptive-empirical analysis, the processes and structures of the music industry are examined in detail in order to examine whether the music industry’s highly integrated oligopolistic market structures provide a fertile ground for creativity and innovation. Based on empirical results, finally, this paper argues that the music industry’s current oligopolistic structures do indeed not foster creativity but, in contrast, restrain and even strangle the creative processes of artists.

3. The Search vs. Experience Attributes of Cultural Goods: From Mass Media to the Performing Arts
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This paper extends the concepts of search and experience attributes of goods developed in consumer theory to cultural goods. A search good is one for which the expected utility from its consumption can be estimated with reasonable certainty prior to consumption. An experience good is one for which it is difficult or expensive to estimate (with any degree of certainty) the expected utility without actually experiencing the good. In the paper a broad array of cultural goods are classified along a search-experience continuum. The author then investigates why consumers choose to consume cultural goods with experience versus search characteristics by analyzing (A) the price of the goods, (B) the characteristics of the customers who consume them and (C) certain unique characteristics of experience goods, including their social/going-out value, surprise/innovation value, educational value and the “Guggenheim Effect". The concepts of search and experience attributes were introduced over 30 years ago in seminal articles by Stigler, Akerloff, Nelson and Wilde and have been successfully applied in consumer theory. The author finds that application of these concepts to cultural economics has both practical and theoretical implications. On the practical side, it can assist in marketing, cost management and productivity improvements. On the theoretical side, it provides insights for modeling the behavior of consumer and producers of cultural goods. Finally, some relevant policy implications are discussed.

4. Arts and Business. Attitudes Towards Arts Sponsorship

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Culture, like other public services, suffers from “cost illness”. Box office incomes are not sufficient enough to cover the costs which rise faster than the rate of inflation because many cultural activities are labour intensive and the scope for raising productivity limited. Since demand of cultural services is income elastic beyond certain ticket price levels there are limitations to increase incomes through this resource. Earlier research shows that sport is financially dependent on sponsoring in order to survive, while arts sponsorship mainly is used for activities over and above those stipulated in the normal budget. With the increased pressure on public finances, arts institutions in Sweden have been increasingly compelled to look for new sources of support. Sponsoring has become an important source of revenue. Despite its relatively smallness sponsoring plays an important role in the economy of individual arts activities. Arts sponsorship can be studied from two angels: from that of arts institutions and from that of business enterprises. The study will cover both angels. The aim of this paper is to report on an inquiry survey among Swedish business enterprises and arts institutions with regards to their attitudes towards arts sponsorship. Some of the issues raised in this paper are: What are the motives for sponsoring? What type of returns are expected from the sponsoring? Which cultural activities does sponsoring support? Which are the consequences from sponsoring? Image and marketing products are major reasons for sponsoring. However, other reasons like concern for local culture and improvement of personal politics are also important for private sponsoring. Festivals and large events are very good examples of well functioning sponsoring objects. The paper will include comparative material about sponsoring in other countries.

5. Corporate Donations to the Arts: Philanthropy or Advertising?

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Why do companies sponsor art events, and where exactly does the money go? This paper is an attempt to provide evidence on these two questions. Our approach is markedly different from previous research, which has focused on the first question by studying the determinants of firms’ spending, and largely remained silent about which projects receive support. Our own approach, described in section 3, is to analyse data collected on the revenue structure of more than 200 cultural institutions in Berlin. While it is obvious that this data set informs us where the money goes, we will argue that it is also possible to draw conclusions with respect to donors’ motives. If arts sponsoring was a promotional tool just like advertising, the empirical implications are not the same as in the case that arts sponsoring was driven by philanthropic considerations. Using tobit and the more appropriate double hurdle techniques, we regress sponsorships received on the number of visitors and other independent variables. The results not only suggest a certain degree of similarity between sponsoring and advertising, they are also relevant for public policy, as private institutions sponsor some cultural events but not all. If there are in principle good reasons for public support for the arts, then the state should allocate his funds complementary, helping those who are overlooked by donating firms and not running the risk to crowd out sponsors.

6. Digitization and the Economics of the Media

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The purpose of this paper is to examine the effects of digitization on media enterprises and on the media industry more widely. Focusing mainly on the UK and Europe, it will look at the effect that digital technology has had on distributive outlets for media, on production costs, on management of content and economies of scale and scope in the media industry. The impact of digitization on barriers to market entry will also be considered. The capacity for interactivity is one of the distinctive advances offered by digital technology. Greater personalisation of media consumption has major implications for advertiser-supported media. This paper will consider how interactivity and narrowcasting are affecting the development of media markets and competition in the industry. More broadly, this paper aims to examine the effects of the Internet on the economics of media companies. It will consider the main impacts on the industry and its output of the arrival and growth of this new platform. This paper will focus especially on the role and importance of copyright in the digital era to the economics of publishing and other media activities.

7. Commerce and Culture: Testing Commercialization Theories at the Organizational Level

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Although fees, charges and other forms of earned income have long been a mainstay of nonprofit financing all over the world, the question of whether nonprofit institutions are becoming increasingly commercialized has been gaining in importance only over the past decade. Commercialization theory is beginning to develop (e.g., Weisbrod, 1998; Herman and Rendina 2001), but there remain a large number of unanswered issues. For instance, there has been hardly any research on the actual efficiency of commercial activities: It is generally assumed that nonprofits engage in this activity to cross-subsidize their core service provision, but whether commercial activities actually do generate sufficient resources to allow for such a cross-subsidization remains unknown. Moreover, we still do not know much about the actual managerial motivations behind commercialization. Are nonprofit managers forced to do so in order to compensate for reductions in contributed income (whether public or private)? Or do they actively pursue business activities and opportunities for other reasons? Unfortunately, there are few, if any, conveniently available data sources that can be utilized to examine these issues. For this reason, we have approached the data issue from a different perspective. More specifically, we collected annual report data for a small sample of 15 American art museums over an eleven-year period from 1989 to 1999. While the sample is small, it does provide a sufficient number of cases to conduct time-series analyses. Such an analysis is well-suited to examine behavioral assumptions
underlying the current commercialization theory, as causal relationships can be tracked over time. Art museums, of course, constitute only a very small part of the nonprofit sector in any country and the dynamics of these institutions are not necessarily the same as for the majority of nonprofits in other fields. However, it can be argued that the relevant external conditions that have caused nonprofits in general to become more commercial are equally applicable to the arts (Toepfer, 2001)—at least in the U.S. context. Significantly, moreover, while art museums are not representative of the sector at large, they do constitute a polar case of commercialization that allows for testing some of the key behavioral and managerial assumptions underlying the current thinking about commercialization, which is the key focus of the proposed paper. More specifically, museum merchandising has significantly increased over the past decade or so—in the US as well as in other Western countries (see Hutter 1998). In addition to the expansion of on-site and off-site shops and mail-order catalogues, many US museums are now also adopting e-tailing technology to open virtual stores. Although frequently hailed as a major revenue source, for some large museums at least, the costs of running this business almost equal the costs of running the museum itself, while the net income appears to be very small compared to the resources going into merchandising. For example, there are cases where merchandising costs accounted for half or even more of the total expenditures some museums. With unambiguous and relatively high stakes in what clearly constitutes business activities (i.e., retail), current commercialization theory should be able to explain the development of museum merchandising without any restrictions.

8. The Creative Industries in the UK: Their Growth During The 1990s and Future Prospects in the 21st Century

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This paper draws on the UK’s experience since 1997 in defining, measuring and analysing the position of the “Creative Industries” within a growing European economy. Likely future trends in employment in the Creative Industries to 2010 will also be discussed. Research Questions covered include: How are creative industries defined in the UK? How has this definition been arrived at? How well does it mesh with the UK’s official industrial/occupational statistics? How has the sector evolved during the 1990s? What are the prospects over the medium-term (to 2010)? The paper presents in a synthesis of the 1998 and 2001 Mapping documents produced for DCMS. It also reviews the results of a major DCMS commissioned research study of likely future trends for the creative industries within the wider UK economy. While the origins of the concept of “the creative industries” can be traced back to before the 1997 British General Election, the measurement, monitoring and analysis of these industries and their role in the UK economy is still at an early stage. Data and analyses are variable across the 13 UK “Creative” sectors in spite of considerable progress over recent years. However, the prospects for their continued growth—especially as providers of employment—are encouraging.

9. A Survey Study on Visitors of the Frescos’ Restoration Yard at S. Francis Cathedral in Assisi. An Analysis of Individual WTP and Visitor’s Preferences

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The paper investigates people’s preferences and individual willingness to pay with regards to the restoration activities on Assisi’s Cathedral Frescos, which fell down and were consequently seriously damaged as a consequence of the earthquake in September 1997. A Restoration yard was established to recover the Frescos, which
successfully concluded its activities in April 2001. The yard was open to the public between January and April 2001 during weekends. The survey study, based on 550 direct interviews on site, is focussed on both the measurement of economic value, by using a contingent valuation experiment, and the analysis of people’s preferences over different options of Frescos restoration, re-setting and re-location. The Contingent valuation study has the specific aim of giving a measure of individual mean WTP and aggregate value of the yard for visitors, analysing what socio-economic factors are influencing willingness to pay. The qualitative part of the questionnaire attempted to shed light on preferences for different payment mechanisms (charge fee/voluntary donation) concerning the access to the restoration’s yard and for different options of future location and access management for Frescos. The case study is of interest since it deals with a temporary cultural good (the access to the Frescos’ restoration yard), presenting evidence on both the economic value for visitors and the structure of preferences for cultural and access policy options.

Notes on Economic Strategies
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Professional ballet has been studied in a number of ways by a variety of different authors. In the United States, memoirs, dance notation and critical review of performances are among the written documents that survive professional ballet performance before the advent of non-profit performing arts organization “accountability” in conjunction with grant funding. Before accountability of expenditure was an issue, documents demonstrated and described the productions given, gave the dates and times of productions and the names of select dancers who performed in them. However, seeking to explore the economics of professional ballet during this period, and in other periods for that matter, can be a daunting task. One must often read between the lines of the memoirs, dance manuals and press reviews to ascertain the economic history of the ballet companies. As such, this paper will address the economics of companies led by Nanette de Valois, Ida Rubenstein, Serge Diaghilev, and Marie Rambert during the 1905 to 1950 period. At first glance, one would think that these artists worked in isolation. Basing the findings on exhaustive literature research into the economic history of these four international professional ballet companies, in this paper it is shown that these ballet companies adopted different economic strategies not formed in isolation, but rather that strategic differences led directly to their company’s survival or death. It will also be shown that de Valois, Rubenstein, Diaghilev and Rambert were competitive while at the same time functioned interdependently in terms of audience development, collaboration and patronage. The author then questions the way economics is understood, posing the notion that international professional ballet operations be evaluated and historicized from a strategically interdependent point of view.

11. Arts Funding in New Zealand
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Why and how should government support the arts? This paper first sets out the seven possible causes of private market failure that, in principle, can justify public intervention. Most of these do apply to the creative industries. Taken together, they suggest that, apart from the curatorial justification for support, the public benefits that are not captured privately accrue from the consumption, not the production, of art goods and services. Such benefits include the enhancement of ‘cultural capital’ and the externalities that arise from the ‘rational addiction’ (acquired taste) nature of arts consumption. Thus, public policy should (in most instances) be aimed at promoting consumption (for example, public subsidies to drama or film production companies paid as a proportion of the box office take). Instead, most current policy supports production, and may even discourage consumption (for example, drama companies get grants to cover the fixed costs of putting on a play, such as sets, but not to cover or subsidise actors’ wages. The optimal response to this may be to close the show after one performance.). The paper surveys the peculiar economics and technology of arts production, consumption and markets. Empirical (mainly interview-based) research into New
Zealand arts activities is used to calibrate a formal model of the arts sector, which can encompass the differences between different art forms. Agency theory and transaction cost economics are incorporated into the model, which is used to generate a range of values for policy instruments. Among the results are (a) total funding should be open-ended (determined by the extent of success in the market); but (b) the rate of subsidy or support can (not surprisingly) be set too high; (c) too little funding may be worse than none at all (in the presence of transaction and lobbying costs).

12. The Arts, Culture and Judgement: Towards a Model of Cultural Evaluation

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The aim of the paper is to re-visit the debate on cultural evaluation with the intention of proposing a model of cultural evaluation. The paper charts the crisis of cultural evaluation and judgement from the 1960s onwards. Referring to some new social movements as well as a range of sociological and postmodern positions the paper outlines the problems associated with assertions of quality. The paper makes particular reference to the formulation of arts and cultural policy in Britain in the context of these problems. The work of some cultural economists is particularly useful here for insight. The argument is developed that it is necessary to move away from the extreme of postmodern relativism and to re-assert the appropriateness of evaluation. Further, the paper goes on to propose the process of evaluation may be understood as a series of elements. These elements are presented in the form of a matrix. Each of these elements is delineated and interrogated. The paper draws upon a range of disciplines, some of which are themselves multi-disciplinary. These include cultural economics, sociology, cultural studies and consumer behaviour.


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After contributing a paper on the “Economics of Boulevard du Crime” in 1994 (at WITTEN-Germany, for the 8th conference of ACEI), I thought it would be an interesting opportunity to realize a digital work about this particular period of parisian theatre. Then, I started this project in 1995, assisted by a universitary team, by some artists and multimedia technicians. It has just been completed in late 2001 in the form of a CD-ROM: les “Trésors du Boulevard du Crime”. We created a CD-ROM with two initial principles: (a) a homogenous topic to which the multimedia technology must bring interrelated scientific, cultural and aesthetic values and (b) the participation of a real “author”, with a global, coherent and original comprehension of the subject. The CD-ROM “Trésors du Boulevard du Crime”, created by an economist, intends to meet these requirements. The story starts in 1759 when the first theatre was built on the Boulevard du Temple (called “Boulevard du Crime” because of the content of the plays) - on the northern outskirts of Paris - and ends in 1862 when ten theatres still open were abruptly demolished on political and urbanism grounds. The CD-ROM will allow to “visit” these theatres and to “travel” into a district of all vanished for ever. The prevalent economic approach leans on a concept of what can be called “mass theatre” (“théâtre de masse”): an extremely competitive market on the supply side (wide range of prices with many cheap seats, numerous shows and new plays, etc…) as well as on the demand side (large attendance, from all social strata, etc…). The contiguity of the theatres and the artists’ wages being at their historically lowest level, made it economically profitable, despite the fact that the government did not give them the financial aid granted to other subsidised theatres. Using the multimedia characteristics in an applied economics scenario Ddiverse and complementary aspects approaching a core scientific method institutes a wider understanding of the economic phenomenons of Art; the interaction between texts, images and sounds entails a new “vision” which should benefit the culture of “cultural economists”. The analysis of complex - cultural, political, urban, economical, etc… - factors integrates perfectly the holistic and modular structure of multimedia language; the underlying economic argument will gain in flexibility what it looses in “linearity”. Difficulties we met in finding relevant media (images, music, etc…) suited to express the facts taken into account by economic analysis, confirmed the importance of the “hiatus” existing between Culture and Economics, so often forgotten or underrated by cultural economists (including french and european economists).
14. Public Opinion and the Role of Government Arts Funding in Spain

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While several studies have probed the determinants of public support for government funding of arts and culture in the United States, little work to date has addressed the question in Europe. Yet as private cultural funding increases in magnitude in most Western European countries, the answer to this question has policy implications. This article formalizes the theory of the determinants of this public support in a model, employs public opinion data from Spain to estimate this model, and compares the results with those from the U.S. I find that support in Spain increases with income, social class, and education, as in America. However, while support increases with age in the U.S., the variables are not significantly related in Spain. Furthermore, political ideology impacts U.S. and Spanish support in opposite directions.

15. Private Philanthropy and the Economics of Public Radio

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Public radio in the United States receives both direct and indirect government funding. Direct subsidies come in the form of lump-sum and matching grants, while indirect subsidies proceed from tax revenues foregone on deductible private donations. Each of these sources of government money impacts charitable giving to public radio. This paper estimates both of these effects using tobit models of charitable giving and Corporation for Public Broadcasting data on a national sample of public radio stations in the United States from 1990-96. The analysis indicates that increases in state tax rates correspond with higher donation levels. I also find that public funding to radio stations has a positive impact on private giving, although this impact rapidly decreases as the level of government subsidies increases. This latter finding contrasts with most other studies of arts nonprofits, in which public subsidies are seen to “crowd out” private giving. It appears that leveraging effects of government money to radio stations are a function of a unique matching-grant structure of public support. As such, policies to build partnerships between governments and other types of cultural nonprofits might ameliorate problems with crowding out through similar funding schemes.

16. Voter Preferences in Cultural Policy: A Case Study for Austria

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The aim of the paper is to explore the demographic, social, economic and political determinants of voting behavior in a recently held referendum on the construction of a new music hall (“Musiktheater”) in the city of Linz (Upper Austria) in 2000. Studying actual voting behavior is very attractive to economists from the viewpoint of eliciting preferences for public goods such as improved environmental conditions or cultural goods like the provincial theater which was subject to a referendum in Upper Austria. Being the first referendum on cultural policy of its kind in Austria, it led to a rejection of the proposal by a majority of voters (59.70% of No-votes). Explaining the approval or disapproval of the proposition accounting for group data in communities is thus an interesting question. The econometric estimations of models of voting behavior broadly confirm the hypotheses regarding explanations of voters’ preferences. High education and employment increase the approval to a new theater while increasing opportunity costs of attending the theater (e.g. in communities more distant to the capital city of Linz) lead to a lower approval rate. In addition to socio-economic determinants of voting behavior, we find empirical evidence of political determinants: Already high debt-to-
revenue ratios of the communities apparently lead to higher participation rates, and political preferences of the electorate also manifest themselves in voters’ preferences. The share of votes for the Green and Liberal Party increase the share of voters agreeing to the proposition to build a new theater. The general conclusion for cultural policy can be considered in the fact that the electorate’s preferences for cultural goods seem to be roughly stable and can be explained by a few socio-economic variables and political attributes. While there is an often-heard concern that voters can be influenced by political marketing or short-sighted arguments particularly in cultural policy, it seems as if political debates and advertising only play a minor role in forming preferences in referenda on cultural policies.

17. Heritage, Worship and VAT

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This paper is based on a recently completed study for the Department for Culture Media and Sport in the UK. It examines public assistance for places of worship that are also buildings of historic interest. The context for the discussion is the introduction in the UK in April 2001 of a grant scheme to assist listed places of worship to undertake repairs and maintenance. This grant scheme embodies three broad dimensions of policy choice – i.e. distinctions where tax rates are (or can be) varied. These dimensions are: listed buildings (L) vs non-listed buildings (N); places of worship (P) vs other buildings (O); and alterations (A) vs repairs and maintenance (R). The principal focus of this paper is on the recent beneficial treatment of LPR, and on the now different treatment of LPR and LOR. The paper addresses three questions. What are the likely effects of having a tax regime for LPR which is more favourable than previously? Should LPR be treated more favourably than LOR? Why are LPR treated more favourably than LOR? The structure of the paper is as follows. Section II sets out the policy background. It examines the listing process and in particular, the rationale for the historical distinction in VAT treatment between L and N and between A and R. It also looks at the scale and extent of listing of places of worship and the development of the current VAT regime. Section III presents some estimates of the effects of the recent changes to the VAT regime for LPR. The assumptions underlying the analysis and its strengths and limitations are considered. In Section IV, the case for and against favouring LPR through the VAT tax regime is examined. Section V considers the factors behind the special VAT treatment of LPR. It pays particular attention to the lobbying process that brought the recent change about and at the distribution of the costs and benefits of that process. The final section concludes the study.

18. Innovators, Operators and Entrepreneurs. The Ruskin & Morris Reception in the Netherlands: Museum and Arts policy in the Netherlands around 1900

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The last quarter of the nineteenth century witnessed remarkable developments of Western European economies and of their arts production. Industrial mass production evoked a reaction among artists and art philosophers calling for a restoration of handicrafts and a return to old manual skills in production and decoration. John Ruskin and William Morris were the most prominent spokesmen in the UK for these ideas, the practice of which is commonly known as the Arts & Crafts movement. They were equally influential on the continent. This paper explores some of this influence in the Netherlands around the turn of the century, as well as Dutch theory and practice in heritage conservation and museum policy, architecture and decoration in a wide sense. The focus is upon the implicit economics of the arts, in particular the paradox that many of the protagonists à la Morris and Ruskin embraced socialist and utopian ideologies, while the customers for the products of the guilds and ateliers founded by them or their followers were the very rich.
Only in the twentieth century would this problem be solved when the increased purchasing power of the middle classes created a market for furniture and decoration of design quality produced in substantial quantities. In recent Dutch historiography the period around 1900 is described as a Second Golden Age, with developments in science, art and culture that matched the growth of the Dutch economy. Section 1 summarises some of these developments. Section 2 discusses some of Ruskin's ideas on the economics of the arts in general and heritage conservation in particular. In the Netherlands, heritage conservation started with the writings and activities of Victor de Stuers. Section 3 describes his effort in the building of the Rijksmuseum and the reorganisation of art schools, and also the influence in Holland of William Morris and Walter Crane. Central in section 4 is the work of the architects P. Cuijpers (of the Rijksmuseum, 1885) and H.P. Berlage (of the Stock and Corn Exchange building in Amsterdam, 1900). Section 5 looks at the ideology and practice of a few individual artistic innovators and of some of the firms, ateliers and reformers' colonies where the new arts & crafts production was executed. Here the democratisation got started of the new styles in bookbinding, graphic arts, pottery and furniture. A new and typically Dutch style in art and architecture called the Amsterdam School broke through around 1915. Its achievement is described in section 6. In the concluding section, the Ruskin/Morris model and the Dutch practice are looked upon as examples of an innovation process. The British model embraced both process innovation and product innovation in an utopian socialist perspective. The Dutch story has a political operator in the role of institutional innovator, art academies as instruments of process innovation, and individual artists and entrepreneurs as product innovators. The ideal of guild-like workshops from the British model was not adopted at a scale that really mattered. The diffusion of new styles and products in book production, graphic arts, household textiles and pottery got around in a traditional way of imitating the successful in a capitalist economy. By the nature of their production, architecture and town planning did not offer the same possibilities for small scale innovation. Yet the three innovation processes of industrial design, architecture and town planning were very much linked. The great designer, architect, town planner and writer H.P. Berlage played a role in the debate on art and architecture around 1900 and was responsible for a number of remarkably innovative buildings. His personal evolution from utopian socialism to bourgeois reformism is characteristic of the societal developments of his age.

19. The Treatment of Cultural Issues in International Trade Agreements

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The cultural policy arena is awash with cross currents. As with other industries, those who want continuing state support and protection disagree with those who make money by having open access to international markets. Supporters of high culture are disturbed when the television, film, music and print industries successfully contest for state patronage. Associations representing creative and professional people prescribe different policies than either private suppliers of capital or public granting agencies. NGOs representing vague cultural constituencies align with the governmental departments that sustain them in contesting with other parts of Leviathan for control of the policy agenda. At the same time, a strange mix of public discourse and street theatre, sometimes rated R for violence, accompanies, influences, and sometimes dominates other currents in the public's mind. Few people attend governmental hearings or personally witness public demonstrations. The public’s awareness flows from media coverage and the important, but ill-understood, word-of-mouth spread and formation of “fact” and interpretation. The media and the cultural infrastructure are both the subject and the governors of debate. With respect to debate on cultural policy, McLuhan's aphorism takes on a special meaning. As a result of the conflict of interest, there is a more important role for academic and other non-involved sources of considered information in this area of policy than in others. As a contribution to that end, we will examine a part of the troubled waters—the proposals made by a number of countries for a special international agreement to address cultural trade issues. The first section of the paper will summarise the evolution of existing cultural trade obligations in the WTO and regional trading bodies, with note taken of the trade disputes that have arisen, some of which have been settled in the political arena outside any agreement. Our main focus will be on assessing the degree to which cultural issues should receive special formal treatment in international governance and, if they do, whether the resulting arrangement should be embedded in the WTO or in a separate body. Supporters of the stand-alone alternative have stressed the cultural impact of the arrangements and in particular, the need to promote “diversity.” Our treatment will clarify what concepts like “diversity” might mean and
relate these meanings to the economics of cultural activities and industries (in a rapidly changing technological setting) and the capabilities of international governance arrangements.

20. The Effect of Nationality and Genre on Movie Tastes in Spain

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In this paper we analyse the determinants of movie tastes in Spain, independently of the way that people use to satisfy their preferences: going to cinema theatres, renting or buying movies on video or any other similar support or watching movies on TV. This analysis allows us to study in depth the relationship between USA and European, in our case Spanish, cinematographies. As it is well known, USA movies controls the European film markets. For example, in Spain during the last decade its market share was around 70 percent. Using the date coming from a new cultural survey, Encuesta sobre Hábitos de Consumo Cultural (Cultural Consumption Habits Survey), conducted in Spain during 1998, we apply some multiple choice econometric models with some aims. First, we investigate if the USA supremacy on Spanish film market is due to audience preferences or supply conditions. Second, we compare the socio-economic characteristics of American movies and Spanish movies fans. Third, we analyse the relevance of the different film genres on Spanish audience’s preferences. And we have also analysis the specific follower’s profile for the different movie genres.


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What is the economic value of preserving our cultural heritage? How can we value global cultural heritage goods, e.g. historical cities listed as World Cultural Heritage Sites? Do the social benefits of preserving cultural heritage outweigh the costs of restoration and preservation? Should we allocate more resources to restore and preserve cultural heritage due to the large social benefits observed in the few existing studies that try to value these goods? Cultural heritage goods are typically public goods, meaning they have two precisely-defined characteristics. First, the benefits (values) generated by cultural heritage goods are typically non-rival, that is the benefit enjoyed by one individual does not come at the expense of the next individual’s enjoyment. This is in contrast to market goods, where a given unit of the good can only be consumed by one individual. Second, it is often difficult to force people to pay a price before they can enjoy the benefits from the cultural heritage good. Even where entrance to a building can be regulated by an entrance fee, the non-user benefits accrue regardless of whether they have been paid for. We say that the good, or that enjoyment of the good, is non-excludable. These two conditions lead to a situation where markets can not be trusted to provide an adequate supply of cultural heritage goods. It is for this reason that such goods are usually provided collectively, either by governments or by groups of people working cooperatively. The absence of a price means that we cannot observe values for cultural heritage goods directly. Instead, we must, like detectives, look for clues that tell us something about value indirectly. Non-market valuation is a term used to describe a variety of techniques for looking for and interpreting these clues about value for goods that are not traded in markets. There are two broad categories of non-market techniques: revealed preference techniques and stated preference techniques. As the name implies, revealed preference techniques involve searching for those clues by examining an individual’s past behaviour. One type of behaviour that can be examined is purchases of market goods that are closely tied to the non-market good of interest. The hedonic pricing method uses this approach. A second
type of behaviour that might be examined is decisions made on where to go to spend one’s free time (e.g. visiting cultural heritage sites). The travel cost method utilises this type of information. Whereas revealed preference techniques make use of past behaviour to calculate how individuals value public goods, stated preference techniques like Contingent Valuation (CV) describe a future change in the quality and quantity of the public good, a program that would provide the change and a method of payment, and ask for the individual’s own guess about their behaviour in terms of willingness-to-pay (WTP) to get the change. In the first part of this paper, non-market valuation techniques that can be used to estimate a monetary value for cultural heritage goods are reviewed. The literature on these techniques is vast and quickly growing, but the number of applications of these techniques to cultural heritage are few. Based on a review of these studies (Navrud, S. and R.C. Ready (eds.) 2002: Valuing Cultural Heritage. Edward Elgar Publishing, UK. forthcoming), the unique challenges and opportunities involved in applying these techniques to the valuation of cultural heritage goods are identified and discussed. In the second part of the paper a new cost-effective technique for estimating non-use value of a global cultural heritage good is proposed and tested. A unique delphi technique is used to estimate the non-use value of a World Cultural Heritage Site; Fes Medina in Morocco. In a two-stage e-mail survey a carefully selected sample of European Environmental valuation practitioners were asked to state their best estimate of mean and median WTP among households in both their own country and Europe to preserve the Fes Medina through a proposed World Bank restoration program. The expected impact of the program on the appearance of this cultural heritage site was described in detail by both text and colour photos. A CV survey of the visitors to the Fes Medina to estimate the use value has also been conducted. Taken together these two studies can be used to estimate the total economic value (TEV) of the change in the quality of this global cultural heritage good. This benefit estimate can then be compared to the costs of the restoration program in a cost-benefit analysis (CBA). The paper concludes with a discussion of the potential role of CBA in cultural heritage management, and provides recommendations for future applications.

22. Financing of Cultural Organisations in Russia

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In the years of Post-Soviet reforms the budget financing of the organisations of culture and arts was sharply cut in Russia. The decrease of federal expenditures was compensated for by the formation of the multichannel system of financing. The organisation of culture are permitted to be engaged besides their main occupation in some other forms of business activities (renting of unusable rooms, acquisition of shares, bonds and other stocks, etc.). To attract additional financial resources for the development of culture the special system of tax benefits is introduced for individual and private corporations, that channel their funds to the state-funded museums, libraries, philharmonics, circuses and zoos. Furthermore, the mentioned cultural organisations and municipal ones are released from income taxes on their basic activity, as well as from land and property taxes and VAT. Nevertheless, in spite of the adoption of the wide range of laws, which regulate economic activity in this sphere, their use does not stimulate development of culture but rather restrain it. It occurs due to reasons, the main of which, in our opinion, is excessively detailed regulation of expenditures, which limits the opportunities of the effective use not only of budgetary but also of its own earned income and private donations. Further on, income tax free law for non-profit organisation does not apply in the independent organisation in the cultural sphere. Private and individual donations, given to these organisations are also taxed. As a result, the development of private non-profit cultural organisation is restrained. Its share in the total number of cultural organisation does not exceed 5%, which is considerably less than its proportion in the countries with the developed market economy.

23. Strategic Pricing in the Nonprofit Arts: A Case Study of Orchestra Behavior

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This paper explores strategic interaction among nonprofit orchestral organizations, drawing from the work of Throsby (1994), Liu and Weinberg (2001), and the vast literature on strategy among firms. Three different models are tested and compared: (a) Profit maximization—do nonprofit orchestras behave like for-profit firms? (b) Revenue maximization—given the preponderance of fixed and sunk costs, do orchestras seek to maximize revenues in strategic interaction? (c) Attendance maximization—given their nonprofit missions, do orchestras seek to maximize attendance in strategic interaction? The interaction is modeled as a simultaneous game, with reaction functions derived for each of the bulleted models above. Empirical tests utilize several years of attendance, pricing, and programming data, plus environmental information, for the two major professional orchestras in a single metropolitan area. A comparison test is applied to a nonstrategic situation, namely a professional orchestra in a medium-sized market area.


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At the beginning of the new millennium the media sector is characterized, throughout the world, by a high degree of dynamism and complexity. Development is driven by the new technologies for data storage, data transfer and data reception. Above all, the possibility of digitization, which means the transfer of data of the most varied kind via a single universal network, and powerful data compression, are giving rise to new variants of communication. Alongside the classic “broadcast media” of print, television and radio, with their widely-disseminated output directed at a dispersed public and a predominantly one-sided flow of communication, “narrowcast media” capable of being individualized are coming into being. The new media of the Internet and digital broadcasting offer the recipient tailor-made, personalized information and entertainment. The direct and interactive form of communication gives advertisers new ways to attract the attention of recipients. Technological development is accelerating not only the differentiation of distribution channels, but at the same time also the convergence of the media, information technology and telecommunication sectors. Hitherto independent distribution media such as television or newspapers may be superseded by the Internet and the PC. For the media companies these developments represent both opportunity and risk. On the one hand the convergence is creating new possibilities of exploiting content. The acceptance of the new distribution channels, and the pace at which they are adopted, indeed depend quite decisively on the content offered. On the other hand, individualizable information resources, continuously available and accessible everywhere, are opening up the traditional media markets to new competitors and give rise to substitute products. This is also changing the negotiating power of suppliers and customers in the media markets. The intensity of competition is increasing. The intention of our paper is to analyse how the world’s largest media companies are handling these challenges. Our investigation concentrates on the six companies in the global media market which currently have the highest turnover and are by far the most decisive players, namely AOL Time Warner, Walt Disney, Vivendi Universal, Viacom, Bertelsmann and News Corporation. For these companies we give an overview of their current strategic approach, explain the strategic pattern identified in theoretical terms and, finally, we assess the prospects for success of the strategic approach adopted.

25. Incomplete Information and Experimentation in Arts: A Game Theory Approach

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In this paper we take an incomplete - information game approach to study the rational choice of an artist about the content of experimentation of her work, and the choice of a private profit-seeking financier about the financing of arts projects. We assume that all agents, artists and private financiers, are rational, in the sense that they aim at their own maximum individual expected utility. Moreover, we assume that two types of artist exist: the artist with a high propensity to experiment, i.e., the innovative artist, who mainly cares of her non-pecuniary returns, and the artist with a low (or nil) propensity to experiment, i.e., the conservative artist, who mainly cares of her pecuniary returns. We assume that a conservative production gives a positive pecuniary profit for financier, whereas an experimental production gives negative profit. The private profit-seeking financier has to decide whether to give money or not to an artist, whose propensity to experimentation is not directly observable. We consider the repeated game under incomplete information, and find the Bayes-perfect Nash equilibrium. We show that the size of innovators in artists' population has opposite effects on the occurrence of experimentation in arts. On the one side, the larger is the fraction of innovative artists, the more convenient is for an innovative artist to experiment; on the other side, the larger is the fraction of innovative artists, the lower is the expected pecuniary profit for the financier, and hence the more difficult to obtain funds for the artist. Thus, the presence of conservative artists is a necessary condition to guarantee the possibility of private financing for arts, and experimentation in arts can take place thanks to the market mechanism even without public intervention.

26. Paying the Piper, Calling the Tune:
A Transaction Cost Politics Analysis of the National Endowment for the Arts

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The field of cultural economics has devoted substantial attention to the positive and normative analysis of the willingness of citizens to fund art through the public sector. But there has been little economic analysis of the efficiency properties of the various possible methods of organizing public funding of the arts. Recent work on transaction cost models of organizations and politics can be fruitfully applied to the study of publicly funded arts agencies. In particular, the brief history of the National Endowment for the Arts (NEA) provides a vivid illustration of the problem of optimal degrees of political monitoring and statutory control of agencies. The special features of the art world, with an elite group of people with specialized knowledge about contemporary art, yet no clear sense of mission as to the purpose of publicly funded art, and a rapid change over the past four decades in what artists actually do, have led to changes in the statutory control of the NEA and in the way it is monitored. Examples include the changes in the composition of the National Council on the Arts, the end of grants to individual artists (with the exception of writers), and proportionately large changes in the NEA’s budget allocation. This paper uses a transaction cost approach to link the changes in the art world and the changes in the oversight and procedures of the NEA.

27. Arts policy in New York City after 9/11

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The American model of financial support for most not-for-profit arts-producing organizationsBheavy reliance on earned income and private giving, modest reliance on grants from subnational governments and virtually no reliance on central government financeBhas been surprisingly effective in the face of cyclical economic fluctuations for the past thirty years. There has been almost no correlation between the short-term movements in the economy and private giving or earned income. The experience in New York City since the attack on September 11, 2001 suggests that this model may be more fragile than had been assumed. Virtually all museums and performing arts venues have
experienced very large, and continuing, declines in income from admissions charges. The declines will not be overcome soon, in part because of price reductions designed to stimulate attendance and perhaps because of the economic decline (especially in the tourist industry, recently very important in the New York economy). Although many have responded with emergency fund-raising efforts, those efforts compete with the very large-scale fund-raising by organizations that are major participants in funding losses suffered by victims of the September 11 attack, and do not appear to have been successful. The onset of the recession and its aggravation by the September 11 attack has had an additional negative effect. The tax revenues of both New York City and New York State are declining sharply, while expenditure caused by the emergency has increased greatly. That threatens state government support for the arts (which is relatively minor) and city government support for major institutions which is much more important. Moreover, a number of major institutions had announced before the attacks plans for very large physical expansions, to which a considerable amount of city government money had been committed; that money will not be forthcoming. The paper will discuss not only this background, but also the policy alternatives that are reasonably consistent with American concepts of culture in civil society.

28. Cultural Goods Production, Cultural Capital Formation and the Provision of Cultural Services

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"Culture" is considered here as a dynamic process based on a stock of cultural goods like cultural heritage artifacts, works of art, literature or music. This stock is enlarged (net of depreciation) by a flow of new cultural goods created by individuals who are both creators and consumers of culture and derive utility from creating cultural goods. The stock of (inherited) cultural goods is used to provide cultural services for consumption such as exhibitions in art galleries or museums, live performances of music, opera and drama etc. But the size of the flow of cultural services depends on both production costs and demand rather than being mechanically determined by the size of the stock of cultural goods. In addition to cultural goods and cultural services our model contains a third category of cultural "products" called cultural capital. Following Becker (1998) cultural capital is considered a special kind of social capital in the sense of Coleman (1990). Technically, cultural capital is a public good that is accumulated through the aggregate consumption of cultural services (net of depreciation). Intuitively, cultural capital is an indicator of how high culture ranks in a society. The (inherited) stock of cultural goods, may be large or small, is a "dead asset" (e.g. the Chinese terracotta army before its (re)discovery) unless it is vitalized through the provision of cultural services. Ultimately, the benefits of "culture" accrue to society through its cultural capital. It is assumed to be positively valued by all members of society and it stimulates the productivity (and creativity) of generating new cultural goods. In the real world, important subsets of cultural goods and/or cultural services can be identified that are, either, public goods or private goods. The implications of our model are shown to differ considerably with these goods being private or public. In the no-policy market economy, individuals tend to ignore the positive external effects of their cultural services consumption on other individuals via augmenting cultural capital. As a result, the consumption of cultural services will be reduced and, consequently, less cultural capital will be accumulated, and cultural goods will be underprovided. The efficient allocation can be restored by an appropriate subsidy on cultural services that stimulates the consumers’ demand for cultural services, promotes the accumulation of cultural capital, and increases the rate of producing new cultural goods.

29. Cultural Industry in Crisis: A Case Study of Artistic Organizations Post September 11th

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The relationships between culture and the city’s economy were made evident with the recent terrorist attack on the World Trade Center on September 11th, 2001. The economy was devastated when thousands of tourists cancelled their plans to visit New York, and enjoy the countless cultural and performing arts events. Artistic organizations suffered severely as their sources of income were drastically reduced by audience and show cancellations, a decline of private donations and government funding. The resulting deterioration of New York’s economy with continued layoffs presents an even more threatening future for many artistic organizations especially for the not-for-profit smaller organizations, and individual artists who have little or no resources from their Board or Endowments.

This paper reviews the immediate and short-term outcomes that befell the artistic organizations given this unprecedented terrorist attack. Data analysis is presented on the important role the arts play in the economy of the city, and the specific economic losses they suffered. Several reports are reviewed and include studies by the Alliance for the Arts, The New York Arts Coalition, the CIG Group of The Department of Cultural Affairs, the Alliance for Resident Theatres, and the New York Foundation for the Arts.

In reviewing the immediate and short-term economic fall-out from 9/11, support is given to the importance of the cultural economy, and the need for private and public funding in support of the arts in the future. In addition, it appears that a local audience base (rather than an external tourist base), and the size of the organization are crucial in determining the future stability of artistic organizations.

30. Product Creativity, Management Creativity and Institutional Creativity: The Creation of a New Market, the Market of Champagne Wine.

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The paper focuses on the invention of a new market, the market of Champagne wine. Initially, the Champagne wine was one of the numerous white effervescent wines and was sold on their market. It was not a special wine and it had many substitutes, often of equal or better quality. By the means of a spectacular historical process of creativity, the Champagne industry succeeds in segmenting the old market in two strongly separated compartments, the Champagne market and the market of all others white effervescent wines. The creative process has included product creativity, managerial creativity and institutional creativity. The paper studies the links among these three forms of creativity, using analytical categories of creativity and heritage and methodological approach of evolutionary games. The first section distinguishes the two market’s models of white effervescent wines, the old, with no specificity of Champagne, and the new, with the segmentation. The second section is on institutional creativity: the invention of a new legal system for the product protection, the protection of geographical indication system (French AOC system), with a new assignment of property rights. The third focuses on links between institutional and managerial creativity. The AOC system is the mean of select a new wine strategy based on high quality output. The fourth section inserts the notion of cultural and legal heritage as a theoretical key to understand the industry development path. So, Champagne wine is not only a natural and physical product, it is a cultural product, which statute has been highly dependent of a creative process of innovation.


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The aim of this paper is to investigate the microfoundations of human creativity and to compare its applications in the processes of innovation in economics and in those of the production of artistic music-based goods. Following some relevant contributions of the psychoneurobiological literature in explaining learning, decision making and the process of acquisition of knowledge, the author proposes a cognitive model to give account for the nature and role of creativity. To reach such a goal, the paper proposes to unify Simon’s and Hayek’s contributions on the relevance of
perception and more generally of mental mechanisms in understanding economic change and to extend this unified
analysis to creativity. Finally, in the light of such a cognitive approach, a concrete example is offered in
understanding learning by consuming, a relevant phenomenon affecting demand side on markets of music.

32. The Economics of Creativity in the Fashion Economy

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The aim of the paper is to define the economic concept of creativity, differentiating it from the notion of innovation.
The fashion economy is the main reference. The paper is divided into three parts. In the first part the economic,
psychological and sociological literature on creativity is critically discussed, showing a shifting in the meaning of
creativity from the idea of the lonely genius, to the creativity as problem-solving, and to the neurological discoveries
about the relation between mind and brain, emotions and economic rationality. The second part deals with the
creativity as a process. The creation of the prêt-à-porter and its relation with the Haute Couture will be analyzed. The
third part of the paper examines two models of creativity: the creativity embedded into the objects and the creativity in
the organizations and the managerial process. The conclusions will shed some light on the dynamic of the creative
process with reference to the intergenerational change in the France fashion industry.

33. Development of the Cultural Sector in Russia.

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The cultural sector, a traditional sector in Russia, had significant changes in 1980-1990ss. In the Soviet time in Russia
all cultural organizations belonged to the state, but in the end of 1990s the number of nonprofit cultural organizations
was about fifty per cent of all cultural institutions in Russia. It signals the growing popularity of the nonprofit
organizations in the Russian cultural sector. The analysis of development of the cultural sector in Russia is based on
the research of demand and supply of cultural goods (on the example of museums, theaters, cinemas and libraries), as
well as the investigation of the state regulation in the cultural sector. The results of the research have showed the
opposite directions in development of the cultural sector in Russia and developed countries. First, in Russia the
demand on the cultural goods (evaluated on customer expenditures on cultural goods and number of visitors in
cultural organizations) significantly decreased, while in the developed countries it considerably increased. Second, in
Russia the supply of cultural goods (evaluated on the number of cultural organizations, their services produced, etc.)
fell down on the whole in spite of growing number of some nonprofit cultural organizations, while this supply in the
developed countries rose. As a result, the Russian market of cultural goods is characterized by the serious
disproportions between the demand and supply of cultural goods, i.e. the Russian market of cultural goods is not in
the equilibrium. Third, in Russia the decentralization of the state’s management in cultural sector became very actual,
as well as the cut of budget subsidies for cultural institutions. In the developed countries on the contrary the
centralization of the state’s management in the cultural sector took place that resulted in the organization of new
Ministries and the increase of government subsidies for cultural organizations. Thus, the results of the research have
indicated on the crisis of the cultural sector in Russia. To solve these problems is necessary to develop and apply the
special forms of supports of the Russian cultural sector, taking into account the specific aspects of cultural
organizations’ activities.

34. Choices of Programme and Network of French Public Theatres

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My question deals with the influence of the status of French public theatres on the choices of their programmes. The highest prestige is granted to directors who also manage a theatrical institution as for the national theatres, national or regional dramatic centres. The regional theatres (“scènes nationales”) have lower status whereas their manager is the programmer but, usually, not a director. I propose to evaluate the weight of the different categories of authors and directors in their programme. I use data from 1995 to 1997 that I collected myself.

1) Programmers and categories of repertory
I divided the repertoire into four categories: “classics” whose author died before the twentieth century;
plays written before 1980 by an author who died in the twentieth century;
plays written in French by an author who is still alive and those written in French by an author now dead, but published after 1980;
plays written in a foreign language by an author belonging to the contemporary category.
The paying attendance of the French theatrical institutions dropped from 1995 to 1997. The increased risk of production encouraged the directors managing national theatres and dramatic centres to increase the weight of “classics” in their programme. On contrary, the managers of regional theatres, who do not produce shows, programmed more contemporary authors. However, spectators’ risk aversion raised in all the public theatres with a greater preference for “classics”.

2) Programmers and networks of directors
According to Podolny’s hypothesis, the greater the uncertainty about quality, the more likely organisations will engage in transactions with those of similar status. It follows that each programmer tends to rely on the directors' status to infer the quality of their shows. Each programmer tends also to discover that his or her own status is contingent on the status of his or her affiliates. The directors who are managers should play an essential part in the network of public theatres.

In order to test this hypothesis, I constructed for each year a matrix of performances produced by each theatrical institution and presented by others. The density is rather low. If the matrix is reduced to the most active public theatres, multidimensional scaling shows that the groups of institutions, which are very close in their selection of directors, are few and unstable. Therefore, the network of public theatres is like a hierarchical world that is loose and without great segmentation. This observation does not match Podolny’s hypothesis but we need an additional analysis of the theatre troupes shows that the theatrical institutions programmed according to their respective status (the work is here still in progress).

35. Cultural Industry Quarters. From Pre-industrial to Post-industrial Production

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The paper explores the phenomenon of cultural production in Marshallian districts from pre-industrial artist and crafts-based communities and guilds, to contemporary cultural industries quarters in so-called post-industrial cities. Factors that lead to this concentration and proximity include production chain effects, cross-trading and a rediscovery of live-work facilities and the managed workspace within former industrial zones and buildings. Lifestyle and other synergies are also emerging as counterfactual pull-factors in clusters of firms in both traditional (“pre-industrial”) arts and in new media services (Pratt 1998). How far these new modes of production encourage or diminish innovation and creativity is a key question considered here (Foord 1999), whilst the changing nature of cultural production is assessed as new forms of arts and media replace old crafts, and the profile of artists/creative workers and cultural producers inevitably changes. This also looks to historical assessments of the role and impact of cultural milieu in the heyday of cultural cities (Hall 1998), as celebrated in major exhibitions (e.g. Century City, Arts & Culture in the Modern Metropolis, Tate Modern, 2000; Creative Quarters: the art world in London 1700-2000, Museum of London; Paris Capital of the Arts 1900-1968, RA, 2002), to current urban regeneration strategies from Sheffield to Singapore, which seek to identify and support the creation of cultural quarters and the economic advantages of a
critical mass of activities - both consumption and production-based (Verwijnen and Lehtovuori 1999). Recent evidence from these cultural cities (e.g. New York - Scott 2000) also suggests that post-Fordist dispersal of specialist production to new areas and ‘second’ cities is a trend in some sectors such as music and publishing. A micro-level analysis based on primary research of cultural producers and land-use, is then presented based on an established cultural industries quarter in London - the area of Clerkenwell on the city fringe - host to crafts and cultural production for over 300 years, and new media and design services and residual crafts/designer-making today. This longitudinal study will map the changing land-use/premises occupation and artist/cultural industry typologies over the last 25 years, within cultural, urban and economic development policy regimes. The impact of successive property development and change-of-use cycles is assessed, drawing on comparative gentrification and cultural quarter developments in other UK, Continental and North American cities (e.g. SoHo, New York; Berlin, Paris), and the distributive effects of loft-living and other lifestyle movements on these industrial quarters. This includes the effects on rental and change-of-use of workshop/studio premises, both in terms of economic and employment activity, and the structural changes within cultural production itself (e.g. print & publishing, design). Finally, economic and place-making linkages between cultural industry and cultural quarters based on retail, street markets and visitor/tourist activity are explored in this and other cases, in terms of the commodification of the physical and symbolic economy (Zukin). The paper concludes with a discussion of the sustainability of such quarters both in economic and creative terms and their role in competitive city and regeneration strategies which seek to replicate the cultural industry quarter model (Evans 2001, Evans and Foord 2000).

36. Cultural Policy and Globalisation in India. Emerging Issues

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India constituting 28 States and 7 Union territories is a nation of many distinct characteristics. Its geographical, historical, regional and even ecological diversities are well known. These dimensions have contributed to the diversity of the Indian people. Those are reflected in languages (numbering 93 corresponding to about 1652 dialects), social practices with regard to values, customs and religions, co-existing different endogenous caste groups (more than 3000) and 400 tribal communities and their living styles, architecture, handicrafts, regional production and consumption patterns etc. All these diversities have contributed in creating a vast scale of art forms and cultural creations. Given this bewildering diversity, and its historical depth, and dynamics of interconnections, it is extremely important to evaluate the government approach towards culture, and the impact of globalisation policies particularly when the government (both at the central and State levels) is undergoing a “fiscal retreat” and passing through a kind of fiscal crisis. These issues would be the focus of this paper. The general approach followed in this paper would be both theoretical and empirical. At the theoretical level, this paper would bring out: (a) a broad review of the specific features of the Indian culture in historical perspective, and its future role in the economy, (b) how the culture would be impacted by policies used to expedite the process of globalisation, privatisation and liberalisation, and (c) the important contours of cultural policy as followed by the government before and after independence (achieved in 1947). The theoretical approach particularly used to evaluate the government policy is supplemented by undertaking an empirical analysis of: (a) the financial allocations made by the Central government during 1985-86 to 2000-01, and their inter-relationship with other socio-economic variables like income, population and literacy etc., (b) expenditures incurred by State governments, and (b) the pattern of spending of the Central government on different art and cultural activities. Our preliminary results show that India’s culture in spite of being rich and having the potential of playing an important future role in the Indian society remains to a large extent in the hands of the “state” as for as its awareness, promotion and preservation is concerned. It is likely to be adversely affected during the globalisation period given the impending fiscal crisis. Even policies of the “state” lacks focus and vision both at the Centre and state levels. As a result, the art and cultural sector in India would witness difficult times in the future.

37. Causality and Museum Subsidies

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Despite the fact that many museums receive significant sums through public subsidies and private donations little if anything is known about the factors that influence changes in the size of the grants and donations received. A number of economists have nevertheless tried to explain the noted reluctance of museum curators to charge for admission in terms of the ‘zero additionality’ hypothesis; a belief that any additional revenues from charging would lead to a corresponding reduction in grants and subsidies. A similar argument is also used to explain why museums do not seek to lend out or sell the many unseen items that they possess in their vaults. Using panel data for national museums in the United Kingdom this paper tests the hypothesis that changes in revenues from admission charging and revenues from all sources ‘granger cause’ offsetting changes in grants from central Government. It is found that increases in revenues raised through admission charging do indeed reduce Government grants but not by so much as to completely nullify the effect of revenue increases. Conversely increases in revenue from sources other than from admission charges does not seem to granger cause changes in Government grants.

38. Valuing Congestion Costs in the British Museum

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Museums are potentially congestible resources because the exhibits they contain are, in any relevant sense of the word, irreproducible. Insofar as visitor congestion diminishes the value of individuals’ visits it constitutes an additional reason for charging for admission to museums, albeit one not previously considered. A policy of free access to a museum containing unique treasures may dissipate the economic benefits of the museum. Within the context of an empirical study undertaken using valuation techniques it is shown that the congestion cost posed by the marginal visitor to the British Museum is £8.05. It furthermore appears that highly educated and elderly visitors value more highly the congestion cost imposed by the marginal visitor. Insofar as congestion is a widespread phenomenon in important museums and galleries the issues raised in this paper as well as the methodology devised to determine congestion costs could have widespread application.

39. The Alto Douro Wine Region World Heritage Site. A Double Public Good Perspective

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In December 2001, the Alto Douro Wine Region (ADW) was included by UNESCO in its list of World Heritage sites as an evolving and living landscape. The 24,600 ha of the ADW was considered the most representative part of the much larger (250,000 ha) Douro Demarcated Wine Region, which dates back to 1756 and is the oldest such region in the world. The cultural landscape of the ADW is essentially community property, consisting of vineyards, railways, roads, dams, and items of religious and artistic heritage. However, the various elements that make up the overall landscape are generally under the private ownership of a great of many individuals (FRAH, 2000). Vineyard ownership
is spread – albeit unevenly – among a multitude of producers, namely individual small and medium scale farmers, as well as the larger Portuguese and British specialist port wine enterprises and, increasingly, transnational beverage and agri-food companies who own many of the principal estates (quintas) of the Douro Valley. The valley’s railway and roads, as well as the four dams on the Douro River, all belong to the State, which manages them directly through local public entities or indirectly through specialist companies. The architectural and artistic heritage mainly belongs to private individuals, but also to parishes, religious brotherhoods and local churches. “In conclusion it is the farmers and winemakers who own the great majority of the assets that make up the ADW” (FRAH, 2000:53). Despite the predominantly private nature of ownership, the ADW heritage site nevertheless satisfies almost all the conditions to be considered a public good, in the sense that it is available for all to enjoy and nobody is prevented from partaking of it. The principal objective of this paper is to analyse the equilibrium welfare conditions relating to the ADW, using the double public good model of Sable and Kling (2001). In line with the model’s requirements, the ADW fulfils two key requirements: it preserves a (public) cultural good, while making it accessible to private households. Furthermore, while consumption remains private in the general sense of the term, public activities may be necessary to ensure private access to the public good in question.

40. The Art of Tracking Prices: One Thousand Indexes and Growing

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1. What is Art Market Research? Since 1978, Art Market Research has been creating a range of indexes which now include all of the major art, antiques and collectibles markets.

2. Why have the indexes been created? Art, Antiques and Collectibles constitute a major asset class in every country in the world. In 1978 indexes were often published by dealers and others who needed to see a strong growth trend. There were no objective measures of the performance of each market. Art Market Research has created over 1000 indexes covering the markets for Painting, Prints, Photography, Sculpture, Furniture, Silver, Ceramics, Books, Clocks & Watches, Stamps, Coins and many other collectibles.

The artmarketresearch.com website allows users to select the parameters for any index in terms of market segment, currency, start date, adjustment for inflation etc and every index is created within a few seconds. [At this point in the paper, I would hope to be able to demonstrate the range and versatility of the service on a large screen visible to all delegates.]

3. What methodology is used? - Brief explanation of the two methodologies, which are used in preference to hedonic regression, geometric means and repeat sales regression methodologies. [A manual for both methodologies written by Dr B. Blight of the London School of Economics would be included in the documentation]

4. Who uses the indexes? Explain why the Indexes are used by salerooms, Tax Authorities, insurance companies, art advisors and numerous art and financial publications.

5. Analysis of market forces that created the sharp rise and later collapse of art prices in the 1988 to 1992 period. Consider other bubble periods and the time required for recovery. Differentiate between national and international markets. Consider correlation between national art markets and national stock markets. And between international art markets, e.g. French Impressionists and Modern European Painting, and the Dow Jones Index and World Stock Market Index.

6. Motivations of Buyers. Expression of personal taste and judgement. Openly acknowledged financial objectives. Proliferation of ‘closet’ investors – and those who consciously or unconsciously assume prices will rise but would see this as an incidental factor. Analyse the take-up by investors in the recently launched The Fine Art Fund.

41. Mergers &Acquisitions in Media Industries: A Preliminary Study of the Impact on Performance

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For two decades, M&A became Media firms’ most preferred strategic tool. Of course, this frenzy in mergers and acquisitions may be justified in several ways. M&A deals may allow firms to satisfy to stock-markets requirements.
They may create market power. Eventually, M&A deals may also, as always claimed by analysts and managers, generate a greater economic efficiency especially through size effects (scale and scope economies and other synergies). However, it seems that hopes set on these synergies are rather disappointed. Indeed, our exploratory research shows that there is no positive relation between, on the one hand, the firm’s size and the simultaneous presence in many business of Media industries, and, on the other hand, the economic performance. The existence of scale and scope economies, or at least the ability of firms to implement them, has still to be proved. Inversely, the internationalisation rate of firms, especially for non-US firms, and their level of focus on Media industries both appear as positively correlated with economic performance.

42. The Evolving Economics of Opera over Four Centuries

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This paper will assemble data from Italy, France, Germany, England and the USA to explore changes in the cost of producing opera and its methods of financing over its 400-year history. This will permit an examination of the Baumol-Bowen hypothesis that costs of production would be expected to rise compared with the general price level. It will then discuss the extent to which such a relative cost increase can be attributed to a general rise in the cost of labor relative to prices of other inputs, to a rise in the cost of performers relative to the wage of other types of labor, and/or to a rise in the fees of superstars relative to other performers. It will also examine whether there is evidence that there has been offsetting labor-saving innovation, such as a decline in the average numbers of performers required or a shift towards less scarce talent, advances in theatrical technology, or changing patterns of performance, such as longer production runs, or more intensive use of opera houses. The discussion of financing will consider changes in the level of admission charges in relation to the general price level, and the proportion of costs that are covered by the box office, by private patronage and other donations, and by government subsidies, both direct and through

43. Public Library Valuation

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The paper presents some results from a contingent valuation study of public libraries in Norway. The literature of reported CV studies of cultural goods is small but growing, and our study appears to be the first using this method for a national population sample’s valuation of public libraries. The study elicit how and why the citizens, both library users and non-users, value their public libraries. Methodological aspects of the study are: i) applying two different elicitation formats recently developed in environmental economics on a cultural good, ii) using both these formats to estimate the same good, iii) detecting response uncertainty and error, iv) developing a procedure for differentiating possible and actual protest bids, and v) using a split study design, eliciting the respondents valuation based on WTA for half of the sample and WTP for the other half, due to the property rights issue. The study shows that an overwhelming majority of the Norwegian population perceive they have property rights to public library benefits. The survey was administered by a professional opinion company. A random sample of 999 citizens were interviewed in their homes as representatives of their households. The library valuation questionnaire was followed by sections of debriefing questions to the respondent and interviewer in addition to questions of library use or non-use and attitudes towards libraries, as well as socio-economic and demographic information. Significant explanatory factors for positive or zero WTP bids were in binary logit regression analyses found to be the same, but directly opposite. A respondent giving a positive bid is likely to be a library user with short distance to the local library who finds the payment vehicle – additional annual local taxes – fair, whereas a respondent giving a zero bid has the opposite characteristics and is likely to be a non-user living far from the library and viewing the payment vehicle as unfair. For explaining a WTP protest bid, however, neither library use nor distance are significant, but a protest respondent more often finds the payment vehicle unfair and in addition did not visit the library as a child. Several different measures of average valuation of public libraries are derived, all of which are higher than average costs.
Culture is a multidimensional concept. It can be defined by various and heterogeneous perspectives. Cultural economists have seldom tried to elaborate an appropriate definition of culture. Rather, they have either ignored the problem, assessing such a definition are a meta-economic issue, and must remain out of the economists’ horizon; or they have intruded into an extremely dangerous field, in the attempt of deriving a somehow objective description of something that, by its very nature, is subjective both in space and time. The two extremes between which this paper moves are the “direct democracy” definition by Bruno Frey (“culture is what people think it is”), and the “dictatorial” definition by Aldo Spranzi, according to whom the economist is the only technician able to evaluate the possibilities of success of any cultural product. What matters for the economist is nor the mere acceptation of value judgements that are certainly influenced by contingent factors, neither the power of deciding what culture is and ought to be. The paper proposes a reconstruction of the criteria and evaluations used by each individual in order to conclude that some product has (or not) cultural characteristics. This is not simply a binary decision (it is cultural vs. it is not cultural), but also the observation of what “degree” of culture can be present in some product. The cultural sector is in continuous expansion, this implies that such a degree is increasing in the perception of a growing number of individuals. The content, the cognitive role, and the transmission process of any cultural product will be examined, in order to verify the rationale of its possible acceptation by some individual, while some other rejects it. Many possible example will be analyzed, showing that the definition proposed is necessary in order for the economist to evaluate the cognitive reaction of individuals to cultural products, and it is sufficient for our purposes without invading any of the other disciplines’ territories.

In the past few years the discourse on cultural economics has changed dramatically. Since the 60ies cultural economics focused on “high” art. According to the concept of the artist of that time artists seemed to either starve or to live in unbelievable luxury. Nowadays these two stereotypes of artists are still in service, but an additional species was born: the creative entrepreneur. Independent from public subsidies, she is able to combine the production of art with economic success. Other contemporary artistic developments fit neither in the old nor in the new framework. What could be done about them? How could artistic tendencies, like e.g. Public Art be integrated in the concepts of Cultural Economics? With the help of the example of contemporary Public Art in Austria this paper intents to discuss the different possibilities how to handle art which does not produce any longer saleable cultural/artistic goods. Are there economic categories fitting this kind of art? Can it be understood as a commodity or a service, or is it neither?

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This paper is the outcome of intensive and fruitful discussions at the Institute of Cultural Management and Cultural Studies of the University of Music and Performing Arts in Vienna. It aims to lay the foundations for a new scientific focus called ‘Cultural Institutions Studies’ (a translation of the German term ‘Kulturbetriebslehre’). Cultural Institution Studies attempts to synthesize those sub-fields of Cultural Studies and Economic Sciences that are occupied with the production, distribution, and transmission of cultural goods and services. The German term ‘Kulturbetrieb’ is equivocal. It simultaneously describes the cultural sector as a sociological phenomenon and is used to circumscribe cultural organization units. Therefore, the ‘Kulturbetriebslehre’ (Cultural Institutions Studies) is occupied with the following issues: (1) The formation of cultural goods as symbolic entities and their transformation into cultural commodities (i.e. the phenomenon of “commodification”); (2) The analysis of institutional frames that constitute, pre-structure, and regulate the formation of cultural goods and services; (3) The examination of the specific characteristics of cultural institutions as organizational settings; (4) The social organization of cultural work and other cultural activities (e.g. consumption). The Cultural Institutions Studies thus constitutes a field of research that differs from current concepts of cultural management as well as from the mainstream of cultural economics. In order to justify the development of such a new focus, the concepts of cultural management and cultural economics are roughly outlined, and their main shortcomings are discussed in the paper’s first section. In light of this critical analysis, a possible starting point for Cultural Institutions Studies is highlighted, and its conceptual framework is developed. In the conclusion further epistemological perspectives are discussed. Cultural Institutions Studies is in an early conceptual stage and development. Therefore, its practitioners at the Institute of Cultural Management and Cultural Sciences hope to stir up a constructive and fruitful discussion about its substantive and methodological implications. We are convinced that the 12th Biennial Conference of the Association of Cultural Economics International (ACEI) would provide the best ground for such a discourse.

47. The Values of Cultural Goods

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This paper attempts a broader conception of goods and, consequently, of cultural goods. It discusses the various values that are involved and argues that values are realized in different spheres. The discussion includes applications to the fields of the arts and creative industries.

48. Arts in the Making as an Object of Consumption

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In the general case arts and cultural goods are consumed once they have reached their final stage. No one should be interested in an unfinished painting or in an unfinished opera. What comes before completion should be of little interest for the final consumer. However, if this were the case, there would be hardly any difference between an ordinary and a cultural good. Surely no one, except engineers, is interested in the production process of computers or watches. But many could be interested in the way paintings are painted or operas are produced. This means that cultural goods may provide satisfaction both as finished goods and as processes eventually leading to a final output. The production of arts and cultural goods, therefore, generates another interesting externality. As well as being beneficial to final consumers once they are completed, they also benefit those who happen to witness the making of a work of art or even contribute to the production of a cultural good. It is usually fascinating watching a statue emerging from rough matter or a painting taking shape on white canvas or a famous work of art being restored. Similarly, people are very intrigued by what takes place in the backstage of opera or concert productions and sometimes even look for jobs that let them watch singers or musicians rehearsing. There are two main reasons for this interest. On the one hand, consumers may want to learn how to paint or how to produce an opera; on the other, consumers may find backstage happenings interesting in their own sake. Many examples exist of this particular interest. Nowadays most of them come from the Internet. An interesting example is provided by the ‘Moses Project’. A web site shows live the works for the restoration of Michelangelo’s Moses and of the Julius II complex in the Roman Church of S. Pietro in Vincoli. The site allows viewers to follow closely all the works for the restoration, without moving from their home or without having to climb scaffoldings. The great interest in this site shows how important can be for art consumers what comes before the final production or the final restoration of a work of art. Another example is provided by a web site on the works of Renaissance architects from Brunelleschi to Leonardo. The site shows all the technical problems which the architects had to face at the time while working on their projects. Machine models and drawings are shown, making the viewer perceive the real importance of the problems. Special software set the machines in their original context – in the dome of S. Maria del Fiore in Florence, for example - so that viewers can follow the various stages of the construction of the building. The object of this paper is to investigate the economics of this particular kind of consumption. A work of art or a cultural good can be appreciated not only when they reach their final shape, but also while they are being made. Since this is true not only for teaching purposes, an interesting problem arises as to what is the nature of this good and how it relates with other forms of art and cultural consumption. The literature usually distinguishes between the utility of an end product and the utility of the process leading to that product. One may hate preparing a meal but enjoy the result or, conversely, enjoy preparing a meal but hate the result. Once this distinction is made, interesting implications emerge as to the behaviour of art consumers, as to the price of art and cultural goods and as to the public policies in the field of arts and culture.

49. Why Are Artists Poor?

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The economy of the arts is exceptional, or rather: it is relatively exceptional. One important characteristic that makes the economy of the arts differ from economies in other sectors is, what Throsby has called, ‘the work-preference of artists’. When fine artists (to be called ‘artists’ in this paper) receive more money, they do not use it to work fewer hours in the arts in order to have more leisure time, but instead they use it to work more hours. Evidently the advantages of working more hours in the arts offset the advantages of more leisure time. This relative anomaly has far reaching consequences for the economy of the arts. It implies that the low average incomes in the arts are largely structural and that subsidies intended to raise income tend to be futile and can easily be contra productive. At the same time it raises questions about the interpretation of low incomes and the professional status of artists: are artists as bad off as they appear to be? Or should a majority of artists be regarded as happy consumers instead of as miserable producers? The paper examines the above reasoning and tries to find an answer to the questions. Because the tune of the paper is sooner positive than normative the paper could fit in well in a session on ‘Incomes of artists’, or a related subject. But if necessary, it could also be included in a session on policy-issues.
50. Withdrawn

51. Withdrawn

52. Cultural Preferences for Historic Buildings Preservation in Oxford

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The paper summarises a contingent valuation study of willingness to pay for different conservation policies carried out on various historic buildings in Oxford. A random sample of Oxford inhabitants was questioned regarding their willingness to pay for the implementation of cleaning, restoration and preservation strategies. These were illustrated by visual aids showing immediate and future effects of these interventions. It was found that preservation was the preferred option commanding a much higher willingness to pay among the respondents. External tests of scope effects were undertaken by subjecting different number of buildings to the various intervention strategies and by making different assumptions about the future levels of air pollution and hence the appearance of the buildings. Individual willingness to pay increases with the number of buildings and also with the future level of air pollution. These findings suggest that the economic benefits of conservation projects are very sensitive to the characteristics of those projects.

53. Regeneration of De-industrialized Cities and Art/Culture. A Case Study of the Yerba Buena Center Redevelopment Project in San Francisco City

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The purpose of this paper is to analyze the process in the regeneration of de-industrialized cities, based on art/cultural infrastructure. The method is to evaluate the Yerba Buena Center (YBC) redevelopment project, a mixed-use, in San Francisco City, US, as a case study, by examining the economic dynamics and its policy process, and analyzing how cultural-oriented redevelopment project has influenced on the city and its factors. Through this study, the condition of the regeneration of cities is suggested when art/culture can regenerate cities through the cultural-oriented redevelopment project and then cities can sustain their economic situation and amenity. The YBC project had changed from an economic-oriented to a cultural-oriented redevelopment project. The core of the project has been the Center for the Arts (CFTA), a creative alternative cultural institution, leading tourism, art/culture-related industries, and multimedia industry to be active. When the cultural-oriented project implemented and make them active, there were important elements following; Power of avant-garde or young artists living in the redevelopment area and their participation in the policy making process; Mixed-use—provision of low-cost housing for poor people living in the redevelopment area before developing, hotels, and cultural institutions which has function of art/culture education—these make the area reactive through enhancing communication and identity among citizen especially people living in the redevelopment area; The cultural institutions, such as CFTA, SFMOMA and so on surrounded around the redevelopment area, which plays an important role as incubator for tourism, business, education, and young artists; The economic effect of this redevelopment through creating jobs using young artists’ potential abilities and increasing tourists and, the increase of tax revenue—which makes a city sustainable economically; Redevelopment benefit circulation system and layered art/cultural networks (formal informal institutions) has been made up informally—this is based on the sustainability of the area; Finally, these condition influences on the cultural industry in San Francisco City. Therefore, this paper examines and shows the process of the regenerating cities based on the art/culture infrastructure. In addition, remaining problems are suggested.

54. Support Policy of Culture in a Comparative View: Some Lessons from Korean Experience
In this paper, characteristics and its changing process of cultural support policy in Korea were analyzed from a comparative institutional perspective. In the past 30 years, Korea’s cultural support policy has focused, mainly through public support, on construction of cultural hardware and support for cultural producers. But since 1990s Korea’s cultural support policy has been changed dramatically. These included implementation of active promotion policy for culture by local government, introduction of support system for cultural consumers, cultural support activities in earnest by companies, and interest on the economic values of culture. In Korea, cultural support system was mainly oriented on public support and type of state has dramatically changed in the short period, which in turn gave critical influence to cultural support policies. In this paper, types of state were categorized into authoritarian and democratic state based on the extent of democratic participation rights of the citizens and categorized into centralized and decentralized state based on the extent of decentralization (Frey, 1999). In this paper I wish to advance hypothesis as followings. First, between authoritarian rulers there is a larger variance in the quality of arts produced than in democracies. Second, within authoritarian states cultural policy is characterized by a smaller variance with respect to the types of arts supported and produced than are democracies. Third, in more decentralized and democratic states diverse cultural support policies would be implemented.

55. Adam Smith on Cultural Policy: Art and Science in Civil Society

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Adam Smith considered the purpose of education (of gentlemen or men of the world) was to improve the understanding or to mend the heart (WN V.i.f.32). According to his this consideration, he recognized education to be consisted of two pillars, art and science. In this article, first, I want to stress that not only science but also art which is supposed by him to be ‘unproductive’, is a main field of the education. So I want first to examine the way Smith treats with art and culture, that might be called cultural policy, in education which costs much and is unproductive as well. He considered the learning of art and culture, especially music to be important elements in the education of persons who would be valuable contributors to what he called the civil society, though he had some doubt against the authority of Greek philosophers or Montesquieu about the effects of Greek music education in mending their morals (WN V.i.f.40). On the other hand, he clearly thought it natural that music education and study of accomplishments should for a long time have made a part of the public and common education of the people and even recognized the useful function to correct the bad effects of military training and protect the tendency to produce rudeness and ferocity in the manners especially in the youth. ‘Unproductive vs. Useful’ is a crucial point of evaluation concerning Smith’s theory of state and fiscal policy. We should examine carefully in this point to understand the full meaning of his Laissez-Faire Policy and his concept of ‘Invisible Hand’. Second point is that Smith also valued highly the effects of the study and research of art and culture in refining daily life and progressing human happiness and perfection by producing new and relished products in new ways and in satisfying human needs. It is well-known that Smith’s concept of Rich contains both necessaries and conveniences and for this article it is very important that the area or meaning of conveniences are so large and wide that they sometimes include even luxuries (WN V.ii.k.3). For him necessaries are very narrow and little, keeping only the standard of an animal life and man can get them by himself easily. That means we need no cooperation and division of labor and art and culture are unnecessary, either. Art and culture are necessary when we want to satisfy conveniences which come from delicate desires of our spirit and heart, not bodily necessaries. ‘To improve and multiply the materials which are the principal objects of our necessities, gives occasion to all the variety of the art.’ (LJ(B) 208) So to reform the way of production and improve the production craft, even the waste and love of magnificence of the rich are useful, because without them ‘the arts of refinement could never find encouragement, and languish for want of employment.’ (TMS VII.i.4.12) The last point is that with refinement of art and in result products, our tastes and characters change and get sophisticated. This is according to Smith the main engine of social transformation to feudal system to modern and civilized society. (WN III.iv.10, V.i.g.25, V.iii.1)
56. The Future of Fixed Book Prices

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“Books are different.” This is a statement that was first used in support of a fixed book price agreement in the United Kingdom in 1962 (Barker and Davies, 1966). Books are one of the few products in our western market economy for which the use of fixed prices, better known as resale price maintenance, is widely known. Defenders of fixed book prices emphasise that books are not merely economic products, but also a vehicle of culture. Economic characteristics of books include the cost structure with high fixed costs and low marginal costs as well as the fact that a book is an experience good (that can only be valued after consumption). Moreover, books are different in the way that each book has many close, but no perfect substitutes, which makes the market for books a case of monopolistic competition. These characteristics do not, however, apply uniquely to books. Why then, do so many European countries know fixed book prices? The paper will show that fixed book prices could be an effective way to reach cultural political objectives. The objectives are to improve the production of a great number of quality books and the availability of books through an extensive network of booksellers. The paper explains the effects of fixed book prices with the theory of resale price maintenance. The attractiveness of fixed book prices lies in the fact that it enables market players to contribute to the cultural political objectives without any red tape or the risk of government failures. The negative aspects of the instrument relate to the restriction on competition – resulting in higher prices and reduced incentives for efficiency and innovation – and the uncertainty whether publishers and booksellers will use the instrument in favour of cultural goals. Technological developments like Internet and lower costs of printing books make it easier to meet the cultural goals. Considering these developments, the question rises whether in the future there will still be a need for policy instruments such as fixed book prices to reach cultural goals.


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The compact disc and the audio cassette, two everyday international standards introduced on the market by Philips Electronics of the Netherlands, did not become technological standards by chance, or because they used the best available technology. An essential factor was the good grasp Philips had of the economics of standardisation: in the late 1940s it acquired a small Dutch record distributor, which it built into one of the world’s largest record multinationals. This subsidiary—named Polygram—quickly offered a wide variety of software compatible with the new hardware and proved essential to the standards’ success. This paper examines the efforts of Philips and Polygram to set new standards in the consumer electronics and music markets. It uses theory on path dependence and standardisation, as well as increasing returns to examine the process of standardisation. The paper argues that software was essential in Philips’ strategy to set new industry standards. This research empirically tests path dependence and the theory of standardisation, and thus gives more insight into the extent to which “the economics of qwerty” can explain the standardisation process. The paper moves towards quantification of the theory by measuring several aspects, such as the differences in life-spans and “stickiness” of standards. Further, the paper will contribute to the economic knowledge about the evolution of the recording industry, and Polygram in particular, which have been little examined. Moreover, this paper shows how innovations in pop music interact with the economic environment and technological innovation. The first part briefly outlines the international expansion strategy of Polygram, from licensing repertoire and technology in the 1940s and 1950s, to creating original repertoire and introducing original technological standards from the 1960s onwards. Polygram obtained the original repertoire by buying a string of European, US and oriental record labels, distributors and music publishers. The second part specifically addresses Philips’ and Polygram’s strategy towards standards. It will analyse how the company co-
ordinated its strategy of introducing new technology across the software and hardware industries. Also the licensing policy and the alliances with other hardware manufacturers will be discussed. The third part closely examines the process of standardisation for the audio cassette (introduced in 1963), and for the compact disc (introduced in 1981). A third subsection analyses the failure of several other standards Philips introduced: the V2000 videotape, the (early) videodisk and the digital compact cassette. Although it falls outside the paper’s scope, the conclusion will (also) briefly and speculatively address the rationale of Polygram’s 1999 merger with Universal Music, and its relevance for the introduction of the Digital Video Disk (DVD). It will suggest that, over time, a learning process, in which more companies became aware of the standardisation game, may have played a role in current standardisation processes.

58. Marketing Films on the Internet

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Film industry presence on the Internet can be seen as a means of distribution or of communication. These two broad areas can themselves be broken down into a number of different activities: webcasting (web-tv), traditional distribution, information, business-to-business marketing, marketing to consumers, direct marketing, etc. Out of this broad spectrum of possibilities, I have chosen to focus my analysis for my proposed topic at the ACEI conference in Rotterdam on the marketing strategies of sites devoted to film news. The study will look at the role of the Internet in the launching of a film and the practices of marketing on the Internet. This study will employ a descriptive approach combined with a critical assessment of these questions, based on systematic observation of four French internet film news sites over a period of six months. Research questions will be designed around the following topics: Selection of films: Which films are on the site? Methods: What form does marketing of films on the internet take? Benefits of innovation: What are the “pluses” of marketing films on the Internet, from a creative and strategic point of view? The data gathered though these studies will enable us to assess the quantitative and qualitative effects of marketing of films on the internet though the use of mono and bivariate statistical analysis. The results will clarify the issue of the completeness of the information available on the internet about the release of films and allows us to understand to what extent the process replicates a traditional economic model or differs from it. The new possibilities offered by the internet for the marketing of films have become a particular focus of interest through the study of both the creative and the strategic aspects, allowing completely new methods for films promotion.

59. Artists’ Career Leveling in the Pricing of the Artworks

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It is known that art investment is very risky and the price development of the artworks is difficult to estimate. The price development of the artworks start from the preliminary market, where the contemporary art is debuted at the first time. Though the prices of the majority of the works will decrease when reselling the piece. How can you identify the ones whose prices are going up? The paper begins with the general discussion of art as an investment with the definitions of investment in artworks and difficulties of making research in this field. In order to clear up the profitability of the art investment it is necessary to define the intricacy pricing of the arts. I would also like to emphasize the facts, which should be especially notified in the art investment research. In my opinion the art investment researches should be made out of more selective and smaller samples and in more depth in order to get more accurate results. The pricing of the artworks is very multiplicity, but one very interesting focus is to define the logic of the prices rising gradually. The old art is easier to research than contemporary art because there is an association for rarity. There are existing indicators, which could help us to see better the price development of the artworks in the future. The purpose of this paper is to introduce the price development of the artist’s production. Most of the researches addressing this subject has been of deductive nature. As a starting point I have chosen an inductive approach from the artist’s career development to the pricing of the artworks. I have created a model of six different levels for the pricing of the artworks. These levels are: Authentic level, debuted level, established level,
retrospective level, postmortal level and museal level. On each level there are several factors, which affect the pricing of the artworks. This approach provides one tool to use in predicting the artworks which are likely to increase in value. At the end I will introduce some connections between the pricing and investing in arts.

60. Optimal Cultural Pricing Policy: Implications of the Double Public Good Model with Heterogeneous Consumers and Second-best Considerations

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This paper examines the question of optimal pricing in the context of a cultural good such as historic preservation, where the "double public good" phenomenon prevails. In the case of historic built environment, "double public good" refers to the interaction of two factors: preservation "investment" as a public good serving as an input into cultural experience, and preservation "access" as a mostly private good that nonetheless produces positive social externalities. The paper offers a general equilibrium model allowing analysis of two issues that complicate pricing policies: (1) the possible optimality of inter-group subsidies when consumers are heterogeneous and one group demands a socially sub-optimal amount of access; and (2) the degree of optimal departure from marginal cost pricing, in a second-best scenario where one resource allocation variable (e.g., investment) is constrained sub-optimally. The model generates a shared element of these two pricing issues, namely a modified inverse-elasticity pricing rule. The pricing rule is elaborated both at the theoretical level and in a survey of possible applications.

61. Cultural Diversity and International Trade: A Theoretical Analysis of the Movie Industry

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Is the international trade compatible with the preservation of diversity of domestic cultures? Cultural diversity is related to the existence of both domestic products and high degree of differentiation. Following the spatial approach of HOTELLING, we build a two-firms-two-countries model with different sizes. According to this framework, we can assume that determination of the movie's types, produced and exported, are endogenous. It allows to analyze the effect of the degree of openness to international trade on cultural diversity. We consider that cultural diversity effectively exists under the two following conditions: both firms are incumbents in the two markets even if the degree of openness to international trade is high; product differentiation is at the maximum. The first stated condition is necessary. Indeed, considering a monopoly for each market means there is no product differentiation and so consumers choices would be limited to the availability of only one type of movie. The condition concerning high degree of product differentiation is sufficient. It indicates that in the free international trade regime, the specialization of firms in the production of movie types is exclusive. It means that the movie's types with local and/or national specifications and those worldwide distributed continue to be supplied. Given these assumptions, we can consider therefore that consumers have a preference for movies with domestic cultural specifications. In the same time, they have different tastes, each consumer having an "ideal" kind of movie. Nevertheless, we must also assume that some movies have the preference of a larger public than others. Finally, we consider that given their high product differentiation, the movies have different production costs. Considering the openness to international trade, we analyze the specialization of the small country (France) and the one's of the large country (the United States), and
characterize the resulting bilateral trade between these countries. Given the liberalization of international trade, countries, like France, may help their domestic movie industry through subsidies.. In our framework, we establish the conditions under which this kind of public policy could promote the cultural diversity, and guarantee a more balanced trade. The issue of the existence of a French and an European movie industry is also analyzed in a context of American domination.

62. The Complexity of Copyright versus the Author's Ambiguous Definition

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The copyright system – or more precisely the system of authors’ rights (droits d’auteur) – remains a locus of permanent tension between a market-driven logic and an artistic logic. Right from the earliest debates on the underpinnings of copyright, a strictly economistic conception of this right – whose purpose is above all to ensure a sufficient volume of creation by protecting it from being copied – has run up against a conception emphasizing the idea of an author’s natural property rights regarding his work, sometimes even to the detriment of his or her economic interests. Economic literature has above all sought to analyze the efficiency of the copyright system, either from a theoretical viewpoint on the basis of the theory of welfare, or from a more empirical viewpoint, analyzing how the system for managing copyright issues actually operates. But it has paid scant heed to the importance of the definition of the author and the work within these systems. Our contribution will seek to shed light on the economic stakes of these definitions in terms of the efficiency of systems of copyright. Both artistic and technological developments have contributed to making artistic creation an increasingly collective practice, leading to a multiplicity of authors. Developments in artistic practices have also raised the question as to the pertinence of acknowledging rights on the basis of the “author’s stamp”: the emergence of works based upon interactivity and/or referencing of preexisting creations has run up against a legal vacuum. These shifts in the definition of the work and author have also led to setting new legal precedents, thereby significantly increasing the system’s transaction costs. Strategies deployed by the various actors have increased the risk of litigation, as certain artists have sought to take advantage of the uncertainties in the law to gain an increasing share in the distribution of the earnings, whereas others have struggled to obtain symbolic recognition of their status as a creators.

63. Endogenous Preference Formation in Arts

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The paper provides some insight into individual preference formation for arts based on endogeneity. The model presented is a dynamic neo-classical model in which individuals are fully rational. Current decision influences future utility through the formation of culture capital. The framework used is the theory of commodities by Stigler and Becker (1977). The theory is specific in that utility is not defined over goods as such but over the characteristics they generate. Stigler and Becker refer to the production of commodities such as appreciation of good music. Greater levels of current consumption yield higher future stock of culture capital and might shift next periods' tastes in favour of the art good. This is commonly referred to as cultivation. The paper examines the relation between short run and dynamic optima. It explores under what conditions individuals will consciously invest in art capital in order to influence future tastes. Results will crucially depend on the shape of initial preferences, the level of the initial capital stock and on the
degree of time preference. The model allows to explain various pattern of arts consumption as suggested in empirical literature. It also offers some insights on preference formation issues which are linked with commonly faced problems in public policy for arts.

64. Forever Young: Preferences for Rock and Roll by Youth Students

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Rock and Roll is a cultural production of Anglo-saxon world. Born in USA in translates to UK during the Beattle’s time, being it know the music of world youth. In this paper we investigate the preferences on rock among youth outside the Anglo-Saxon world, based in a questionnaire undertaken in the central and south part of Portugal in 2000. We first present the most preferred musician of the century and the most preferred contemporary musician among the youth inquired, and then we estimate the determinants of preference with a logit model. We conclude that aggregated preferences for Rock and Roll depend on socio-economic variables as well as life-style variables. Two consumer segments are identified based in the type of consumption. Determinants of consumption are found to be different between segments.

65. Dynamic Game of Subsidies between Two Cultural Departments

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This work is a new theoretical study of an old question stressed by economists: how to fit subsidizing cultural supply to demand without generating bias in quality regarding real cultural attendance expectations? Economists have already emphasised that cultural interventions could lead to a waste of quality because of collusion between artists and experts in charge of subsidizing the art. As a matter of fact, internal organisation of government is ruled by the separation between specialized (and then, may be easier to collude) departments. Cultural administration does not escape to that rule and the bias of subsidizing toward quality often informed in literature can be seen as a result of the non-cooperative attitude between cultural departments regardless the common welfare objective. The question stressed in this paper concerns: (1) The identification of the real source of the so-called “over-quality ” in the game of subsidizing art supply; (2) How to face that from the planner’s point of view? It is not necessary (if thinkable...) to suppress these specialized departments that are a source of non-optimality. It is possible (and more practicable...) to conceive an administration design leading to optimality, that is : without any waste of public resources and preserving specialization between services inside cultural administration. We show that a very simple and practicable rule of redistribution between these departments can lead to compensate the source of inefficiency. The cultural administration is thus assumed to be supervised by a great service G that oversees two specialized departments A and B. The competence of A is to promote a high artistic quality level. The one of B is to reinforce a large attendance aspirations. Both of them are under a once and for all rule of the game enforced by the great service G : “ The budget of one department helps to finance the other one in a static and common knowned proportion ? ”. We studied the game between both departments in a dynamic perspective. So there are as many dynamic path as rules of the game ?, without prejudging the sense of this transfer : that is from A to B or reverse. Thus we showed that there exists one good value of k that leads the corresponding game equilibrium to coincide to the optimum that lead to no-waste of public expenses. We shall conclude that: (a) Over-quality does not come from the game between departments itself, but from its possible correction by G. (b) In the long run, bias toward quality can be easily corrected. It is sufficient to choose the good value of k and to let the game between departments to unfold. (c) In the short run, artistic production level may not be the very optimal level. It is always to low, except in the limits and there is also a “ tendency ” to over-quality after a given date.

66. The Implementation of Copyright Law in the Record and Film Industries:
Some Lessons from the French History

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The purpose of the study is to shed historical light on the current controversies about copyright in the digital age. From an economic point of view, the grand question of the legitimacy of intellectual property in cultural works was never clearly settled: On the one hand, the “copy–right” (as its name indicates it) encourages creators and producers to maintain their activities by protecting them from free riders, i.e. copiers. On the other hand, copyright give rise to monopolistic rents that benefits their holders and allows high levels of price to the detriment of the welfare of content users and of the largest diffusion of works. Beyond economic arguments, droit d'auteur and copyright (with their respective divergences) prove to be the result of a sequence of historical facts that led in each country to a social compromise between the interests of various agents: authors, their direct economic partners (producers and publishers), and users of cultural goods (end users, i.e. consumers, and intermediary users such as broadcasters). Defenders and opponents of the copyright law are fiercely arguing, as the technological paradigm has been changed by the digital economy, in general and the Internet, in particular. Born with a technological innovation, i.e. printing, the copyright would be doomed to disappear with another innovation: digital technologies.

Our basic assumption is that in order to understand the current debate, it is useful to show how the economic organization of droit d'auteur was structured historically. We choose the example of innovations which gave rise in the 19th century to two cultural large-scale industries, the record and film industries. Method used for this study essentially consists in: a survey of French academic works in law from the end of the 19th century to the 1960s; confronting these works with the arguments currently used in the era of the digital economy. We present the various problems chronologically: the phase of emergence; the phase of growth; the phase of maturity of markets. In each case, we present concluding remarks by focusing on what is relevant in history to understand droit d'auteur problems in a digital universe.

67. The Hidden Value of Cultural Goods

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In this paper, the notion of value, the existence of different types of values and their relations is analyzed. In particular, I focus on the notions of economic value, social value and cultural value. The starting point is to recognize that goods have more than one value, e.g. use value, affective value, cultural value, social value, aesthetic value, sacred value, environmental value, intrinsic value and economic value. On the basis of its prevalent value, a good could be considered as a cultural good, a sacred good, and so on. Furthermore, the passing of time implies some changes on both the characteristics of the good, and its relations with other goods, and then even the values can change in their nature and proportion. Among the above-mentioned values, the economic value has a peculiar nature. Almost all economists, since Adam Smith, have been dealing with its real nature. Apparently, there are two possible ways to conceive the economic value: 1) as a simple numerator of the sum of other values; 2) as a value per se. Actually, if we assume a good without any value but the economic value, how can we justify the existence of an economic value? My claim is that we simply can’t. The economic value makes sense only because the good it refers to has already some other values. The economic value only represents other values. My second point is that the economic value does not recognize all values of a good, but only some of them; namely, there is a discrepancy between the economic value and the real value of a good. In particular, the cultural value is extremely difficult to be either recognized or measured in terms of economic value. To support my first proposition, I will explore the notion of
money by considering it as a good with a predominant social value, perfectly measurable in terms of economic value. When society lossees confidence in money, money lossees its economic value. Then the economic value only indicates the ratio between recognized values of the good and money. In particular, this would correspond to the classic function of money as a standard of value, a numerator. To illustrate the second point, that the cultural value of a good is not entirely recognized and not measurable in terms of economic value, I will claim that there are social aspects that allow, or not, a good to be economically recognized. The market of indulgences, quite well developed in the sixteenth century, demonstrates this point perfectly. At that time, the sacred value of indulgences was economically recognized by the society, whilst to the very same indulgences, with the same sacred value, the today’s society does not recognize any economic value. So, while the real value of indulgences remained the same, their economic value has simply disappeared. In the same way, today, cultural goods are not entirely recognized as economically valuable and only a small part of cultural goods is considered as wealth. By showing two quite different examples of cultural goods, the tangible, famous painting of Johannes Vermeer, “The Girl with a Pearl Earring” and the less tangible, rich, traditional music of Naples, I will deal with the different instruments of contingent evaluation used by economists in order to evaluate cultural goods. Economists presume that the economic value is the exhaustive value of a good, and they believe that all goods, even cultural goods, could be commodified. Economic instruments seem allows to the economists not only to evaluate, but also to price all cultural goods. My point is that, firstly it is not necessarily true, and second, it is not necessarily good.

68. Linking Copyright Protection to Commercial Exploitation: Some Evidence from Prussia and England (1820-50)

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Empirical links between copyright legislation and the shape of particular markets have remained elusive. Economic theory has allowed academics to construct models of copyright both as a successful response to market failure in the production of cultural goods (Landes & Posner, 1989) and as an unsuccessful stimulant of author’s supply (Plant, 1934). Historical research offers one way of enriching theoretical assumptions, and may even simulate experimental settings (isolating legislative intervention as a parameter of change). In this paper, we investigate some early 19th century copyright laws in Prussia and England. During this crucial period, the rubicon was crossed between specific regulations of the book trade (characteristic of 18th century laws) and the general protection of creative works typical of modern copyright law. The Prussian Act of 1837 and the UK Law of 1842 take the author as the benchmark of protection (post mortem auctoris terms were introduced for the first time), and protection was extended to previously largely unchallenged cultural activities, such as performing in public, and making adaptations, which became re-conceptualised as proprietary exploitations of works (cf. Kretschmer, 2000; Kawohl, 2001). In particular, we are interested in two features of the laws of that period, limiting these new rights. Under the UK 1842 Act, the author had an exclusive right to public performance only prior to publication or first performance; registration of that right with at Stationers’ Hall was prima facie proof of proprietorship. The Copyright (Musical Compositions) Acts 1882 & 1888 still required a notice reserving the performing right on printed copies while some English publishers retained a sceptical view of the performing right until the 1930s. Under Prussian privileges, publishers had to announce which arrangements of published works (in particular popular operas) they were intending to offer as a precondition for receiving protection. In 1826, Adolph Martin Schlesinger, the publisher of Weber’s Oberon, was granted exclusive rights for the arrangements as full piano score (with and without words, including arrangements for four hands), arrangements of military bands, for duets, quartets (string and wind instruments), as potpourri and as ouverture for
grand orchestra (Kawohl 2002, p. 52 forthcoming). Other competing versions of Oberon for bag pipes, say, would have been entirely legitimate. In the first part of the paper we give a detailed overview of early 19th century legislative changes, and review indications of market responses (for example implicit in litigation proceedings). The research relies on new primary material from the Prussian Staatsarchiv, unpublished publishers’ diaries (Kawohl, 2002 forthcoming) as well as an examination of legal text books and jurisprudential commentaries of the period. In the second part, we explore possible economic rationales for the registration requirement, and for the provisions linking legal protection to the actual commercial exploitation of works. Finally, we argue that similar limitations should still play a part in modern copyright law and explore the economic impact of such measures if introduced today.

69. Analysing the Concentration of Economic Activity: Application to Artists in the Western Visual Arts Market

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Do Artists concentrate in certain geographic locations or are they dispersed? If they do concentrate then what are the forces, which underlie this process? The first issue this paper addresses is whether artists and hence art is now stateless or if there are still locations that can be defined as “Capital Cities of the arts”? There is a general belief that artists have in the past and continue today to concentrate in certain geographic locations. Florence, Amsterdam, Paris and New York have been identified as being four of these locations. However, no quantifiable analysis has ever been undertaken to support this viewpoint. The first objective of this paper then has been to address this gap in the literature. Art dictionaries have been used to gather information on where artists are born, work and die. The Herfindahl Index has then been applied to measure the extent of concentration. The second aim of this paper has been to identify the factors that are causing concentration. Not much work has been carried out on this topic of concentration in the cultural economics field, therefore literature from other areas of economics has been explored. The second part of this paper provides an overview of this literature, which includes work by Alfred Marshall and Paul Krugman from the economic geography field, and Michael Porter, an industrial economist. It is hoped that this literature will assist in the development of an econometric model to explain concentration.

70. Competition and Innovation in the Arts

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Some authors have argued that innovation in the arts and culture is determined by the nature of organizational ownership (Frey & Pommerehne, 1989) and the sources of funding (Heilbrun & Gray, 1993; Alexander, 1995; Pierce, 2001). The French sociologist Bourdieu has recently introduced the role of competition in the debate. Contrary to the standard neoclassical tenet, he has argued that competition reduces rather increases innovation in the cultural sector. This paper scrutinizes Bourdieu’s argument as well as the neoclassical one in favor of market competition. In a nutshell, in this paper I claim that Bourdieu’s criticism of the neoclassical framework is unwarranted in two ways. First of all, perfect market competition is not only posited on the basis of firm efficiency but also and most importantly on the basis of “equity”, to the extent that perfect competition allows for the maximum consumer surplus. Second, Bourdieu’s suggestion that market competition leads to what appears to be oligopolistic concentration in several cultural industries precisely supports the neoclassical argument, pointing out the need for antitrust legislation at both the national and international level that prevents dominant positions and attempts to monopolize the market. In relationship to this point, I also address Schumpeter’s (1942) and Hirschman’s (1970) related arguments that market power or monopolies might provide better conditions for innovation in the context of the arts. In particular, I discuss the role of voice as a better mechanism than exit for customers

71. The Determinants of Buying and Renting Video Films

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During three quarters of its life, cinema consumption had been mostly linked with the assistance to the cinema theatres; however nowadays this is probably a minority option: people watch more films on tv channels and buy or rent films to be consumed at home using several supports, especially videotapes and DVD's. For example, in 1998 only 5.5 percent of Spanish people went to the cinemas once a week; meanwhile, 13.5 percent rented one or more videotapes every week; and, if we consider that more than one person can watch a videotape simultaneously, we can conclude that in Spain cinema consumption at home was much bigger than on cinema theatres. The aim of our paper is just to know who are the consumers of video films in Spain. To do this, we use the data collected by a new cultural survey, Encuesta sobre Hábitos de Consumo Cultural (Cultural Consumption Habits Survey), which offers information about videotapes rented and bought in Spain during 1998. Applying multiple choice econometric models we analyse if there are two different video markets (renting and buying) and the respective socio-economic characteristics of their consumers. Finally we study the influence of certain qualitative characteristics, especially contents, on renting and buying videotapes. We find that videotapes consumption presents a significant rent effect both in renting and buying markets and that this is complementary of cinema theatres assistance to watch films.

72. Risk Strategies and the Performance of the Film Industry in the 1990s

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The paper examines the recent performance of the film industry in the US and UK, from the perspective of strategies adopted to control the risk environment of film production. A considerable literature has now evolved examining the economics of film production, with a particular emphasis on the extent and nature of risk in the industry, and how this impacts on financial performance and the production process. The paper utilises a data set which contains details of the performance and characteristics of over 4,000 films released in the US and UK between 1988 and 1999. It builds upon work in Sedgwick and Pokorny (1998) and Pokorny and Sedgwick (2001), which examined the performance of Warner Bros. in the 1930s. The current paper, in addition to employing a contemporary data set, examines the relative performance of a range of distributors/studios, and places particular emphasis on comparing and contrasting the strategies employed by these distributors with regard to their risk stance relative to the risk environment. The theoretical framework employed is that of portfolio theory. Each distributor is interpreted as constructing an annual portfolio of films, which in part will be conditioned by risk considerations, and in particular, is used as a device to control for risk. The approach of the paper contrasts with much recent work in this area which has interpreted the process of film production as a series of one-off gambles, the outcomes of which are virtually impossible to predict. The current paper, while recognising the volatility of film financial performance on a film by film basis, suggests that a portfolio approach is one strategy (amongst a number) that can be used to attenuate this risk.

73. Contingent Valuation and Semiparametric Methods. Application to the National Museum of Sculpture of Valladolid (Spain)

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Research into the Economy of the Culture is increasingly growing, specially the economic valuation of public goods in the field of cultural heritage, thanks to the derivative utilities of the contingent valuation method. Up to now the majority of the applications of this method have used parametric statistical techniques to achieve the estimation of willingness to pay for a cultural good. Non-parametric methods of estimation have also been employed, but the number of studies that utilise semiparametric methods is however very limited. The aim of this paper is the application of the contingent valuation method using non-parametric and semiparametric technical to obtain the estimation of the economic value for a prototype of a cultural good which is enclosed and outstanding for the tourist appeal to the city of Valladolid, such as the National Museum of Sculpture (“Museo Nacional de Escultura”). This museum also belongs to the national network of Spanish museums.

74. Regulation of Intellectual Property Issues in Ukraine: Realities of Transition

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Regulation of intellectual property issues in the countries of transition can be regarded as one of the crucial components of market reform. It can be considered from two points of view. First, regulation of intellectual property can be regarded as the factor that provides for the better functioning of economic and social institutions. Second, intellectual property guarantees themselves constitute an important value of democratic and just society. No doubt that the starting point for the discussion on regulation of intellectual property is the analysis of the relevant legislative basis. The overwhelming majority of experts still sees imperfection of the legislative basis as one of the factors that hamper the formation of an effective system of intellectual property protection in Ukraine. It can be said that despite the ongoing adaptation of the Ukrainian law to the international norms, the full compliance of the effective national legal norms with the requirements of the TRIPS Agreement and the Partnership and Co-operation Agreement between Ukraine and the EU has not been provided yet. Additional legal norms are needed to adapt Ukrainian legislation on intellectual property protection and the mechanisms of its application with Sections 1-4 of Part III of the TRIPS Agreement and Article 50 and Annex III the Partnership and Co-operation Agreement. At the same time, the Ukrainian legislation dealing with that area has already been harmonised with Articles 15-38 of the TRIPS Agreement. At the present stage, adaptation of the Ukrainian system of intellectual property protection to the global technological progress and effective protection of the new technological objects, primarily those relating to the Internet, are of critical importance. If prompt measures are not taken in this sector, the problem of significant technological lag of the Ukrainian system of intellectual property protection and its incompatibility with the world system may arise. Problems in the field of protection of intellectual property rights vested in Ukrainian phisical and juridical persons in foreign countries are primarily related with the process of assignment (transfer) of rights (or granting the possibility of employment) of intellectual property objects abroad. Here, the following factors are important: the absence of state funds for foreign patenting and registration procedures, the low level of legal culture
in the country, the lack of knowledge and information about the procedure of intellectual property protection outside Ukraine and the absence of legislative regimentation of technology transfer issues, including in the event of Ukrainian specialists employment abroad. Despite many problems remaining in other spheres of intellectual property rights, some progress was achieved in the fields of training and education. Thus, the implementation of an ambitious project of Information Management for Patent Cooperation Treaty was begun. The Academy Distance Learning Program that was introduced envisages a 9-module course of intellectual property. Proceeding from the said above it is important for Ukraine to closer cooperate with the EU institutions regulating intellectual property issues, as well as to adapt the experience of the C&EU states in this field.

75. The Role of Fiscal Incentives on Museums Income Structure: An International Comparison

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Usually it has been observed that, in the USA private contributions are much more important than public grants in order to finance cultural activities in general, and museums particularly. Meanwhile, in Western European Countries public grants are the principal income source of the most important museums. In this paper, we analyse the museums income structure in USA and Canada and some European Union countries in order to discover whether their different fiscal policies might be responsible of the founded differences. First, we describe fiscal incentives for private donors (specially trusts and private foundations) to museums in the correspondent personal and corporate income taxes legislations. Second, for each country we evaluate the participation of public grants, private contributions and other earned income in museums budgets. Finally, we discuss what amount of the observed differences is due to the presence of fiscal incentives previously described.

76. The Value of Museumshops: Management Consequences of Consumer Needs

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Museumshops all over the world contribute a substantial share to museums budgets, thus helping to defy financial misery of cultural institutions. But they could do even better by enforcing the perspective of cultural consumers. Facing increasing competition with other cultural institutions and leisure facilities museums will have no choice but to consider the wishes and needs of their visitors more extensively. Our empirical research on that topic started in 2001. On the basis of prior surveys an extensive questionnaire was developed and a series of 110 interviews were carried out. The results of the survey underline that consumers have profound ideas on how a museumshop should be
managed to increase the consumer value. The evaluations particularly reveal preferences for place, presentation and supply of museumsshops. The interviewees care for a distinct atmosphere, a well-organized presentation and a selected supply of aesthetic products. They appreciate strolling through an attractive shop which reflects the ambitious ideas of the museum and sustains from pure money-making as a souvenir shop. An undue commercialisation could even damage the reputation of the museum by leaving the visitor off with a final bad impression. A well-managed museumsshop may extend the pleasure in consuming arts and attract new visitors, however. Our research shows that the value of museumsshops encompasses more than one point of view. The supplier as well as the consumer can profit by a proper management. As part of the service facilities the shop may intensify the art experience of the visitors. Therefore, considering the needs and wishes of cultural consumers will help the museumsships to improve their efforts and to add their share to the budget.

77. Monetary Features of the Cultural Goods and a “Money-Theoretic and General Equilibrium Approach” to their Protection

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Money as an economic good used as media of exchange, as numeraire and as store of value has taken various forms in the course of the economic and monetary history. Referring to this, many specific economic goods have been used as money in different parts of the world and in different periods, among which, some that can be called cultural goods, and that are still today potentially demanded in the whole world with items valuated, quoted and auctioned for many millions of US$. Despite the importance of the cultural goods and their monetary features in the past as well as today, the monetary analysis has hitherto pay an attention neither to the role they can play within the framework of the monetary policy, nor to the among of money that the private economic agents invest in their acquisition. It is also striking to note that the various studies and theories on “a general acceptable media of exchange” have not focused enough on the cultural goods, and that the latter have been moreover without compensation demonetised in some parts of the world, whereas the concerned countries were confronted with financial and monetization’s issues. The paper highlights the economic features of the cultural goods as public and meritoric goods, as economic goods, and especially as quasi – money (or wealth, since some of them are valuated and sold to many millions of US Dollars). Since these cultural goods are financial assets on one hand, and that on the other hand their protection raises the problem of a conflict between different actors (the State and other public institutions on one side and the private economic agents on the other), a “money-theoretic and general equilibrium framework to their protection” is proposed, in which the cultural goods are transformed from a stage of economic goods to a stage of public goods, and play in the financial system the same role like gold and foreign reserves. Within this framework, all the specific characteristics of cultural goods as economic goods, as public goods and as wealth are brought together within a soft regulation’s policy that leads to a general equilibrium between the main agents which the public, the commercial banks, the State, the Central Bank and the museums. More, some economic and monetary implications of an integration of the cultural goods in the monetary system are stressed in this paper.

78. Music in the Market Economy

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This paper is a critical analysis of the impact of market related economic and technological factors on music composition and its consumption. The 20th century was characterized by the growing influence of technology on the creative process and on the way we consume music. The technological impact was at some point so strong that it determined the creative process and the way to consume music. It also set a framework for the economic existence of music. The power of technology enabled the consumer to decide on when and how to consume. In this sense, the market economy did benefit the consumer by providing him with a wide array of possibilities and freedom. In this context the consumer is enabled to choose between a large variety of ways to consume music, from live performance, to the different storage methods for recordings and of course to online music. This apparently positive evolution does not show the underlying market rules that determine most of the factors that only appear to the consumer as
being liberating. The profit-oriented attitude reduces the creative aspect of music and turns it into a commodity. Here, the technological progress, especially with regard to cyber-music, can help to bring back some of the lost creativity.


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The existing non-profit literature discusses economic behaviour of performing arts organisations under the non-profit constraint. This paper specifically examines the impact on output of such enterprises based on the economic theory for non-profit organisations. It tests for the influence of financial, organisational and socio-economic factors on repertoire decisions of the grant-aided non-profit theatre sector in England using cross-sectional regression analysis. The dependent variable, the DiMaggio/Stenberg Conformity Index, is calculated first to show the differences in repertoire in the English theatre sector. In a second step a model is constructed to assess the impact of the above-mentioned factors. Previous studies for the American theatre and opera sector (see DiMaggio and Stenberg, 1985a and 1985b; Heilbrun, 2000 and Pierce, 2000) and the English theatre sector (Austen-Smith, 1980) form the background for this paper, which updates and attempts to improve the methodology, used by Austen-Smith (1980). The empirical results show that public subsidy and the size and location of the theatre have an impact on programming decisions.

80. The Market for Paintings: A Unified Methodology to Estimate a Capital Asset Price Index

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Previous studies of art auctions focusing on estimating a price index, or the return to holding arts, use two basic methodologies: hedonic prices or repeat sales. In the first case, a price index is estimated using a regression of the sale price of paintings on their characteristics and on time. In the second case, the prices of paintings which are sold twice, are regressed on a set of dummy variables. In this paper we go beyond these works, by jointly estimating conventional hedonic and repeat sales models using maximum-likelihood procedures. This methodology represents an improvement over the previous techniques since it combines information on repeat sales with hedonic approach, which allow us to capture either the increase and/or the depreciation of prices within the repeat sales model and the serial correlation in hedonic data. The purpose of the paper is to define a capital asset price index by using a very large data-set. Prices of paintings auctioned at least twice over the period 1987-1995 are used to build our data-set. Data have been collected from Mayer International Auction Records on CD-Rom, containing records of over 650,000 items (paintings, sculptures, prints, etc.), sold at the worlds major auctions, and identified by a number of variables (artist, title, price, location,...). The innovative methodology of jointly hedonic and repeat sales estimation allow us to obtain new evidence on painting market return to compare with some financial assets.

81. The Value of Originality in Rembrandt’s Prints

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This paper attempts to study how originality, among other characteristics, is valued in the artistic market. The medium is prints, since their production process is typically constituted of – at least for ancient printmaking and in particular for Rembrandt – up to several sequential states. We define here the first state as the original state; later ones are copies which depart from that originality. The later is the state, the lower price it is expected to involve. Even worse, last states can possibly be the intervention of other artists instead of that of the great Dutch master. An original data set of almost 5,000 transactions in the international auction market in the period 1985-1998 has been built and used in a cross-section analysis. As a result of hedonic regressions taking into account many other qualitative variables, originality is significantly valued by the market, since last states are relatively less priced than first ones. This gets even more evident in the case of posthumous states.

82. Financing Arts and Culture through Voucher Systems: Theory and Empirical Evidence

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Both in Italy and in Europe the fine arts sector is experiencing great changes due to increasing privatization of former public institutions like museums and opera houses and to increasing efforts in improving arts institutions responsiveness to the market, institutions’ managerial background and professionalism. In this perspective, it is not surprising that national and local governments have started thinking about new forms of financing the production and distribution of arts and culture, in order to keep pace of these changes. In particular, governments have tried to implement forms of subsidies (direct and indirect) whose beneficiaries are customers, who can choose between different arts’ programs on the basis of the quality of the service offered. This research will survey different forms of voucher systems that have been implemented in countries like United States, Canada, Australia, Great Britain, Germany, Italy and Russia. It will examine unforeseen problems that have arisen in the implementation of these forms of demand side subsidies. As a matter of fact, while under a theoretical point of view demand subsidies are economically more efficient than supply side subsidies, recent attempts to implement voucher systems have faced bureaucratic obstacles that have made this form of distributing funds very expensive. The goal is to underline economic and social conditions that favor the creation of these systems of funding and to suggest some steps/phases to follow, in order to implement them and to evaluate and control their economic and social results. As to the methodology, beside an analysis of primary data, the researchers will interview people that are involved in the implementation of voucher systems (government representatives, arts administrators and customers). This will provide us with a measure of the satisfaction and the effectiveness of the system. Case studies analysis will give some hints about useful guidelines to give, in order to support both the government representative and the arts administrator in the implementation of demand side funding systems for the arts.

83. No or late confirmation, cancelled

84. The Beyeler Museum of Art: The Economic Point of View

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The Beyeler Museum opened in October 1997 in Riehen near Basle. The collection comprises masterpieces of impressionists and expressionists (such as by Braque, Ernst, Giacometti, van Gogh, Klee, Monet, Picasso, Rodin) and of the Classical Moderns (such as by Bacon, Lichtenstein, Pollock, Rauschenberg, Rothko, Warhol) put together and given to the Museum by the gallerist Dr. Ernst Beyeler. The museum building by Renzo Piano cost SFr. 65 Mio and was also sponsored by Beyeler. The museum proved to draw huge media attention as well as a large crowd of visitors: 309,000 in 1998, 252,000 in 1999, and 250,000 in 2000. This can be compared to the Kunstmuseum in Basel (with famous collection of Holbeins and Impressionists/Expressionists) with numbers between 110,000 and 160,000 yearly visitors.

This new museum differs considerably from other European museums of art of comparable reputation and stature: it is a private foundation; funding is private, with only relatively minor public subsidies (mainly by providing space rather than just money); its establishment was supported by a popular referendum; it resorts to outsourcing for some of its services to visitors. This paper focuses on how the state can support such private contribution of a museum to the public. While looking at the case of the Beyeler Museum and comparing it to other museums, we define conditions for various forms of state support. The range will go from direct support via traditional subsidies, indirect support via creating a supportive environment, to no support leading to purely private organizations.

85. Withdrawn

86. The Political Economy of Devolution and Heritage Conservation

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In public choice literature, decentralisation of power, devolution, is considered a superior tool in terms of the efficiency of public policies because the decision-maker is closer to the people and, therefore, knows better their needs. As for cultural policies, another advantage is that decentralisation has the benefit that it may procure the preservation of those ‘minor’ artworks that a central decision-maker might neglect. The impact of decentralisation on cultural policies, however, depends also on the way devolution is actually implemented. The actual policies towards devolution differ among countries; we would like to know how those differences matter. This work aims to investigate the effect of devolution on cultural policies in two case studies; in fact, these cases concern heritage maintenance in Scotland and Sicily (I). The reason for this comparison rests partly in the similarities between these two regions. They are both independent from the central government as far as cultural policies are concerned however, the organisation of the institutions that manage culture is completely different, being based on the distribution of funds and responsibilities among different QUANGO in the case of Scotland, and on a bureaucratised structure made of several peripheral offices subordinated to a strong central institution in Sicily. This research intends to compare the output produced by these different organisations as to the maintenance of heritage. It investigates whether the centralisation of the Sicilian ‘theoretically de-centralised model’ could be considered the main cause of the often bemoaned delay in the interventions for heritage preservation. At the same time, this paper analyses the efficacy of the Scottish model questioning its eventual applicability to other settings, for example, to the Sicilian one.

87. Artists Taxation: European and International Comparators

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This paper provides a comparative economic analysis of the tax and social security legislation and policies in the EU and a selection of 6 countries internationally, namely: Australia, Canada, Denmark, Germany, Ireland, and the Netherlands. It is common knowledge that artists have a distinct position in the labour market. Despite their vast range of professions a number of features are common to many artists working lives, such as: a large number of employers, sporadic employment with concomitant unemployment, poor and unpredictable income levels (on the basis of often irregular salaries, fees, royalties, resale rights etc.) combining of artistic work with another waged job, in order to survive financially and other common financial concerns. There have, however, been very few attempts to
collect or compare professional and financial legislation applying to artists in the EU. Tax, Social Welfare and other associated legislation and policies are widely divergent not only between, but also within EU States which has brought about difficulties in attempting any form of consistent or integrated European structural framework. The paper analyses the following issues for each country: Background Legislation/ Brief history of artists taxation and other financial rights; Tax treatment of “artists” as a group e.g. Self-employed; Specific tax treatment of individual artists and art forms e.g. Special exemptions; Social security schemes, pensions etc. for artists; Direct financial aid (grants, scholarships, bursaries etc.); Tax incentives and business support schemes in the arts. The objective is to identify national schemes, initiatives and incentives specifically targeted at a range of individual artists and to identify from these international cases, models of best practice, which can inform methods of improving UK tax and social security initiatives in relation to artists. It also provides recommendations for artists within the existing UK system in improving access to and use of their full financial rights with the aim of supporting themselves as artists in a viable and sustainable career. The artists included in the study are those artists working in: the visual arts, crafts, literature, dance, drama and design related areas.

88. Valuing Cultural Heritage in a Multi-Attribute Framework
Microeconomic Perspectives and Policy Implications

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The paper presents the management and policy implications of cultural built heritage economic valuation under a Microeconomic applied perspective. Within this framework, the importance of analysing cultural built heritage as a multi-attribute mixed capital good is addressed. The analysis of the multi-faceted set of services provided by heritage is crucial for linking supply and demand by implementing innovative policy strategies at the level of individual site. Discrete choice multi-attribute valuation methods are thus presented, investigated and applied. Results deriving from a recent case study application on a worldwide known site in Italy are discussed, focussing on the role of valuation experiments for the analysis of user preferences and for the consequential demand led decision making process. The analysis focuses on and investigates discrete-choice parametric econometric models which attempt to incorporate preference heterogeneity in a multinomial setting. Both IIA (Independence on Irrelevant Alternatives) based models, as conditional logit, and models which relax the IIA assumption, are taken into consideration. The consistency of CL specifications, and relative significances are compared. The database derives from a stated preference choice modelling experiment carried out on users of a mixed good, the Museum of Galleria Borghese in Rome, Italy, a worldwide known cultural heritage site. Results show that the econometric analysis of choice experiment stated database warrants the implementation of different model specifications. The main result arising is that hybrid forms of conditional logit, which incorporate heterogeneity by interaction terms, are associated to relatively high performances in terms of fit, IIA test and coefficient significances. Specifications relaxing IIA do not outperform the Conditional Logit model, when interaction terms are included: both Hest and RPL models are shown to be statistically not different from the CL specification. Policymaking implications are also considered, presenting total gross WTP associated to different options. The study confirms that valuation experiments offer a variety of tools, and suggests that further development be warranted. Decomposition of the cultural site into characteristic values defining a “multi-services” mixed good turns out to be relevant for valuation and ranking of people preferences over different attributes within demand-led strategies. Nonetheless, econometric analysis and economic valuation should root on a comprehensive set of estimation methods, in order to test relative consistency. Experimental valuation instruments based on a multi-attribute multi-choice framework show to possess potentialities for being included as one of the main “tool” in the cultural policy agenda, for the achievement of cultural and financial targets of institutions. Those instruments lead to the elicitation of a ordinal ranking of user preferences over designed and contingent scenario alternatives, and allow estimation of a vector of shadow prices for attributes. The estimation of shadow prices arises as necessary in order to obtain consistent quantitative information on the surplus associated to marginal changes in supply. Further, valuation tools give information on the full ranking of people preferences and on the extent to which preferences for cultural services are driven by latent socio-economic heterogeneity. Thus, valuation based analysis is crucial for welfare analysis, direct financing and management purposes, and share complementarities with other socio-economic instruments used for investigation. The paper, which is of interest both to economists, social scientists dealing with cultural issues, and policy makers, concludes with management and policy-making considerations, and insights for further research.
Among the most important managerial decisions for a music presenting institution is programming. Deciding what to offer in a season and in a given performance requires a “portfolio” choice, from a wide set of possibilities, that will have important consequences for both the artistic success and the economic viability of the organization. Especially important is allocating the available rehearsal and performance time resources across music from the “standard” repertory, from underperformed older works, and from contemporary compositions. Because audiences are consistently resistant to classical music written in the last ninety years (in contrast to the situation in plastic arts, theatre, and popular music) music presenters present modern music only at a cost in revenue and attendance. This choice puts legitimate values in stark conflict, and the appropriate optimization is much more complicated, and more difficult to achieve, than has been recognized to date. Musical professionals correctly recognize their obligation to support and encourage living composers and to educate the public constantly as the art develops; they also recognize that familiar (but not too familiar) works consistently attract the largest (paying) audiences and that ticket income and gifts are critically to survival. Public subsidy does not generally increase the new-to-old work ratio of programs (Korzilius). Current trends are significant. Choosing any given standard of genius, the number of composers whose merit exceeds it and are now alive is almost certainly greater than the total number who have died. Nevertheless, in the United States (for example) the dominance of symphonic concert or opera repertory by established masterpieces is increasing. The number of new composers establishing a threshold share (1%) of the total performance time in symphony orchestra repertory has decreased from seven between 1890 and 1920, to three between 1940 and 1970 (Caves, 2000). during 1995-1996 season the composer that was most performed in the US was Beethoven, followed by Mozart, Tchaikovsky, Brahms, R. Strauss, Ravel (!), Haydn, Stravinsky, Dvórák and Prokoviev. (ASOL, 1995). The situation for opera is, if anything, less favorable to new work. At the same time, classical audiences almost everywhere are shrinking and aging, and the market for all recorded and broadcast classical music is collapsing. Our paper analyzes this problem from an artistic and economic perspective. As to the latter: the value gained from a unit of exposure to music depends not only on the piece performed, the listener’s personal taste at the moment, and whether it is old or new, but also how much of each the listener has heard in the past. Simplifying the alternatives to old and new music (of course very old, and lesser-known, works matter as well), the annual utility received by an audience member in year t can be sketched (linearized, for example) as:

\[ U_t = v \left( a \sum_{i=0}^{t} O_i + b \sum_{i=0}^{t} N_i \right) N_t + \omega \left( c \sum_{i=0}^{t} O_i + d \sum_{i=0}^{t} N_i \right) O_t \]

where \( N_i \) and \( O_i \) are consumption of new and old music in year i (jointly constrained by a total listening time limit), and the other variables are constants, a-d describing the relative contribution of these two kinds of “personal artistic
capital” (experience with old and new music) to utility (Stigler and Becker 1977; McCain 1979, 1995), and ? and characterizing “taste”. (Presumably the presenting institution’s utility incorporates an aggregate of these listener benefits along with a revenue goal or constraint.) Note the interaction between prior experience and utility: every programming choice now affects the relative utility of different possible programs in the future. If we knew the relative sizes of these constants for the average audience member, this would be a manageable decision process. However, other factors not only complicate it but may make it fundamentally intractable in the long or even medium term. First, different audience members have different sets of values for the constants at different times in their lives, but attend the same event. Second, and probably most important, music compositions have economic (non-rival, cultural and social indicator and network externalities) and aesthetic (extremely durable, language-independent) properties that cause almost all music ever written to accumulate in a stock that competes with recent additions to the potential repertory (O’Hare). Consequently there is no steady-state solution to the programming problem and it becomes more daunting as time goes on; furthermore it is fundamentally different from the situation in (for example) the plastic arts. Our paper explains why the last sentence is true, incorporating historical data on programming with an analytic model.

92. No paper

93. Withdrawn

94. Comparative Investment in Cultural Capital

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By developing and testing a methodology of comparative investment in cultural capital, the present paper seeks to redress a major methodological weakness in comparative cultural policy research of overlooking subtle differences in ostensibly similar national arts policies, such as those in the U.S. and in the U.K. The methodology will be presented in three parts. In the first, the relevant literature in comparative cultural policy research is comprehensively reviewed for the strengths and weaknesses of currently available methodologies. In the second part, Throsby’s (1999, 1995) concept of cultural capital is augmented by Austrian capital theory and then extended to the realm of natural capital in order to articulate the policy dimensions of investments in cultural capital. Three quantitative metrics are derived by which national investments in cultural capital can be compared. In the third part, the proposed methodology is empirically tested. The three metrics of comparative investment in cultural capital derived in the second part are used to compare national government support for the arts in the U.S. and the U.K. The methodology identifies several subtle differences in government support for the arts in these two countries. This paper is the first installment of a larger research project that seeks to ameliorate comparative research into government support for the arts in the U.S. and the U.K. The present paper is more foundational and introductory insofar as it focuses on the methodological aspects of comparative cultural capital, to expand and articulate the concept of cultural capital, and to begin to develop its policy dimensions. If the methodology of comparative investment in cultural capital is successful, much more research remains to implement the methodology and to compare American and British cultural policies.

95. Entrepreneurship as Discovery
Towards a Theory of the Nonprofit Entrepreneur

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Austrian economists emphasize the essential role entrepreneurship plays in the market process. Neo-classical economists provide no function for the entrepreneur in their perfectly competitive market construct, while Austrians claim the entrepreneur is the foundation of the market. The entrepreneur’s skills help establish what is the driving
force for market performance, and these skills are also paramount in launching nonprofit ventures. The Austrian
theory of entrepreneurial discovery provides useful insight into the understanding of how a nonprofit entrepreneur
contributes to the non-market economic process. This paper synthesizes entrepreneurship theory within Austrian
economics, and then establishes a theory of the nonprofit entrepreneur in arts organizations. I will discuss
entrepreneurship as discovery, while analyzing the distinctive characteristics of knowledge and uncertainty for the
entrepreneur. Additionally, the institutional framework of nonprofit arts organizations is examined in order to
understand the tools necessary for the nonprofit entrepreneur to successfully participate in a viable venture. The
final section will advance the understanding of entrepreneurship as discovery in order to explain the function of a
nonprofit entrepreneur in the arts.

96. Crowding Out or Crowding In? Estimating the Impact of NEA Funding on Contributions. Towards Nonprofit
Dance Companies

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The data from the IRS Form 990 has been a useful source of information in the study of nonprofit industries. A
shortfall of these data, however, is that they do not distinguish between private, corporate, or government
contributions, gifts and grants. Because of this, the IRS Form 990 data has not been used to examine the effect of
government funding on private donations—crowding in or crowding out. This study uses the National Endowment
for the Arts—Dance Applicant dataset (collected from nonprofit dance companies seeking NEA funding) along with
the Unified Database of Arts Organizations (collected from the IRS Form 990) to examine the effect of NEA grants on
the contributions towards nonprofit dance companies. The matched-merge of these two datasets allows for a
distinction between NEA grants and non-NEA grants. The resulting dataset includes nearly 100 companies over a
nine-year time frame. Cross section and time-series estimates indicate that there are firm and genre specific effects on
non-NEA contribution, as well as suggesting that NEA funding crowds-in additional contributions, gifts and grants
towards nonprofit dance companies. Overall, this study adds to the literature on crowding-in and the growing
number of papers using IRS Form 990 data.

97. The Economic Impact of the Valladolid International Film Festival

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During the last years, the number of cultural festivals has grown spectacularly both in Spain and the rest of Europe. The reasons for this increase include higher individual income, growth in tourism and the better support given to this type of event by public and private institutions, often as part of a local development strategy. This tendency may also be seen in the case of film festivals. The now consecrated festivals of Cannes, Venice and San Sebastián are today joined by a wide and varied selection of film festivals. Film festivals have a fundamental cultural value, since they make it possible for authors to be known, films to be reviewed, new tendencies to be analysed and less commercial films to be promoted. However, they also have a very important economic side, not only due to the business volume they generate (film sale and distribution), but also to the economic impacts in the city in which they are held. The aim of this paper is to analyse the contribution of the Valladolid International Film Festival to the local economy. For this analysis, we shall differentiate three types of effects or impacts. Firstly, the direct effects, resulting from the festival itself and calculated using the organisation budget. Secondly, the indirect effects, which are the expenditure of those travelling to Valladolid to visit the festival, and which are calculated by means of a visitor survey. And finally, the induced effects, which constitute the impact on the local economy as a result of the multiplier effect.

98. Cultural Events and Urban Sustainable Development
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The link between cultural economics and urban economics is deeply increasing: many authors (such as Van den Berg and EURICUR researchers) worked on the larger concept of “urban attractiveness” and “organising capacity” which involves culture and big events management devoted to urban sustainable development. The economic impact and the importance of “Culture Capital of Europe” has grown consistently and cities have been using the designation in relation to economic objectives. The paper compares “Brussels2000” financing and expenditures in order to analyse economic results including benefits and positive externalities for all the urban context. A goal oriented cost-benefits analysis is made to understand if the “enterprise-Brussels” achieves the goals that was looking for in the decision to organise the event. A descriptive approach to cultural policies in Brussels and a S.W.O.T. analysis for culture is used in order to attribute value to non quantitative elements of “Brussels2000”. Moreover the paper looks forward the relation between town productivity function and culture factor considering Brussels as a town in which culture is “residual-factor” for urban development (Mossetto, 1992). With a support of a questionnaire, made on the V.U.B. Erasmus students of last two academic years (1999-2000 and 2000-2001), the cultural demand and supply of Brussels it has been analysed in term of services quality.

99. No or late confirmation, cancelled

9900. Time Budget Analysis and Cultural Consumption: A Historical Perspective
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This paper seeks to analyze time budget data with regard to culture in a historical perspective. Most research about the use of time only covers a short period of time and is highly descriptive. A comparison over time can only make
sense when a long period of time is taken into account since changes in cultural behavior are very slow to happen. A historical perspective is necessary to highlight some of the very obvious trends that include four categories: (a) at highbrow level, less time in total per capita is devoted to cultural consumption (people spend less time with cultural activities); (b) time is allocated in shorter periods (one example is that concert programs now are much shorter than in the 19th century); (c) an increase in the time spent multitasking (listening to classical music in a car), cultural consumption becomes an 'annex' to parallel activities; (d) winner-take all allocation: time is allocated according to a very hierarchical conception of works, reducing the variety of art works likely to be consumed (Beethoven's 5th symphony is much more likely to be listened to than his 1st, and the 'best' recording the only one owned or played). A historical perspective can only confirm these tendencies. Cultural consumption with regard to concerts is a particularly good example. Studying the daily schedule of upper-middle class people in the 19th century shows a very revealing difference in the time devoted to cultural consumption. A change in the opportunity cost of time is one hypothesis to explain the difference with behavior patterns of the 20th century. The implications for the cultural marketplace and cultural life are profound and impose severe constraints on any policies directed at increasing consumption.

9901. Economists and Symphony Orchestras: What Do we Know?

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William Baumol and William Bowen's book, set the groundwork for the theoretical and empirical analysis of symphony orchestras and other nonprofit performing arts organizations that followed. [B&B, 1966] Their analysis spanned a wide range of cultural organizations. Nevertheless, orchestras were the main focus of their analysis because "They are by far the nation's longest lived performing organizations, and many of them have kept excellent records." [B&B, p15]. Symphony orchestras and other organizations in the "high-cultural" performing arts (opera and ballet) are nonprofit organizations. While there has been speculation as to the rational for this organizational form, it was Henry Hansmann who proposed a sound theoretical basis for these organizations to be organized as nonprofit entities. [HH, 1981] In this article, I will review the major contributions of Baumol and Bowen and of Hansmann and the empirical work testing their theoretical propositions concerning the behavior of symphony orchestras.

9902. Economics of Ballet

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The economics of ballet is impossible to understand without understanding its history, its heritage, and its working. Like most performing arts, any ballet production, as well as the company itself, can be seen as a natural monopoly. Fixed costs are considerable. This ranges from the orchestra and dancers - in contrast to opera, even most of the principal artists, with the rare exception of free lance guest dancers, are employed on fixed contracts rather than on a pro performance basis - to the stage set and technicians. Production is labour intensive, with few substitution opportunities for artistic personnel. Costs for an additional performance are negligible. This may change, though, if opportunity costs have to be taken into account. Especially in Europe, major ballet companies and opera companies often belong to the same commercial organisation. While costs are reduced by using the same stage and sharing administrative and artistic resources both have to compete for a finite number of nights and matinees, though. Due to the higher commercial viability of opera, every ballet performance then results in opportunity costs of forgone higher earnings that would have resulted if an opera had been shown instead.

9903. Public Funding of Opera

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Opera is a very expensive art form, which cannot live on box-office takings alone. In some European countries, such as Germany and France, opera companies receive up to eighty per cent of their turnover in state subsidy. In the USA private giving enjoys tax allowances and substantial amounts are donated to opera companies by wealthy individuals. In the UK private giving is not as developed as it is in the US and state subsidies are not as high as they are in mainland Europe. This paper explores what it is that public funding bodies in the UK and in Germany are trying to achieve in their funding of opera and how they go about achieving it. In Britain, public funding of the performing arts is a relatively new phenomenon. Moreover, opera is considered by many to be elitist and subsidies to opera are often criticised by politicians and by the press. The result is that British opera companies are regularly in a financial crisis and that the issue is always under political and public scrutiny. In Germany, which has a longer history of publicly funded opera, recent economic difficulties have led to opera companies being forced to make substantial cuts and even to discussions of possible closures of opera companies. The hypothesis tested in this research is that the lack of clear objectives was the reason for the difficulties between funding bodies and opera companies and that clearer objectives would produce better decisions. To investigate this hypothesis, the objectives set by the arts funding systems in Britain and in Germany in their funding of opera are examined. In Britain case studies examine the withdrawal of funding from Kent Opera, which brought about its demise; the Arts Council’s involvement in the establishment of Opera North and the relationship of the Arts Council with the Royal Opera House, Covent Garden. For Germany the case studies are of Frankfurt, Bavaria and Berlin. The failure of the Frankfurt administration in its attempts to deal with financial constraints and the resultant deterioration of the Frankfurt Opera are analysed. The opera funding difficulties in Berlin since the city’s reunification in 1990 and the Bavarian smooth running of its opera funding activities are examined. The case studies reveal that the funding bodies have never defined their aims well. However, on the basis of the case studies this thesis argues that neither the absence of performance indicators nor even the lack of clear objectives are the root of the problem of the funding bodies. The thesis further argues that power play of stakeholders and inadequate management of power politics are the source of the failures of public funding bodies to implement their policy vis-à-vis opera companies. A practical and realistic model is proposed which covers the full range of decision-making situations confronting funding bodies.

9904. Economics of Opera

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Why is opera the most expensive of the performing arts? I argue that the underlying causes of high costs are complex and are intimately tied to the economic history of opera, the typical repertoire performed and the economic organisation of performance. It is because opera is still so closely connected to the performance traditions and conventions of the nineteenth century that it is subject to high costs and prices and small audiences.

9905. What Kind of Firms Sponsor the Art?

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Once a firm has decided to set a certain proportion of its profit for social contributions to the community, how much should it allocate to the sponsorship for the art and how much for the philanthropy? On the analytic front, we use graphical analyses to determine the optimal mixture of sponsorship to art and philanthropy. We then examine over 100 firms that belong to Korean Business Council for the Arts since 1994. We compare and run statistical tests on the size (in assets, number of employees, sales volume), growth rate of the business, the nature of products (final good v. intermediate good), age of the firm, and expenses on advertisement of the firm in relation to the amount of the
contribution for the art by the firm. From these we draw a conclusion as to what kind of firms are likely to sponsor the
art.

9906. The Price of the "Livre de Peintre":
On Investing in Modern Illustrated Books by School of Paris Artists

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The product of an elitist culture par excellence the "livres de peintres", a section of modern bibliophily can be
considered as avatars of painting. Defined as texts illustrated with engravings or original lithographs made by
renowned artists they stand in the field of the book or painting as valuables. The first attempts to link painting with
literature date back to the Molière illustrated by Boucher (1743), Faust by Goethe illustrated by Delacroix (1828) and
later, illustrated by Manet, The River, by Charles Cros (1874), and The Raven, by Edgar Allan Poe (1875), and The
Afternoon of a Faun, by Stéphane Mallarmé (1876). But it is only at the turn of the century that the first "livres de
peintres" in the modern acceptance of the term will appear. The 20th century saw the revival of a number of earlier
techniques of book illustration, including wood-engravings, lithography and copperplate engraving. Ambroise
Vollard's Parallèlement (1900), poems by Verlaine illustrated with lithographs by Pierre Bonnard, is considered as the
first true "livre de peintre" as collaboration between poet and painter. The artists' book in Paris took the form of
illustrated books. The history of the modern illustrated book will be traced. Collecting of such books began in 1929,
when a Paris bookselling firm brought out a catalogue of illustrated books and gave rise to the peculiarly French
enthusiasm for collecting rare or unusual attitude of the collector towards his collection, either as a failed artist, a
connoisseur, or a shrewd investor. The aim of this essay is to present some economical aspects of the market for the
illustrated book. The economics of the book market will be discussed as well the popularity of artists' books as
collectible items examined. The collectors of "livres de peintres" who are by nature conservationists put their stake on
a rising market which restrains the potential offer for such books. In contrast the graph for demand is strange to say
the least as the curve shows that the higher the prices the higher is the demand which is a characteristic of the Veblen
theory, stating that fashion or snobbism leads the amateur to seek high-priced books and disdain those whose price
is coming down or is too low. On the art-market in general and for bibliophilia in particular mostly intervene
psychological phenomena. As a matter of fact valuables do not attain a value but for their relative scarcity and on the
other hand for the fluctuations of supply and demand and also the whims of taste spurred by fashion or advertising
manoeuvred sometimes by the keepers of the market. However, in spite of their innate instability they are often
considered as investments and command very high prices at auction. The evolution of the post-1918 market for such
works is described by the way of a representative sample including items of Arp Bonnard Braque, Dali, Sonia
Delaunay, André Derain, Ernst, Giacometti, Kandinsky, Léger Masson, Matisse, Miro, Picasso and others. Deflated
on the long period, returns will be compared from 1964 till now with those of bonds, shares, gold and savings-bank
book It will be compared to others paintings and prints indexes and to another own index based on the quotations of
Picasso's books with an inkling to a research on all books illustrated by the artist (more than 300) sold in any
conditions. This paper is thus regarding bibliophilia as an investment too because of the golden opportunities offered
to the collector. The "livres de peintres" fetched incredibly high prices and have gone up consistently until 1990
which marks an overturning of the inflationist tendency towards a sounder market and a same recession as it occurs
in the paintings after 1990. The highest increment values are made on artists who are not yet at the top of their
careers. But there too one cannot insure against the fashion tendencies who have a cardinal influence in the hierarchy
of values. They definitely influence taste and the conceiving of the aesthetics of a book, and the outcome is that they
provoked the rapid coming down as well as the considerable rising of prices. The price of books is very revealing about
the likes and dislikes towards them and draws a somewhat subjective graph. This economical essay ends up then to
measure the unmeasurable: fashion.

9907. The Supply of Cultural Heritage in the Present Societies:
An Approach from the Economic Analysis

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The Cultural Heritage constitutes at the present time not only a cultural resource of exceptional value, but also an important economic resource on that there are based multitude of activities, and even industries, that come to satisfy a demand, greater with time, of heritage services or products on the part of the contemporary societies. The aim of this paper is, indeed, to analyze the process of transformation or “production” where the stock of any country’s heritage goods become a source of services for its society, a product adapted to the contemporary preferences, apt for its use or consumption and enjoyment by the citizens. For this reason we are going to study the specific characteristics of these goods, the form in which the heritage services take place and the problems that arise when generating this type of services that, sometimes, display characteristics similar to the public goods and positive external effects.

9908. The Opera Manager: The Rise of a Modern Profession

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This paper concerns institutional changes of the management function at theatres that perform plays during regular seasons in local theatre houses. Permanent theatre institutions are often referred to as residence theatres, and in this case study it is an opera house organised according to a stock-system with a fixed ensemble. The aim of the paper is to map out when and how transformations of managerial practices and procedures occurred in history and gave rise to important changes in the formation of the professions within the theatrical context. At public institutions, the appearance in history of a salaried manager with first of all an administrative know-how and a consideration for the administrative tasks at the theatre mark a new epoch in the history of performing arts management. As a character, such a manager replaced the kind of theatre manager who once used to be a man of the theatre and who used to be a managing director of a private company. The example used for illustration is the managerial history of an opera institution founded in the 1770s, The Royal Swedish Opera in Stockholm. The text cope with questions of the effects of shifts in leadership styles and offers a historical perspective on the ways public institutions are managed in modern society. Archive material, i.e. qualitative and quantitative documentary produced by general managers at the opera institution, have been used for analysis, such as series of memos, statements, regulations, personal diaries, annual reports, etc.

9909. Selling Picasso Prints: The Efficiency of Auction Houses

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Previous works applying hedonic price technique to determine the formation of auction prices of objects of art have found no conclusive result about the impact of auction houses on final prices. In these studies the object of art has been the unit, and influence of auction houses is analysed by testing whether auction house impact on price is significant or not within a framework of central tendencies. In order to focus on auction houses as a unit we have applied a benchmarking technique, DEA, developed for efficiency studies. Categorial and continuous variables are used as inputs and auction prices as outputs. Performance indicators are defined and calculated giving an insight into auction house differences impossible to obtain using hedonic price approach.

9910. Endogenous Growth and the Rubens Studio

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Economists are well-known as creators of so-called new theories that often explain current, and many times old, practices used by entrepreneurs, businessmen and other agents in different aspects of economic life. The theory of endogenous growth had a marked success in recent times, as an innovative way of accounting for several stylised facts that defied interpretation within the classical Solow framework. Pieter Paul Rubens, glory of the Baroque period and a man of manifold qualities and activities, is also known in Art History as head of perhaps the biggest – and most productive – painting studio of all times. Only Raphael’s studio can approach, in output, quality and staff, the one Rubens entertained for nearly two decades in Antwerp. In this paper we show that all main ideas of endogenous growth theory are found in the way Rubens successfully ran his studio, leading it to fast and enormous development in a rather short period. A strong evidence is provided that, a clever mind like Rubens’, had a clear view of such principles and their role in transforming his studio into the top one in Europe at the time. Finally, the fact that a parallel is being made between ideas related to “country growth” and a phenomenon more akin to “firm growth” is taken into account and raises a point whether some of those ideas are not more suitable to a firm context, having their efficiency debatable in a country basis.

9911. Audience Attendance In Performing Arts as a Markov Process

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Even if individuals attend live performances for the first time by chance, they do not come back—become members of an enduring audience—randomly. The problem here consists not only in attracting new people into artistic institutions and venues, but to keep them in touch with these institutions and to make them understand and appreciate the value and interest of works of arts. How people are recruited to the fine arts audience is a matter of the greatest importance to the arts at time, when this audience is aging and may be equally important to a nation’s culture in general. Audience development, seen as the attempt to build a loyal audience for the artistic institution – an heavy user segment, is in effect the real challenge for performing arts institutions, also in order to ensure arts institutions a constant financial flow and in order to improve the efficiency and effectiveness of marketing strategies. Given this framework, literature in this field has constantly ignored the consideration that present arts consumers lie at different points along a continuum of increasing involvement in the arts form. In fact previous studies: have described the process of audience participation in the arts in a very simplified way without giving useful explanation of changes in the behavior of the arts’attender; have identified only explanatory characteristics that are traits or practically beyond the reach of arts management in the short and medium term; have tested the proposed models using secondary data extrapolated from earlier national surveys. This research fills this gap by: presenting a new dynamic model of audience development that takes advantage and insights from the advances in the studies of rational addiction in the arts (Stigler and Becker, 1977) and that introduces the possibilty of regression or “jumps” from one stage of participation to another estimating Markov chains in order to model audience attendance at live performances and to assess long run equilibrium state assessing the importance of policy tools in order to persuade audience to increase their committment in the arts; using primary data collected through an audience survey within an urban area asking them about their past and present habits.

9912. Don't Read the Wall Text

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Art is a discourse of earthly desires. Works of art are compensatory objects made by fallible human beings for dubious reasons in an inadequate world. So how do you free people to see something you can't see, to imagine
and/or make something you can't imagine? When looking at and/or supporting the arts, is it judgement or mercy you
dispense?

**9913. Excavating the Surface**

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What do we mean when we speak of creating a work of art? What, exactly, is being created, how is it being created, and for what purpose? When a chef "creates" a new dish for a menu or a dress designer "creates" a new line of clothing for the spring season, is that the same kind of creativity that goes into creating a work of art? And what role does expression play in this notion of creation in the arts? When a infant screams, the infant is certainly expressing her/himself through sound, but would we call this music? When a group of people take to a stage and each beings expansively moving about, they are all expressing themselves through movement, but would we call this dance? And when an aspiring individual splatters paint about in an effort to be visual expressive, is this art? Why is it that when Pollock "splatters" we call this art? And in the search for understanding expression on yet another level, what are the specific qualities of expression that make a Rembrandt, for example, more compelling than a Rockwell? These concepts, creation and expression, will be my focus in understanding the complexity of art, not as a symptom, but as a creative expression of another order.

**9914. Plastic, Electricity and Fonts: The Future of Art in an Economy of Technological Change**

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"The Future of Art? How does one respond to queries about the prospects of an idea, an activity, a thing that has been systematically and cross-culturally exploited, idealized and transgressed without daring to sound philosophically presumptuous, without a motive toward ontological insistence and teleological enthusiasm? Aren't most predictive interrogations rooted in an epistemic fear of the indeterminate here and now? Still, futurism as a prophetic, picture-making project does have its seductive, programmatic aspects, rendering paradise in stimulating new visual, psychological and [economic] terms, giving hope and reason to those otherwise prepared to fill their hearts with doubt and fatigue. That is to say, play sibyl to collective evolution, enables one to time travel between ancient and modern zones of gesture that energize the predictive theaters of astrological, market and sports forecasting." The Future of Art, in this paper, will presume a multi-temporal, multi-geographic, history of world art and will be the subject of a presentation that concerns the deep and powerful change afoot in culture, with respect to our bodies, our speech, and our minds. The author will pinpoint the radical necessity of artistic investigation, especially the artistic inquiry into and manipulation of technologies that denaturalize our assumptions of what is inside our bodies, of our relationship to that which is outside our bodies, and finally, to that which we address as the communicative cogency and substance of our minds. The work and theoretical ideas of three artists working internationally will focus the futurist discussion: Stelarc's visual and kinesthetic theory of the cyborg body, Shirley Tse's visual theory of plastics, and Xu Bing's visual theory of language.

**9915. The Economic and Labour Market Situation of Finnish Artists in 2000**

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The paper introduces preliminary results from a survey on the status of Finnish artists. The aim of the survey is to study the employment situation and the income sources of artists as well as the role of public support in the year 2000. The empirical data was collected by a questionnaire, which was sent to a sample of Finnish artists (members of artists’ associations). The study covers artists in different art fields and several occupational groups. The objective of the project is also to compare the results with the earlier studies on the situation of Finnish artists and with the data from the Finnish census 2000. The focus of the paper is on the economic position and labour market situation of artists as well as on the correspondence between training and income. Earlier studies on the status of artists in Finland – dated back to the middle of 1990s – indicate that the income level of different art fields varies strongly, but as a whole artists do not make worse than the whole labour force. One point of interest is to study whether the situation has changed. The survey method has also enabled to collect data on income sources and to examine the share of artistic income. Likewise, the earlier studies have provided evidence that the effect of formal training does not carry same weight in the arts as in the other sectors when it comes, for example, to income level. To demonstrate the above-mentioned issues, the paper presents empirical data across the art forms on, e.g., the total taxable income and grant income as well as on the demographic characteristics of Finnish artists.

9916. Conjectural Variations Oligopoly Model in an open Performing Arts Market. Statistical data for the Portuguese Case

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Performing Arts consumption reveals specific characteristics that can influence market structure, as well as the strategies chosen by installed companies. Customers have to travel to a particular place to attend the performance, which links the companies to a given urban region, with implications in the definition of companies’ relevant markets. On the other hand, in an Industrial Organization sense, companies concentration in relevant local markets leads to aesthetic monopolies, reducing the innovation and submitting that regions to rigid aesthetic philosophies, according to the companies’ managers or owners utility maximization. However, a politics of incentives to new companies can give place to defensive strategies by installed companies, as production differentiation, to maintain acquired dominant positions. Productions presented by touring companies, seen as an export succedaneum in separated markets, can break the power of installed monopolies, introducing product differentiation from the exterior and bringing new aesthetic forms to the relevant market. In this work, we present an oligopoly theoretical model with conjectural variations, using a market power index constructed from the conventional Lerner Index, which includes public subsidy as a receipt to a surplus maximizing performing arts companies. With the existence of touring companies, we conclude that, the smaller the collusion between the installed and the itinerant company, the more disciplining effect over installed companies, by aesthetic diversification. We complete this work with some statistical information, belonging to a preliminary work about Portuguese Performing Arts market. We include data about subsidy concentration evolution, by region, structure stability, companies’ mobility and conformity index (diversification), which will be important to the construction (in progress) of an empirical test to the theoretical model.

9917. Hedonic Prices in the Art Market: A Reassessment

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We use a new database including more than 300,000 paintings auctioned worldwide between 1990 and 2001 to assess the relevance of hedonic models in the explanation of the market price of art works. In our regression we include information about the school the artist belongs to, the level of attribution, the material, the support, the dimension and the subject of the painting. We include information about the sale as the auction date, house and city and the sequential position in the auction. We also include information about the market performance of the artist as the price index of each artist and the percentage of paintings sold, and some macroeconomic variables. Our results show that the econometric specification considered allows to track quite closely the market price.

9918. A Price Index for Artists in the Auction Market

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This paper proposes a price index for artists in the auction market based on estimates and auction prices. We compute an annual index by considering the average market price and the average estimated price of all the paintings sold by an artist each year. The average estimated price is adjusted to take into account that, if the market is bull (bear), estimated prices are likely to be increased (decreased) by experts, thereby affecting the estimates' ability to embody in a single value the fundamental characteristics of a painting. To neutralise this market bias, the estimates are filtered using moving averages. We use the same methodology to compute school indices. We apply this methodology to a group of selected artists drawing from a new database including market and estimated prices of more than 300,000 paintings presented in auctions worldwide between 1990 and 2001. These quality-adjusted indices are more stable than unadjusted average market prices indices.

9919. Withdrawn

9920. The Battle for the Airwaves in the Netherlands.
The Called-off Auction of the Spectrum for Radio Broadcasting

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The liberalisation of broadcasting in Europe dates back from the early nineties of the past century. This measure effectively ended the public monopoly in the domain of radio- and television broadcasting and started the age of the dual broadcasting system in all countries of the European Union. The advent of private radio, alongside public radio, has led to a significant increase in the demand for radio frequencies, necessary for effectively reaching intended audiences. The scarcity of spectrum for radio broadcasting has posed a relative new problem for government administrations, both from an economic as well as a cultural perspective. The administration as well as the allocation of spectrum for specific users is a government affair. Therefore spectrum allocation is a form of public intervention in private business. At the same time allocation rules and procedures have an impact on the public availability of cultural diversity. As a result of the advent of private radio, alongside public broadcasting, pressure on public administrations to improve the efficiency of spectrum use to be able to accommodate as many as users possible has increased. At the same time it became necessary to develop rules and procedures for allocating frequencies. Since public radio has a legal claim on national distribution, only the remaining frequencies can be used for private radio broadcasting. Overseeing the regulations and allocation of spectrum for radio broadcasting it turns out that in the different countries of the European Union different procedures of allocation are used. National regulations and allocation procedures are mostly based on a combination of cultural policy considerations, economic motives as well as rules concerning the restrictions of market dominance and monopolies. At the same time the specific administrative structures mediate the kind of procedures and regulations used. This paper analyses the saga of the Dutch policy concerning frequency distribution for private radio. It examines the way specific policy motives have changed along the development of an allocation policy and the way Dutch government got tied up in a Gordian knot of economic policy goals, cultural motives, technical complexity and court judgements. The first allocation was based on comparison of bids based on cultural policy considerations, whereas the proposed procedure for the allocation of frequencies in 1997 was based on an auction model. Due to political and corporate pressures this auction has been postponed, resulting in a number of interim rules, leading up to calling off of the spectrum auction in 2002. The paper is based on an extensive number of studies done on this issue for both the Ministry of Education, Culture and Science and the Ministry of Infrastructure and Waterworks in the Netherlands. It incorporates recent debates on the allocation of spectrum.

9921. Vertical Integration:
Selection and Appropriation of Value in the Music Industry

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The main objective of this paper is to explain changes in the governance structure of an industry as the result of an imbalance between the means to create and appropriate value at a particular stage of the value system (Porter 1985). Vertical integration, be it forward or backward, is interpreted as the strategic response to such an imbalance as the actors in an industry are pursuing a leveraged position in this value system, which offers increased opportunities to appropriate value. This study presents an inquiry into whether or not the introduction of new information and

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communication technologies (ICT) to the music industry constituted a triggering event for such a divergence from the equilibrium between these means to create and appropriate value. Arguably, the music industry is a setting of particular interest for the investigation of vertical integration, since the effects of digitization have already become manifest in their consequences. One need only think of the recent turmoil surrounding Napster, to become aware of the far-reaching and potentially long-lasting nature of these effects. As such, studying the music industry could serve as a point of reference for the investigation of other industries affected in similar vein by the advent of ICT. Moreover, an explanation of the strategic pursuit of boundary crossing realignment by actors in the music industry could serve as a meaningful addition to the ongoing discourse on the motives for vertical integration. Departing from the standard explanation of vertical integration based on transaction cost economics (Williamson 1975; Williamson 1985), this paper proposes an alternative approach, centering around a cost-benefit analysis based on value creation and appropriation. It is postulated that this produces a more comprehensive theory of why firms may choose to integrate vertically: this theory can be considered to be complementary to the explanation offered by transaction cost theory but, in most cases, will precede and/or override it. In the ensuing discussion, the means to create and appropriate value are linked to the insights derived from economic selection systems (Wijnberg 1995; Wijnberg and Gemser 2000) for it is posited that the efficacy of both is determined by the outcome of such selection systems - be it expert, peer or market selection.

9922. How do American Arts Museums Define Themselves?
A Textual Analysis of American Arts Museums Mission Statements

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Museums do provide several services. They serve several customers or stakeholders such as visitors, future generation, members, curators, funds providers, trustees, public institutions. They are in the non profit sector. Thus it is not obvious to define them precisely. Defining a museum means giving some details on the services provided and setting priorities among the services. Setting a definition of the museum objectives is necessary before to implement any management tool. Of course some institutions (American Association of Museums, UNESCO) propose a general definition for a museum. Besides, to be accredited, the AAM museums must write a mission statement. On the contrary, French museums do generally not have a text setting their objectives. We will study how American museums do define themselves through their mission statements. The mission statement is generally printed in a document widely available and should receive the agreement of the director, the funds providers and the employees. How different is each specific museum definition from the general definitions given by institutions or found in the literature? How different are the mission statements from one another? We will study the mission statement texts which are generally shorter than a page. The paper will focus on the Fine Arts American accredited museums which is a sample large enough for statistics and homogenous as regards the type of museums. In order to analyse the texts, we precise what is meant by preserving, diffusing and doing research. We are first forced to work on the general definition of a museum. We then study how frequently those main activities are specified in the museums, with which level and type of details. We also study other objectives such as organising exhibitions, acquiring new collection objects, continuing some very specific historical objectives. Diffusion appears to be the central activity whereas preservation is seldom mentioned in the studied texts. The texts are not very precise. They do not differ widely from the general definitions of a museum. The ambiguity as regards the museum objectives remains despite the existence of a mission statement. We then build a typology of museums. The similarities of some texts allow to propose to distinguish some groups of museums. The paper analyses how a sample of museums do define themselves.

9923. Productivity Growth in Public Libraries:
The Role of Deregulation, Socio-economic and Demographic Variables

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Public libraries contribute significantly to dissemination of culture and information, but have received little attention from cultural economics. Our paper contains an economic analysis of public libraries. It assesses the impact of decentralization on public library performance in the Netherlands. During the last twenty years constraints and regulations, such as reporting requirements and prescribed spending patterns, were largely eliminated. It is often claimed that decentralization of fiscal choice to local governments improves the efficiency of government programs. However, empirical evidence on the impact of the structure of grants on the productivity of local governments is almost lacking. Our research extends the previous literature on public library performance in at least three ways: We avoid the controversial behavioral assumptions embedded in previous studies, such as cost minimization with exogenous outputs. Instead, we assume that public libraries have some discretion on both (part of) their inputs and outputs, particularly after decentralization. We opt for a flexible nonparametric production technology that is capable of modeling the periods before and after decentralization by allowing for both input and output variations over time. We use panel data instead of cross-section data. The performance of public libraries is gauged using recently developed nonparametric Luenberger productivity indices, so that frontier shifts can be distinguished from efficiency changes. We study whether changes in performance over time -- both frontier shifts and changes in efficiency -- are related to developments of socio-economic and demographic characteristics of the service areas as well as the changing regulatory environment. We use a unique homogeneous panel data set of large municipal public libraries in the Netherlands. We have extended the data set of Goudriaan and Moolenaar (1995) with recent library data as well as with data on socio-economic and demographic characteristics of the service areas. With the extended data set, covering the period 1979-1999, we are able to make more reliable estimates of the impact of decentralization on the economic performance of public libraries. Our results indicate that decentralization has led to a deterioration in library performance. We find a modest impact of socio-economic variables and other fixed effects on productivity change over time. Finally, we conclude that different production technologies result in comparable productivity trends.

**9924. Museums: Fee or Free?**

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In many countries including the Netherlands attendance to museums is not rising anymore despite the growth of the population and the number of museums. In the Netherlands, museum audiences are aging. New visitors are difficult to attract. Only attendance to special exhibitions (‘blockbusters’) has increased, often at the expense of regular attendance to the permanent collections. Given these trends policymakers attempt to enlarge access to public museums by removing physical, intellectual, cultural and financial thresholds. In many cases, governments focus on the ‘easy’ solution of reducing or abolishing admission fees. Great Britain has recently introduced free access to the permanent collections of all national museums. France has introduced free admission to the national museums on every first Sunday of the month. Both countries report substantial increases in museum attendance. In the Netherlands, the minister of Culture has stated that he is interested in the possibilities of audience development by introducing different types of free access to museums. The minister has commissioned APE to study the impact of
various types of free access, particularly the introduction of one free day (or part of the day) in the week. The present paper provides the main results of that study. The paper addresses the following questions: Does free access lead to substantially higher attendance rates? Does free access change the audience composition in favor of the lower income strata and other target groups? Do we need universal free access or should free access be restricted to target groups or certain days? Which supplementary measures are needed to guarantee the success of free access? Our research is based on a survey of the literature, empirical analysis of existing data and case studies of free access in Great Britain (Victoria & Albert Museum), France (Louvre Museum) Germany (Staatliche Museen zu Berlin) and a number of local museums in the Netherlands. Our survey of the literature points out that museum attendance is almost insensitive to prices. Price elasticities of museum demand usually vary between 0.1 and 0.3. The composition of museum audiences is hardly affected by price changes. On the other hand, the recent French and British evidence provides a completely different picture. In these countries, free access has led to enormous increases in attendance rates. In France, the Louvre reports more attendance by young people, families with children, first time visitors, and so on. In our paper we try to explain the apparent contradiction between the given literature on the one hand and the recent experiences on the other hand. We focus on marketing, communication and other supplementary access policies.

9925. No or late confirmation, cancelled

9926. Do Public Funds Crowd Out Private Contributions to the Arts?

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Do public funds crowd out private contributions to non-profit arts organizations? An empirical answer to the impact of increased (or decreased) public funds on private donations derives from the hypothesis that individual private donors, who are also taxpayers, will substitute their voluntary contributions for tax financed donations (i.e. government grants). Under the strong assumption that donors care only about the total level of donations and not the sources of donations, an increase of one public dollar will lead to the decrease of exactly one voluntary, private dollar. (Warr, 1983) Previous studies have generally rejected both the perfect “crowd out” and the zero “crowd out” hypotheses. (Kingma, 1989; Payne, 1998) These studies, however, have essentially shown correlations between different funding sources. Variation in government funding to charitable organizations cannot be considered random; unmeasured variables are likely to influence the levels of both public and private donations. For example, macroeconomic shocks, changes in the perceived demand for the services provided by the charitable organization, or changes in the management or structure of a particular organization are likely to be correlated with both private and public donations. My research aims to draw conclusions about the causal relationship between different funding sources in the American non profit arts sector. To this end, I have identified an exogenous source of variation in federal funding for the arts and a previously unused, restricted data source with detailed funding information, namely the non public use version of the United States Economic Census of 1992 and 1997. An accurate measurement of “crowd out” in the non profit arts sector is of interest for several reasons. U.S. Federal funding for the arts, through the National Endowment for the Arts (NEA) fell by 39% in 1996. In nominal dollars, federal appropriations to the NEA fell sharply from approximately 162 million dollars in 1995 to 99.5 million dollars in 1996. In real terms, federal funds for the arts in each year between 1996 and 2000 were at 60% of their 1987 level. State level appropriations for the arts vary significantly across states, although on average, state funding for the arts has increased during the 1990s. In addition, the shares in total revenue of public and private funds from individuals, foundations and corporations has changed. On average, private funds have become a more significant source of income for the non profit arts sector. Cultural policy advocates are apt to characterize these changes as responses to the cut in NEA funding. It is not at all clear that this is the case. Private donations and state appropriations may have increased over this period for reasons unrelated to the NEA cut – higher corporate profits and state tax revenues, could imply an increase in overall philanthropy and state spending. Given that contributed income (from governments, individuals, foundations and corporations) accounts for 30-45% of the total revenue of non profit arts establishments, an accurate understanding of the interactions between these different funding sources has significant implications for the overall financial stability of arts establishments in the United States. My research advances the existing literature on arts funding by improving upon the identification strategy and by exploiting an unused, restricted data source. I improve upon the identification strategy by taking advantage of an unique feature of federal funding to nonprofit arts organizations. My
In order to establish quality policies in firms, it is necessary to recognize quality as a concept. A company must focus on to identified quality attributes which are important to the customer. Total Quality Management means continuous improvement. Besides technical aspects, this concept covers employees too. Although some techniques like cause and effect diagrams, check sheets, pareto charts, process flow charts, histograms can be used as tools of Total Quality Management, it is more difficult to measure personal components of services, which are intangible components. Photography, which usually has been examined as an artistic or technical subject, can be dealt as a managerial subject as well. Today, like in many other areas, arts sector also feels the need of business techniques. In this paper, the answers to the question “What more can be done to satisfy photography sector customers in addition to what have done so far” is searched by means of Total Quality Approach.

9928. Irish National Broadcasting: Assessing the Benefits with the Contingent Valuation Method

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This paper discusses a research project that is ongoing in the Department of Economics at Trinity College Dublin addressing the benefits to the Irish Public provided by the Irish National Broadcaster, RTE. The paper begins with a discussion of the context of Irish Broadcasting, an increasingly competitive media market where some are beginning to question the need for a publicly funded national broadcasting organization. The next section of the paper discusses the exploratory studies that have taken place within the Department to examine the suitability of the Contingent Valuation Method in assessing the benefits provided by the RTE. The main section of the paper is devoted to outlining the full and completed survey instrument to be employed in a national survey on the benefits of RTE. We discuss a number of the properties of hypothetical markets and the status of responses to attitude items as well as a number of issues within public microeconomics and game theory to set the theoretical background for the survey items. The paper also discusses the rationale behind a number of split-sample procedures designed to explore the effects of information on wtp responses and attitude items. Tests for response consistency as well as a number of items addressing the so-called ‘rationality’ of respondents are also explored. We also discuss factors such as fairness and social goodwill in terms of mediating factors in our hypothetical market. This section also outlines in detail a number of logistic models examining the factors that determine willingness to pay. We develop a number of models that center around the main issues within the Irish Public Broadcasting debate, addressing such issues as the effect of greater choice, regional variations, programming quality and several others. The concluding section explores a number of issues that have relevance for the use of surveys in cultural economics in general. We discuss the status of the monetary estimates derived from such surveys. We also briefly look at the philosophical assumptions lying behind knowledge production in this sphere. It is argued that, while methods such as the CVM are necessary to explore a number of issues in cultural economics, they are incomplete as they stand and could be usefully supplemented by a more discursive approach. We argue the case for more qualitative analysis within contingent frameworks as a means of ‘giving substance’ to the utility functions. We discuss this specifically for the case of the Irish broadcasting study and outline how we can extend the numerical estimates to provide richer and more contextual information about the issues involved.

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The relationship between public support (especially National Endowment for the Arts grants) and private donations (especially from foundations) to the arts has been considered principally in terms of the aggregate financial effect of federal grants. We find that the relationship is much more complex, and needs to be studied in terms of different consequences for (i) total giving to the arts sector (sectoral “crowding in [or out]”), (ii) giving to individual institutions in response to their respective success in obtaining NEA grants (institutional “crowding in”), and (iii) arts institutions’ artistic and program decisions in response to their perceptions about (ii). These distinctions are important because while the first effect probably increases artistic activity without changing it much, the second and third may conceal important effects on the type of art experience presenting organizations offer, especially in a political environment like the current one in the US, where the principal government granting agency has been navigating through gales of scandal and attack to the dismay of the arts community. Arts managers are often heard to say that their NEA grant “makes it possible to receive private funding”; has the NEA become a sort of a. Academy of established figures, likely to exclude or at least undervalue innovative or pathbreaking art (the panel system) , b. Ministry of Culture through which government directs artistic choices (the dependence of not only the public but also the private support on government decisions), and c. Censor (the National Council of the Arts/NEA Director’s review of panel choices, together with explicit prohibition against NEA support for obscene art? They are also important because redesign of the very small US grant program could achieve significant benefits for the arts with little additional public expenditure. Interviewing arts managers, donors, and NEA panelists we find that for mid size institutions, NEA grants can have at most a very modest “crowding-in” effect (differentially inducing private support), while for other institutions no major effect takes place. The claim that public funds drive total private donations for good or ill (legitimating the artistic merit of programs in the eyes of donors, or overriding private decisionmaking) is not supported overall. As regards the behavior of arts institutions, NEA grants do not have a major effect on artistic choices, although this issue deserves further investigation. The “seal of approval value” many attribute to NEA grants is not as strong as it used to be, and the economic value of a typical grant is in any case greatly diminished in the last decade, so a grant will rarely make or break a program proposal. This finding is important because. Regarding the arts sector as a whole, however, there is evidence of a significant multiplier effect of public subsidy on private giving. Salience rather than quantity seems to be the driving factor, with a sharp increase in private donations (both absolute and as a fraction of total giving) around the time when the NEA was created and growing, and a subsequent stagnation of private funds, though over the entire period public subsidy seems to have a significant positive effect on private giving to the arts. The investigation of the institutional crowding effect is based on structured interviews of a sample of managers of arts institutions in the San Francisco area, of program officers of foundations that provide support to the institutions considered and of National Endowment for the Arts panelists. We examine the sectoral crowding effect using data on private giving both to the arts and other non profit institutions, GDP, NEA appropriations

Market Orientation in the Context of Arts Organizations

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The role of marketing in the context of arts organizations is topical despite the fact that marketing has been applied to the arts several decades (see e.g. Botti, 2000; Butler, 2000; Gainer, 2001; Saxe, 2001; Troilo and Addis, 2001; Voss &
Voss, 2000). This study builds on market orientation research stream and examines the impact of market orientation in the value creating process of arts organizations. Market orientation refers to activities that develop and use intelligence about the market (customers, competitors) and it means a systematic evaluation of the quality of marketing inputs (Clark, 1999). Empirical findings both in profit and non-profit sectors support the proposition that being market- or customer oriented does improve organizational effectiveness (e.g. Ruekert, 1992; Jaworski and Kohli, 1993). On the other hand, there are studies, where the association has not been supported (e.g. Greenley 1995). In an artistic context, Voss & Voss (2000) found that a customer orientation was associated negatively with firm performance. By contrast, Gainer (2001) reported opposite results. Therefore, as the results of studies exploring the relation of market orientation and performance in an artistic context, as well as in business context, are conflicting, additional studies are needed. The research questions of this study are following: a) how is market orientation perceived by arts managers and what factors encourage or inhibit it, b) how broadly the concept of market orientation is supported by arts managers first, at the philosophical level and secondly, at the operational level, c) how is market orientation perceived to be related to the performance of arts organizations, d) what factors moderate the effect of market orientation on performance in arts organizations. In the paper the results of in-depth semi-structured interviews with managers of performing arts organizations (orchestras, theatres, festivals) will be reported. The purpose of this study is to help in developing a conceptual framework of market orientation and hypotheses for the doctoral dissertation study examining the market orientation - performance relationship in the context of subsidized nonprofit performing arts organizations.

9931. The State and the Visual Arts in Ireland

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A fundamental result of economic theory is that an economy characterized by perfectly competitive markets will produce results that are optimal in terms of efficiency and welfare in society and this would suggest that government intervention is unnecessary. In reality, it is argued, markets fail and this is seen as justification for intervention in many sectors of the economy. The ‘arts’ is one such area. There is a history of government intervention in the promotion of the arts especially in Western Europe. Economic literature in the area of arts and culture has put forward many arguments, for example efficiency and equity arguments, to justify this intervention both with respect to the arts in general and specific art forms. In this paper, under the assumption that Governments seek to maximize the well-being of society the instruments of government intervention will be examined. The study will confine itself to intervention in the visual arts in Ireland. Why Ireland? Irish State intervention in the visual arts marries a tradition of direct support with a growing reliance on regulation and tax concessions. Direct support and regulation are the predominant forms of intervention in Europe while taxation measures are a significant feature of intervention in the United States. Analysis of Irish State intervention therefore, may have implications for evaluating visual art policy in an international context. This paper will give an overall view of intervention in the visual arts. This paper updates a previous study by extending the data period to 2001. It will provide statistical information on both direct and indirect intervention. In terms of direct intervention this will include the level of funding to this art form by the various State agencies involved, the distribution of funding within this sector i.e. to individuals, galleries, resource organizations, education, ‘per cent for art scheme’, government purchases etc. With respect to indirect intervention statistical information will be provided on visual art related tax expenditures. The question then arises how do we evaluate intervention. One possibility is evaluation in terms of the objectives of government policy. In Ireland many of these objectives are ill defined. Nevertheless given that support to the individual artist is central, particularly to Arts Council policy, this paper will investigate the impact of intervention on artistic output and artist formation.

9932. Competition and Diversity in European Broadcasting

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This paper addresses the question of how competition in broadcasting affects diversity of programme supply. It presents a theoretical model that relates market structure to broadcasters' programming strategies and presents an empirical test of this model on the basis of data on broadcasting competition in different European countries. Competition in broadcasting markets is often advocated on the basis of the assumption that competition will improve broadcasting performance. The relationship between competition and performance in broadcasting markets is however more complicated. This paper argues that competition in oligopolistic broadcasting markets can take different forms, depending on the strategies adopted by broadcasters. We distinguish between moderate and ruinous competition, and discuss under what conditions these types of competition emerge. We hypothesise that moderate competition improves diversity whereas ruinous competition produces excessive sameness. We test these hypotheses for a number of European television markets. The research presented in the paper is part of an ongoing research project on Competition, Media Innovation and Diversity (CoMInDi) of The Amsterdam School of Communications Research ASCoR. The aim of the CoMInDi project is to investigate the interrelations between economic competition, media innovation and diversity in different information and communication markets in various European countries.


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Arguments by economists for the view that non-competitive product markets may exacerbate labour market discrimination date from Becker (1957), Alchian and Kessel (1962) and Comanor (1973). Becker (1957) suggests that employers whose firms enjoy market power will have greater tastes for discrimination than those operating in competitive environments. A convincing test of this hypothesis needs an empirical situation where there is variability in market structure that may be associated with a measure related to the extent of labour market discrimination. Ashenfelter and Hannan (1986) use an especially constructed data set that links micro economic data on female employment and indicators of market concentration in the banking industry. A&H found strong support for a negative relationship between market concentration and relative female employment. The results were robust with respect to both model specification and measure of market concentration. Moreover, they determined that individual bank market shares are unrelated to relative female employment, confirming that the relationship between male and female employment ratios and market concentration in their data is due primarily to differences across markets rather than individual basis. Market power and firm discriminatory behaviour rest on the presumption that firms operating in concentrated markets, earn higher levels of profits, because of the ability to price above marginal cost. Ashenfelter and Hannan mention that studies of the relationship between bank pricing behaviour and market concentration support this presumption as it applies to the banking industry, but its applicability in general is a matter of dispute. Since arguments against this market power hypothesis rest in part on the presumption of relatively easy entry by potential entrants the banking industry with its regulatory constraints on entry, could be considered a special case. Another assumption is that female and male wages differ in excess to other characteristics. In this paper we first estimate wage differentials between male and female employees in (cultural) industries, to find what part of wage differences remains unexplained by human capital characteristics. This is to test the assumption of gender wage differentials. We use a data set collected between September 2001 and January 2002, that includes information on 13 thousand employees in the Netherlands. The data contain very detailed information on labour market history and fertility history, current hourly wage and other job characteristics including occupation and industry. Furthermore, information is provided by the employees on the size of the firm, and the percentage of female employees in the firm. This information enables our second step, in which the percentage of female employment in firms is explained by measures of concentration in (cultural) industries. We are aware of the fact that this is the first attempt to obtain empirical results on the taste for discrimination of employers in (cultural) industries in the Netherlands. Unfortunately we do not have firm specific data to perform the second step. However, making use of the new data set, and constructing indicators on concentration in cultural industry we have new information on both industry-specific wage differentials and, the interaction of labour market discrimination and market concentration in cultural industry compared to other industries.
9934. Explaining Global Diversity.
Repertoire Decisions in the Transnational Record Industry

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In studies about the record industry we can find three general theses concerning the relationship between features of the industry and the diversity of products: Diversity increases with competition on (national) markets (e.g. Peterson & Berger 1975); The number of niches (and therefore diversity) increases with concentration on markets (e.g. Carrol 1985, Burnett 1990); Diversity increases with the amount of internal competition between semi-autonomous departments (e.g. Lopes 1992). In my paper I would like to discuss the scope of explanation and the plausibility of these theses. Furthermore I propose three supplements in order to better understand the impact of organizational structures on diversity. (a) Studying global diversity we must evaluate the chance that music of diverse regional origins has to be included in the repertoire. Therefore the focus shifts from the size of repertoire or the number of firms (diversity according to the traditional definitions) to its composition (diversity as heterogeneity); (b) While in the above mentioned approaches changes in the repertoire were derived from formal and relatively abstract characteristics of the industry (e.g. market concentration) and of its corporations (e.g. open system, vertical disintegration), the focus of my analysis should be the social embeddedness of the repertoire decisions. The broader personal networks the better the chance of music of different origins to be regarded; (c) In addition, decisions regarding repertoire are culturally embedded, i.e. they are based on institutionalized and habitualized classifications or assessment schemata. In extensive networks the personal schemata of the industry actors must be adapted flexible to different contexts. This leads to changes in the institutionalized classifications and therefore to innovation and diversity in the repertoire.

9935. The International Market for Paintings, Rent Seeking and Auction House Location.

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In this paper we analyse the effect of location on the prices of paintings sold at auction, between 1990 and 2000. We use new Art Sales Index data for the 10 years of auction sales for 31 countries and over one hundred thousand artists to give us more than one million auction results. With this large data set we estimate improved hedonic price regressions, from which we estimate premia of auction house location to test the theory of a global market. We find economic rents for sales in particular locations after other factors are accounted for, suggesting varying premia associated with the point of sale itself. From these results we examine the possible effects of increased regulation such as import VAT and droit de suite on diverting sales of higher priced paintings away from the EU to other locations, principally New York.

9936. The Role of Public Funding in the Development of Cultural Entrepreneurship

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2 Available from www.art-sales-index.com
We all know too well, that many areas of cultural activity are not sustainable without public funding. In Europe also many private cultural undertakings are nearly solely financed by public money, thus becoming in fact outsourced areas of the public sector with obvious symptoms of government failure. The subsidy taker orientates himself more on the actual or supposed interests of the subsidy giver and his bureaucratic requirements than on artistic issues and/or the expectations of the audience. In many cases receiving grants turns out to be the easier way compared to the strains of private funding. The outcome can be described as an “optimisation of grant-taking” leaving completely distorted markets behind. In this case public funding institutions are requested to analyse the problems incurred by them and to construct mechanisms fostering a new form of cultural entrepreneurship. This is especially necessary in the highly complex audio-visual sector, where the creative output can only be achieved with a great number of non-creative collaborators. Small, highly creative producing firms growing fast often lack organisational and economic know how. This too often has a negative impact on the artistic intention, the producer being mainly concentrated to keep subsidies flowing. Thus, in the stage of operational funding it must be ensured and communicated that is the orientation on artistic innovation and/or attractiveness to the public is rewarded, in some cases market simulations are a viable solution. In the sphere of finance the attraction of private money by the subsidy taker should not be connected with a grant reduction of equal size, which would turn out to be a negative incentive for entrepreneurial activity. Also the phenomenon of non-neutrality of finance in regard to the artistic contents should be taken into account: Not all projects can be thrown onto free or whatsoever markets as essential elements of the artistic contents might get lost. In this sense the public sector still holds the responsibility for the sustainability of core areas of artistic innovation, the question of differentiation being not an easy one.

9937. No or late confirmation, cancelled

9938. Real Options and Art Fund Investment

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The real options approach consider the main problem of investment: the uncertainty over future market conditions. The difference of the selling and purchasing price minus the cost of the investment are the financial gains over the holding period of a work of art, so the evolution of the market price on future is crucial. You can reduce the risk of the market trying to investment on different artists, periods or movements. This is an investment process where you have opportunities along the investment period: the possibility of take decisions, or the flexibility for changing the initial plan or project parallel with market conditions in each moment. Opportunities are options the right but not the obligation to do or take some action or decision in the future, and options have value. This flexibility adds value to the investment plan or project that have to be considered. An example is applied to an Investment Fund on Art Objects similar to the Global Art Fund. This methodology changes the conventional approach to decision making about investment on art into a new framework for thinking about investment decision and the final result.

9939. Withdrawn


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Since the publication of Baumol and Bowen’s seminal work, The Performing Arts: An Economic Dilemma, there has been ever-increasing interest and research in the area of the performing arts. However, within this discussion even, the economics of dance are discussed infrequently. Thus, this paper offers new data and analysis on the employment of artists within the confines of dance. In using larger survey data, authors are often troubled by how to define artists. This paper therefore looks specifically at professional ballet dancers. This paper reports a combination of data collected by the author, on the weekly salaries of ballet dancers, and from the IRS files of the National Center for Charitable Statistics, on the finances of ballet companies. The weekly dancer salaries were culled from Collective Bargaining Agreements obtained from the American Guild of Musical Artists. The contracts span roughly forty years, from 1962 to 2003, and the breadth of the cross-section varies from 4 companies as early as 1962 to 18 companies in 2000. While the financial data on companies span only 10 years, 1990-2000. Nonetheless, this still allows for some interesting questions to be explored: Do dancer’s salaries keep up with inflation? What is the standard deviation of salaries over time and across companies? Is there correlation between dancers salaries and company revenue, private donations, or government subsidies? Do ballet companies pay efficiency wages? And possibly, have private contributions or government subsidies provided more room for rent-seeking by the dancers or are they in response to rent-seeking of the dancers? Finally, even with this biased sample, we can assess the position of ballet in the United States with some historic perspective.

**9941. Aesthetics and Effort: Repertoire as a Screening Device**

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In most studies of principal-agent problems arising in hierarchical organizations, it is assumed that agents are indifferent as to the type of output produced by their organization, caring only about their working conditions and income. While this may be a harmless simplification for the study of most firms, it is clearly an inappropriate assumption to make when studying arts organizations. Artists certainly care about how much they earn and how hard they work, but many also care about what their organization produces. The purpose of this paper is to consider how that factor influences the design and operation of an arts organization. This paper begins with a model describing a conventional principal-agent problem in which artists are agents hired by principals. This seems a reasonable characterization of many complex arts organizations, particularly in the performing arts. As is common both in and outside the arts, the agent’s effort may be difficult to monitor, making a contract specifying payment and effort difficult to enforce. However, the environment of the arts is further clouded by the fact that the artist has personal preferences over the type of output produced. As a consequence, the artist may be willing to accept different wages and/or provide different levels of effort, depending on the type of output. (A singer, for example, might give an impassioned performance of a modern opera for a very low wage, while demanding a much higher compensation to give an indifferent performance of an opera by Mozart.) It is shown that, from the point of view of a principal, such preferences can be a blessing or a curse. Because not all artists will share the same preferences, the choice of output—say, the repertoire of an opera company—can be a useful screening device. The complication, of course, is that to use the output type as an effective screen, the principal may have to compromise his or her own preferences. (An opera company’s board, for example, might prefer Mozart but program Britten in order to get a higher quality performance at a lower price.) The paper concludes with an empirical examination of some aspects of the model. Using data provided by Opera America, an organization supported by almost all North American opera companies, it is shown that there is at least some evidence that opera companies use the choice of repertoire as a screening device in resolving the essential principal-agent dilemma.

**9942. Frustration and Organizational Change: The Clash between Neoliberal Reforms and Sustainability Mandates in Latin America’s Heritage Sector**

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For over a decade, heritage organizations in Latin America have faced two change drivers: neoliberal economic reforms, and a growing counter-current of indigenous social movements. This paper explores the impact of these opposing forces on the heritage sector in Latin America as it pertains to organizational change. Latin America’s heritage sector is wedged between two opposing forces. On one side are the neoliberal economic reforms that governments have turned to in response to serious economic crises. These reforms have decimated extant governmental funding for the arts, sparking an initial wave of organizational crisis change by compelling heritage organizations to adopt business tools and practices to ensure their survival. On the other side are the heritage organizations’ historical mandates, reinforced in the past decade by a commitment to principles of social and cultural sustainability, in direct opposition to the effects of economic restructuring. Frustration, the result of having to satisfy irreconcilable goals and requirements, has prompted a crisis within Latin America’s heritage organizations. While expanding their preoccupation with preserving heritage beyond objects to societies and cultures, they are unable to do so unless they acquire the skills and knowledge necessary to function in the market economies against which they are struggling. Our conclusions are supported by a survey of over one thousand natural- and cultural-heritage organizations in all the countries of Latin America, as well as in-depth interviews with heritage sector managers from nine countries in the region.

9943. To the Problem of Consumer Choice in the Art Market: Does the Return from Art Investments Really Matter?
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The results of the economic research based on auction data tend to report under-performance of art investment relative to bonds or other financial. It follows that the art is a poor investment vehicle and must be considered as a durable consumption good in the first place. However, such explanation raises another question: if so, do the returns on art investments really matter? In case of the ordinary durable goods the decision about purchase usually depends on their qualitative criteria -- technical, informative, entertaining, etc. It is not important whether the investment in such goods will be profitable. However when the art market is considered, the stability of future retail prices is an important factor when deciding whether or not to purchase the work of art. Even if the buyer is persuaded about the aesthetic qualities of the art by the seller, the final decision about the purchase would be determined by general expectations about the stability of the price for the given piece in the future. A true collector does not buy the art with purpose to resell it in the future, just like the buyer of the ordinary goods, the collector buys art for enjoyment. The collector might never resell most of the works in his collection but it does not mean that his choice of art is independent of the possibility of a resale. Moreover, it could be the case that once the expectations about the future resale turn out to be false, collector might try to sell unfortunate works from his collection. The paper attempts to show that the consumer choice in the art market depends on the possibility of future resale of the artwork, and that the profit size is not the primary goal of this market. The fact of a somewhat profitable resale matters as long as it plays a role of a signal about the true value of the art piece, under assumption that the criteria of aesthetic quality are too vague and undetermined to serve as a benchmark for art buyer.

9944. New Horizons in Cultural Economics: A Case Study of Southeastern Anatolia Region in Upper Mesopotamia
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Anatolia that has always been a cradle of civilization is still keeping its historical, geographical and economical importance. In recent years, with the Southeastern Anatolia Project (GAP) which is aiming social and economical development of the Southeastern Anatolia Region, culture and cultural heritage has become popular. When rich cultural structure, geo-politic, geo-strategic structures of the region are considered, it is seen that will have an important role in the cultural economy of the region. For this reason, it is important to found the cultural economy effectively and to use it for the development of the region which has important historical ruins such as Zeugma and Hasankeyf. The aim of this study is to constitute the infrastructure of cultural economy in the region which has rich historical and cultural treasures and to present it for the use of international level. In the first stage of this study, the historical background is presented briefly. Furthermore, the social, economical and cultural aspects of the region today are introduced. In the second stage, studies for making the region benefit from existing cultural and historical heritages are summarized.

In the last stage, policies and strategies for adopting the historical and richness to economic development of the region are proposed. And, also these policies and strategies convey the ways of making the international society use of these richness.

9945. The Impact of the Internet on the Structure and Conduct of the Music Market

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The focus of industrial organisation theory, to date, has been mainly concerned with the activities of manufacturing companies, the service (health) sector and more recently, a consideration of knowledge-based firms. Little attention has been given to the industrial organisation (structure) and competitive (conduct) aspects of the cultural industries. More research is needed to explore the operation of these newly emerging, but increasingly economically important sectors. It is contentious, but the author's feel a plausible view, that the cultural industries are primarily concerned with the supply and demand of creative 'commodities' - literature, the visual arts, performing arts, cinema and TV films, even fashion (Caves, 2001). The underpinning contention proposed, by this paper, is one of industrial organisation theory - with its roots deeply embedded in transaction cost economics - not really being able to get to grips with the notion of a cultural or creative entity. Something which isn't focused on a business output, but more on the supply of an 'aesthetic' experience. It is this notion of an 'aesthetic' value inserted in the cultural product, which acts to distinguish the purely cultural (high creative input) - .music, fine art - from the less purer (e.g. television, films) and the non-cultural. This paper will focus on one cultural sector - the music market. It is centred on findings from initial research, which is being supported by the European Union's Leonardo initiative, into the disruptive impact of the Internet and complementary technological advances on the structure and conduct of the music market. It is evident from our initial research that the music market operates on two levels - upper and lower. At the lower level, one finds the small-scale 'picker' who will concentrate on the difficult and somewhat onerous task of selecting and nurturing the creative music talent. These 'pickers' are immersed in artist activities and are very much devoted to realizing the full potential of the creative process. The upper level is concerned with the widespread packaging, marketing and distribution of the music product. This level, to all senses and purposes is a very efficient, large scale marketing machine with a huge, globally-based distribution system. The distributors (record companies) are working with highly developed and well-tested creative inputs (established artists). The distributors have largely controlled the supply and demand levels for music, historically. The Internet, in many ways has radically altered the structure and conduct of the music market. The music 'digital wave' is the consequence of a number of factors: including the emergence of communication technologies' that have provided the crucial infrastructure needed to supply music globally over the Internet. It is the consumer who is going to be freer to choose which music to purchase and they are going to be much less reliant on the conduct of the traditional intermediaries - record labels, agents and publishers. The process of buying will be much less transaction oriented with the Internet facilitating more scope for relational buying - through asynchronous, virtual-based communication tools. This radicalisation impact is not only in offering the musician more potential, for alternative value creation - financially and aesthetically, but also newly emerging opportunities for distributing their music. Some appropriate case examples will be presented from various levels of the
production chain to carefully illustrate the impact of Internet on market structure and conduct. The paper concludes, by indicating that despite the radical potential of the Internet for the music market it is unlikely that the Internet will result in the complete cannibalisation, of value - aesthetic or financial, in the production chain of music. Even in a fully digitized music business, many traditional activities - such as finding and promoting new artists, producing and recording music and securing airplay will continue to be highly important. The Internet, isn't totally devoid of a past in the music context, it is the latest stage in the ongoing evolution of information and communication technologies. Given the lack of any control of one firm or nation over the event and the activities on the web, security and piracy issues are likely to be unresolved in the short run - for the music market. Such developments will be seen by some as a challenge, a threat or an irrelevance and by others as offering support to, or amplification of, the creative

9946. Withdrawn

9947. Fashion, Creativity and Pareto Optimality

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“Fashions have changed”, “in fashion”, “out of fashion” are phrases frequently used in the street, on TV or in newspapers. But what fashion are we talking about? The fashion of ideas, artistic fashion or, more pragmatically, dress fashion. When we talk about fashion, do we consider it to be the result of a creative process (an intellectual one or an industrial one), or a method of communication of a certain “way of life” which would correspond in economics to the level of information? In this paper, fashion should be understood as the way a creativity process implies new behaviour in a set of consumers, independently of the information structure. We apply the model to the clothes fashion market. Every time a new outlet appears on the market, it can invade the market, under certain specific conditions. Hence, the “old” outlet can be completely dominated and disappears. Each creator competes for a finite population of agents. Fashion phenomena are given an explanation using some concepts from the physics of disorder. They are shown to result from a so-called “collective spontaneous symmetry breaking” produced by local individual imitation effects. Starting from two new totally equivalent outlets, one invades the whole market, while the others disappears rather quickly. The two outlets are assumed to be disembodied, thus any agent can instantaneously switch from one outlet to another without cost. This assumption implies that choices are not physically irreversible, there is no need for a learning process to switch from one product to the other. We assume that, in each step of the imitation process, agents only interact with a subset rather than with the whole set of agents. People are actually more likely to influence (and be influenced by) their close “neighbours”. The winner selection is random. Then, within an occupied dominant market, the conditions which allow the appearance of a new version of the same outlet are outlined. The possibility of coexistence of two competitive outlets is discussed. These results can be generalised to a situation with infinite outlets, which ensure a competitive situation in the considered market. For each case considered, we seek to determine whether Pareto optimality is present.

9948. Withdrawn

9949. De Re Coquinaria: The Recipe for Success in French Gastronomy.
Does Creativity Matter?

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Experts’ opinions play an important role in the gastronomic market essentially for the following reasons: information is imperfect and very costly to acquire, quality is to a large extent subjective and consumers need experts to define it. The number of guides currently issued, their success (Michelin: 650,000 ex.; GaultMillau: 200,000 ex.) and the strong level of correlation generally obtained between prices and ratings or rankings (0.63 on average) for this class of
activity illustrate this influence. In fact, without experts, supply and demand would face strong difficulties to meet. Therefore, first identifying the determinants of these evaluations of quality and then estimating their respective impact become relevant. According to the experts, the art of cooking is the only determinant taken into account when selecting and then evaluating the chefs. For the chefs, the environment (cadre and service) is also a determinant and not the least important one. What is the best way or strategy to become a “first-rate” chef? Would Alain Ducasse, one of the most famous French chefs, get the same rate in a roadside café as in his luxury hotel (either in Paris: Restaurant Plaza Athénée or in Monaco: Le Louis XV – Hôtel de Paris). To answer these questions, a quality equation is estimated using an original database concerning 185 leading French chefs that have been selected in one of the most famous French guides: GaultMillau (2000 edition). The results show that there are two strategies to become a chef of the first rank and that environment prevails over the art of cooking. This result is in line with the observation that some gourmet restaurants tend to overinvest in luxurious surroundings.

9950. Marketing Culture: Differentiating between Readers of Fiction by Means of Text Characteristics and Reading Goals

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Nowadays, marketing culture is receiving increased research attention from scholars and practitioners. Both scholars and practitioners agree upon the fact that cultural organizations need marketing in order to compete for both the consumer’s attention and their own share of national resources in an efficient way. Effective strategic marketing is required to reach those market segments that are likely to be interested in the product. From this perspective, a demographic segmentation approach is very popular. However, the literature suggests that genres of fiction may differ according to the text characteristics and the reading goals they fulfill. Marketers might profit from an objective behavior segmentation approach in which segments are approached by means of marketing communication that is tailored to the needs and desires of the segments. This requires insight into consumer behavior regarding the cultural product and the cultural product itself. In this study, it was examined whether readers of fiction who have different genre preferences attach different relative importance to 18 text characteristics of fiction and seven reading goals. The issue was examined by means of a questionnaire in which respondents (N=271) expressed their preference for romance novels, mystery novels, and literature. They also expressed their appreciation of the presence of text characteristics (related to content, character, composition, and use of language by the author) in a work of fiction, as well as their reading goals (social, world-knowledge, language skills, enjoyment, self-expression, relaxation, and relief of boredom). Discriminant analyses indicated by means of two functions that there were significant differences between the readers of romance novels, the readers of mystery novels, and the readers of literature. The results showed that there were differences in the importance of the social, the world-knowledge, the language skill, the self-expression, and the relief of boredom goals, according to the genre preferred. The appreciation of text characteristics also differed according to the genre preferred; marketing and managerial implications of the results are discussed.

9951. Is Crime Embedded in Art Markets?

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Most of the times criminologists do pass quickly over art market, if only they bother considering it. When they do mention it, they regard it simply as a place for symbolic exchange or as the place where offences related to works of art are committed. Some of the people involved in art market are openly accused of being receivers of goods that have been stolen or robbed. They are seen as swindlers whose only interest is to forward as many goods as possible in the hope for maximum profits without bothering for rules. A first part of the paper will be devoted to the cause of this bad reputation. The way the social structure of the art market favours crime will also be considered. In the second part of this paper, I would like to try to quantify the economics of crime related to works of art, though it is a very difficult task. Should we limit ourselves to money produced by robberies and by illegal excavations or looting, or should we include money exchanged under fraud, breach of trust and money laundering? A sub-question has to be asked: is it
reasonable to think that works of art may be bartered against another mean of exchange than money: drugs, weapons, …? A socio-economic approach may be a new promising way to study crimes related to art.

**9952. Cultural Consumption of Students in Secondary Education**

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For a long time, cultural policy makers make an effort in promoting arts and culture to young people. After all, to be an eager cultural consumer at young age increases the chance on a high level of cultural consumption at later age. Besides, research has demonstrated that the younger you start with cultural education, the higher your cultural consumption at later age. Cultural education at school is for a lot of people a starting point to become familiar with arts and culture. The parental family is another important factor to create a preference of arts and culture. In this paper we research the effect of schools on the cultural consumption of students. Do you become a culture-vulture due to the school you visit? And if the school has an effect on the cultural consumption of students, is this effect attributable to instruction or to selection? Can we ascribe this effect to the in-school arts education or to the fact that children with cultural active parents visit the same school? We make use of multilevel analysis to analyse data of 1521 students in 23 secondary schools in the Netherlands. These students were questioned about their cultural consumption and in-school arts education. We also collected data amongst their teachers about the cultural policy at school and the cultural consumption of the teachers themselves.

**9953. The Dutch Government Dares to Define Art. Financing the Art as a Contents-related Impact**

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Art policies are intentional. A states art- and artistpromotion reveals more than public generosity. It’s directed to specific aims and presupposes a defined comprehension of artists. My thesis assumes a lack of lobby for the autonomy of the arts in the scope of the dutch art subsidizing, which is a singular European phenomenon. As late as in the 19. century the dutch refusal of subsidizing state-representing-art was clear, since the minister of inner affairs, which was entrusted with the arts subsidizing these days, maintained it officially. No other European country defined their public promoted art utterances so little – the opposite is true, the European representatives made themselves representable by artworks. Art was functionalized. In the 20. century most of the modern, democratic states put the premise not to identify with the object of subsidizing into their constitutional law. In Germany for example the arts are as free as the sciences. An achievement, which was first written in the Weimarer Verfassung of 1919. But in a state as the Netherlands, where the tradition of etatism in the art policies wasn’t common, they thought they could do without, in particular because it seemed to be included in the basic right of free utterance of opinon and in the written aim for cultural development of the society. As long as the dutch population (catholics, calvinists, liberals, socialists) were hardly seperated in vertical piles and each pile had another ideal conception of the relation between state and the arts, no decisive step was taken to detract the autonomy of art. None of these social groups dominated sufficiently to put up definitions. During the 60ies the piles of the dutch society dissolve more an more. But at that time the welfare policies influenced also the dutch art policies, which continued to the end of the 70ies to finance kindhearted anyones artistship, who felt an artist. This policy was the consequent transposition of the artheoretical statement that everyone is an artist (Beuys). But what happened in the 1980ies, when out of a sudden, even with the force of financial emergency, the direction of the art politic change so roughly? In the traditional manner the dutch government was trying to represent the state by financing just the “topart”. The premise of non-identification with the promoted object was forgotten. And since the beginning of the 90ies (wet op het specifiek kunstbeleid) they even try to define within four-years-plans the wished outlines of public art money is given to. What for an idea of art and artist has such a state? By a practice of nearly forty years of public artists salaries and by abolishing the rolemodell of the Ecole des Beaux-Arts in the Netherlands the principle of the autonomy of art was diminished. The secondary
consequence was a less pithy artmarket and artreception (artcriticism) which allowed the dutch government in the 80ies to command sociable duties as integration or egalization to the artists, who where in a kind of vacuum and couldn’t defeat their work in an arttheoretical way.

9954. Funny Games or Applying for Subsidies

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There had been a lot of discussions in Austria why to subsidize the arts, but there has been very little about how to distribute the money. Politicians have particular aims to subsidize a special project and the way of subsidizing can help to reach these aims. In the first part of the paper, the different economic and/or political motivations will be systematized. All in all, the aims of cultural policies can be divided along the borderline of artistic/non-artistic aims and the various aims of politicians/artists. The second part of the paper present the tools which can be used in order to subsidize the arts. With the help of two examples, the different ways of distributing money will be discussed. The third part is a game-theoretical approach on subsidies to show one of the main problems of distributing money to the arts in Austria. Even if artists and politicians agree about the content of a project, there is still no harmony concerning the amount of the subsidy. In a first step, artists apply for subsidies and politicians decide whether to subsidize or not. For the following concept are only those projects relevant, which are accepted as worthy to be subsidized. In a second step politicians, as the first group of players, can vary the amount of the subsidy. It is assumed that politicians are willing to pay to reach their aims and that they try to get the realization as cheap as possible. So the politicians try to cut the amount for which the artists apply so that there is just enough money that the project can take place. Politicians try to aim at the „reservation subsidy“ of the artist. The artist, as the second player, has two possibilities to act: First she can vary the amount in the application. The higher the amount is, the higher is the possibility to get nothing at all. If the amount is too high, the politicians will not deal with this application and the subsidy will turn out to be zero. The second way to (re)act is in reaction to the consented subsidy. The artist can accept the money and carry out the project or reject the money if it is below their „reservation subsidy“.

9955. Heritage as an Agent of Social Inclusion

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The fight against social exclusion has become a priority for European governments in the last decade: recently, a new element has been added to the complex framework of the generation and manifestation of exclusion within the main systems that characterise our contemporary society. In fact, it has been realised that individuals may be excluded not only from a social, economical or political but also from a cultural point of view. Therefore, if culture is one of the spheres where exclusion is produced, it may also be considered as an area where inclusion can be achieved. Such an achievement indicates the level of integration between society and citizens: the less the number of them which play an active role in the decision making process, in the creative process, in preserving, improving and enjoying cultural heritage, the deeper the gap between it and the citizens. This gap on the one hand generates a loss of identity and, consequently, exclusion: on the other hand, it prevents people to take advantage of the opportunities offered by the exchanges among different cultures in terms of mutual knowledge and acceptance of diversity. Also the European Parliament in its Initiative Report on Cultural Co-operation in the European Union underlines that cultural exchanges and co-operation substantially contribute to Europe's capacity for integration and cohesion. It is not only a matter of guaranteeing access to cultural heritage in broad terms or of developing special programmes for specific groups, but of inserting these activities into a general framework of policies to combat social exclusion. There are two main problems to this respect: In many cases national policies against social exclusion are aimed to combat it exclusively within the social, political and economic sectors and do not take into account the cultural one (as it happens for example in Italy); To achieve such a large-scale objective, it is necessary to develop co-ordinated transversal strategies which embrace all the sectors in which exclusion occurs. There is a strong need of specific actions in each sector but they should be carried on in an organic way (this is the case of the UK). The goal we must try to achieve is twofold: on the one hand, the EU might suggest national governments to consider the cultural sector as one of those
involved in the fight against social exclusion; on the other hand, national states, within their own policies to combat exclusion, might address their efforts also toward cultural heritage, which represents a fundamental factor to create individual and collective identity and therefore to achieve social integration and cohesion.

9956. The Constellation of Value in Theatre's Production:
The Case of Centro Servizi e Spettacoli (Udine)

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Theatre seems to be a weak research theme in the managerial and organisation literature. Between the 1972 Weick contribution to Pine & Gilmore (1999), for 27 years the theatre, as organisations and as experiences, has been represented for management and organisational sciences as a research object from which acquire new insight to interpreted organisational mechanisms and to represent the process of value creation. The general research focus on theatre organisation was directed to institutional aspects and only few research has been done in the theatre production processes form a managerial perspective (Sicca 1998, 2001). The analysis of these production processes of theatre organisation seems to be able to contribute to the understanding of new production processes base on artefacts and knowledge. The present paper is based on the analysis of a case study of the Centro Servizi e Spettacoli (CSS), a multidimensional theatre organisation based on Udine, operating in Italy and in Europe. The research perspective is descriptive and is articulated in tree phases: the identification process of artistic and organisational features of CSS, the description of these features, the interpretation process of features through organisational literature. The research is based on ethnography methodologies. The field research started in November 2000 and was closed in December 2001. A part-time time person was committed to the research. The research period was characterised, for CSS, by the organisation of a joint production with La Biennale of Venice (project Nekrosius). In the paper, after the presentation of discussion in literature of theatre production processes, we describe the structural feature of CSS and its strategic evolution from the beginning till 2000. In a second part we identify and describe production processes of the Nekrosius project with the description of phases, organisational and artistic roles, organisational mechanisms and artistic, economic and financial results. The representation of theatre production processes elicited from direct interviews of director, actors, performer organisers, etc. are compared with the description of production processes mapped during researcher's observation. The comparison of representations of direct involved subjects (actors, director, etc.) with those of external researcher give the possibility to define a tentative general model of production processes non imposed from outside theatre organisations but developed with "actors" of this type organisation. The developed model represent the base agenda for new research projects.

9957. Motivational Differences between Ethnic and Traditional Attenders of the High-Arts

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If art is a public good, the assumption is that it benefits everyone. But if the arts are available, and yet ethnic Americans do not choose to participate, it invalidates the argument upon which public support for the traditional high-art forms rests. Historically, this discrepancy in attendance patterns for ethnic groups could be explained because they did not have the access to venues for high-art either due to lack of economic access or blatant discrimination. But even though these barriers have decreased, the historically lower attendance rates for ethnic Americans still exist. Little research is available on what motivates ethnic Americans to attend the traditional high-arts. A study conducted by the NEA found that when ethnic Americans do attend, their demographics are quite
similar to other attenders and proposes the discrepancy in attendance rates must be due to differences in motivation. As organizations strive to achieve a more diverse audience – either as a consequence of altruistic motives or because of pressure from funders – more information as to what motivates attendance by ethnic Americans is vital. To gather this information an attitudinal survey will be conducted to determine if there is a difference in the motivation for attendance between audience members of different ethnic groups. It is difficult to find an ethnically diverse audience at a high-arts performance to study. But a few arts organizations are successful in attracting a more diverse audience. One such organization is Opera Ebony, an African American founded opera company based in New York. The aim of the study is not to conduct a statistically valid study. It is an exploratory study with the purpose of continuing to develop a theory as to why ethnic groups are motivated to attend some types of art events and not others. Information obtained on this survey will give insight to the appropriate questions to ask in designing a larger valid survey to be conducted in the future. The questionnaire would be designed to provide the following information:

Demographic: age, gender, education, occupation, home; Motivation: why they chose to attend the performance. The survey will be conducted at the end of February. The conference paper will consist of an analysis of the results. The paper will explore the issue of whether attenders who are similar in demographics – except for ethnicity – have difference motivations for attendance. This information can help arts markets to design events that provide the benefits sought by these ethnic groups.

**9958. Controlling Unnatural Desires**

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This paper suggests a framework for reducing the vulnerability of archeological sites to looting and for limiting the trade in pillaged artifacts. Standard economic proposals for abatement of such public nuisances are considered, such as Coasian bargaining arrangements and Pigouvian taxes. The organization of archeological excavation projects is also considered as unintentionally facilitating in situ looting by its monopolistic practices and the diversified functions archeologists are called upon to perform, outside the area of their expertise. An analysis of organizational structures suggests a new framework, that is setting up and auctioning of limited property rights over as yet unexplored archeological-rich sites. The newly proposed role for archeologists of supervising excavation efforts of winning auction-bidders while, in addition to increasing artifact supplies would also preserve the embedded scientific and aesthetic information of recovered objects though professional oversight of digging efforts. These procedures reduce incentives for looting by redirecting the excess profits garnered from the sales of stolen antiquities to governmental authorities. Auction proceeds would revert to the state and become available for the now under-funded efforts of cultural heritage protection.

**9959. The State Aids to the Film Sector and the Competition Policy of the European Commission**

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The problematic of state aids to audiovisual production started in 1998 when the EC received complaints of the film technical industry about the exclusionary effects created by aid schemes conditioning the access to these supports on the realisation of certain filmmaking activities in the member states (MS). In its decision regarding the French scheme aid, the EC set out 4 specific compatibility criteria to authorise it in accordance with the culture derogation contained in article 87(3)(d) of the EC treaty. After this case, the EC decided to launch an inquiry about aid schemes of all the MS. Producers and authors feared these criteria would undermine considerably their capacity to make films and survive in a competitive market and get the support of most of the MS. In its analyse process, the EC realised that a wide range of very different support measures existed in the MS, that they are focused on the creation and production phases of filmmaking and generally takes the form of subsidies, repayable advances or tax shelter to foster equity investments. Their rationale is based on both cultural and industrial considerations. To face these heterogeneous
rules and situations, EC decided to release a Communication as it was the more flexible instrument to allow a single interpretation of the EC Treaty. Since, the EC explicitly recognises the legitimacy of MS to conduct national policies aiming at encourage cultural creation which can also lead to ensure the presence of a minimum degree of industrial activities (human skills and technical expertise). The purpose of the report will tend to analyse the economical coherence of the communication, to examine its political flexibility in respect to classic competition doctrine and to see how far the EC strikes a balance between the aims of a cultural creation, the development of the EU audiovisual production and the respect of the EC rules on State aid

9960. Patterns of Newspaper Consumption in the Netherlands

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From a cultural sociological perspective, differences in preferences are explained by the social class of the individual. Recent research indicates that more and more people do not act according to their class. Especially individuals from the higher social classes can be characterized as omnivores. Applied to newspaper consumption, these findings suggest that people in the higher social classes consume regional papers next to national papers while people in lower social classes only read regional papers. In the Netherlands, however, in the past media consumption was strongly determined by ideology. Given that newspaper reading is affected by socialization, as Bourdieu assumes, one would expect that, in the Netherlands, ideology is a stronger determinant of newspaper consumption than social class is. This issue is examined by using a large sample (N= 2229) from the Dutch population. The results of these analyses are presented and marketing and managerial implications are discussed.

9961. Cultural Strategies for University Audiences.
The Porto 2001 European Capital of Culture Case Study

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Cultural Economics has been obtaining a certain increasing dimension insight the studies related with the economic development. This phenomenon is so evident that makes us classify it as a global phenomenon and not as a particular attribute of a group of countries elite. The cultural range is more and more used as a fundamental strategy of the economic politics. This can be proved with the figures published by the different statistic government services, but also by the politician speeches. Not long ago, the Portuguese Prime Minister announced that between 2000-2006 twenty monastic buildings will be repair and recover. To help him and his staff implementing this strategy are the European Community funds. But anyway, isn't this the taking conscience of the national cultural management maturity? In effect, our country has met, at the end of the 90's and at the beginning of the 21st century, some cultural events with international character. We are talking about EXPO98 and about Porto, which together with Rotterdam was an European Capital of Culture. The study that we propose to follow, will start by analysing this last event and will concentrate on its cultural practices.

9962. Flexible Programming of Movies as a Means of Improving Performance at the Box Office

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Since the 1950, movie attendance was on a steady decline in Western Europe. From the 1980s on, this decline grew more and more intense. However, measures taken by movie distributors and theater owners in the beginning of the 1990s resulted in a steep increase of attendance. Venues were remodeled, multiplexes were built, marketing efforts targeted specific audiences, there was a stronger awareness of the size of the audience an individual film appealed to and flexible programming schedules were widely introduced. The present paper analyzes what factors made flexible programming a successful instrument to enhance movie attendance. We hypothesize that this instrument is particularly appropriate to optimize the exploitation of small or medium-sized films which are not 'genre-movies'. The 'size' of a film is operationalized in terms of its production and marketing budgets as well as in terms of the number of prints in which it is released. 'Flexible programming schedule' means that a movie is not shown (as was customary) in every time slot on every day of the week, but in time slots that vary as to the hours and as to the days of the week on which a film is shown. 'Genre-movies' are films such as musical comedies, action movies, thrillers, etc. There are various factors affecting the effectiveness of flexible programming. Firstly, such schedules should comply with the leisure agendas of specific groups targeted by the movies in question. Second, since small of medium-sized movies have modest promotion budgets, distributors and theater owners should allow for the fact that it takes time (reviews, word of mouth) to make moviegoers aware of the fact that a particular movie is shown. Third, programming schedules featuring small or medium-sized movies also comprise other types of movies that are shown in all time slots on all days of the week. This is supposed to enhance the opportunities of patrons of a given theater to select from a wide array of alternatives of choice. We report on a survey held among moviegoers in Amsterdam in 1999. Our data on programming schedules enable us to compare the duration time and box office performance of two groups of small and medium-sized movies: one with flexible programming schedules, the other shown on all hours and days of the week.


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There are very few studies of cultural consumption that pay attention to the fact that cultural products are perceived as being 'unique' in nature. One of such studies is the analysis given by Levy-Garboua and Montmarquette (1996) of theater demand in France. The authors present a model allowing a large place to the heterogeneity of tastes and the extreme differentiation or uniqueness of cultural goods and services. The present paper assumes that perceiving and appraising an individual cultural product implies comparing it with other products. In this way, such a product becomes related to other products in terms of similarities and differences it manifests with its counterparts. Consumers of culture build up repertoires in which cultural products become embedded in a network of similarities and differences. These networks show considerable heterogeneity: the relation of similarity and of differences is not transitive in nature; moreover, in the course of time, the network undergoes gradual changes because new items are added to it and items included in the repertoire are discarded from it. We also assume that the longer an item stays in a cultural repertoire, the greater the value is that is adjudicated to it. The problem the present paper addresses is: How does one proceed to reduce the heterogeneity of a cultural repertoire? In order to make decisions about cultural products (e.g. to buy them, to allot additional duration time to them when they are included in a repertoire), one has to establish communalities between them. Recently, a number of formal techniques has been proposed by means of which the duality between similarities and differences adjudicated to items can be used to group them. (These techniques comprise Galois lattices, correspondence analysis, the Preus and Vorlauf clustering algorithm.) None of these procedures, however, is able to account for changes the network of similarities and differences in which cultural products are embedded might undergo over time. We shall conduct event history analyses of a specific cultural repertoire, i.e. the lists of best selling fiction in hardback published by the New York Times from 1996 to 1999. The makers of these lists decide on a weekly basis about allotment of additional duration time and of positions (1 to 15) to new releases. We hypothesize that on the basis of information about the past commercial achievements of the author and the publishers of a new release, previous positions held on the list and a concern for variety (titles should 'move around' and not stay to long on the list), the makers of the list group titles in the upper segment (positions 1 to 5), the intermediate segment (positions 6 to 10) and the lower part (positions 11 -15). Such groupings affect the total period of time during which a title is featured on the list. We also hypothesize that as the sequence of decisions made about
an individual item on the list increases the number of covariates affecting these decisions decreases. Gradually, the decision makers use more specific information about the titles on the list, in particular information that can act as a proxy for sales figures.

9964. Contingent Valuation vs. Economic Impact: Substitutes or Complements

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The weaknesses of conventional economic impact models (EIM) have led arts researchers to turn to the controversial contingent valuation methodology (CVM) as an alternative to the economic valuation of cultural assets (whether viewed as organizations, events, or entire industries). In fact, the previous (and ongoing) mini-industry of conducting arts EIM studies threatens to be superseded by a similar binge of arts CVM studies. A critical issue that has remained unexplored is the relationship between these two methodologies, both conceptually and in terms of the magnitudes of "economic impact" that are typically derived. In those very limited instances in which the same cultural asset(s) has been subjected to both an EIM and a CVM analysis, researchers have presumed that the proper approach to utilizing both findings is to simply sum the two results to obtain the "total" economic impact. This was the approach used in very early Throsby and Withers studies conducted in Australia (although few are aware of that aspect of their early work, since attention was focused on the "novelty" of those early CVM findings as applied to the arts). More recently, CVM and EIM studies of the arts in the state of Kentucky yielded a CVM result of $21.8 million and, interestingly, an EIM result of $22 million, which led one of the authors (Eric Thompson) to conclude in a sole-authored article that this indicated that the true value of the arts in Kentucky were "about double what a conventional economic impact study would have yielded." In a fascinating twist, another of the co-authors of those studies (Mark Berger, in personal conversation) has expressed surprise that Thompson drew that conclusion and suggested that summation of those two magnitudes would be inappropriate. This paper examines this issue by evaluating the proper values to be applied to the weights \( \alpha \) and \( \beta \) in the equation \( RV = \alpha(CVM) + \beta(EIM) \), where \( RV \) indicates the hypothetical "real value" of a cultural asset. Six options are evaluated for \((\alpha, \beta)\), including two important "polar" cases: a "pure substitutes" case \((1,0)\) or \((0,1)\), and a "pure complements" case \((1,1)\). It is argued that while the pure substitutes case cannot apply to the findings of a "sophisticated" EIM and a "sophisticated and accurate" CVM, it may well apply to the common case of a "naïve" economic impact study (NEIM) if combined with "accurate" CVM results. Also, it is argued that properly done EIM and CVM studies would generate results that are interdependent, such that the most likely "correct" values would be \(0 < \alpha, \beta < 1\). These results are "proven" using a "no tourist" and a "with tourist" stylized numerical and diagrammatic example of a theater in a local community. Empirical findings of real EIM and CVM studies are also compared to further illustrate the strengths and weaknesses of both approaches, and how the results of both approaches might be properly interpreted, along with an identification of the factors that would affect the proper values for the \( \alpha \) and \( \beta \) weights in particular cases.

9965. Sexual Orientation and the Demand for the Arts: Does it Really Matter?

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There have been many empirical studies of the demand for the arts, but none of them has considered the potentially unique role that sexual orientation may play in influencing such demand. This is surprising inasmuch as the often-unstated "conventional wisdom" is that gays and lesbians may well be "over-represented" in the arts, both as "producers" and as "consumers." Using data from the "General Social Survey" (GSS), an extensive personal interview survey of U.S. households conducted by the National Opinion Research Center (NORC), the authors investigate whether in fact sexual orientation does matter in arts demand studies. Using various econometric
specifications, the authors find that indeed GSS respondents who had self-identified “same sex” experiences were significantly more likely than other respondents to have visited an art museum or gallery, attended a ballet or dance performance, or gone to a classical music or opera performance in the past year. “Gay-straight” differences averaged about 20 percentage points, with homosexuals (or at least those having had some “same-sex” experience) being about twice as likely as heterosexuals (or at least those reporting no such “same-sex” experience) to have attended classical music and dance performances. Those with same-sex experiences were nearly three times more likely to have attended all three (museums, ballet/dance, and classical music/opera) in the past year (17 percent vs. 6 percent). From another perspective, “gay people” comprised 12 percent of respondents who had attended all three types of arts events, but only 3 percent of those who had attended none. Comparisons are also made between the effects of sexual orientation on arts attendance vs. sports attendance, and interesting differences are found in the effect of sexual orientation on arts “production” vs. arts “consumption.” In evaluating these findings, five alternative hypotheses are explored that might “explain” such differences in arts attendance as a function of sexual orientation:

1. The Demographic Differences Hypothesis
2. The Gender Non-Conformity Hypothesis
3. The Innate Artistic Nature Hypothesis
4. The Going-Out Hypothesis
5. The Welcoming Environment Hypothesis

Possible implications for past findings of the empirical effects on arts consumption of key variables such as education and income are also explored.

9966. Public Subsidies and Tax Incentives for Culture in Italy

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Cultural institutions are usually financed by the proceeds of ticket sales and other services (additional services). They also receive subsidies from the public sector at different levels of government. These subsidies may be given in either a direct form or an indirect form of intervention with fiscal facilitations to the institutions themselves and to the donations made by individuals and/or corporations. The relationships of cultural organisations in the public sector are very sound because they are often in Italy as part of the public sector or they widely depend on public funds; this dependence has subjected them to research much more efficiency. Changes to the fiscal sector have been introduced in Italy that have had a positive impact due to tax deductions to the donations of corporations for the implementation of goods and cultural activities. One must realize that the reason for public subsides and fiscal facilitations for culture is because the fiscal treatment is an important element for both corporations and individuals who want to increase investments in this area. This is a matter of the implementation of reversing trends even though revisions are necessary in order to extend this kind of fiscal facilitations to individuals.

9967. The Effects of Digitization on the Cultural Industries and Crafts: First Results, New Hypotheses

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At the Minneapolis conference, I presented the outline of a research project under the title „The Impact of the Internet on the Creative Industries“. Two years later, the scope of the impact has been broadened to include the effects of digitization, which is the technology fundamental for transferring content along telecommunication channels. The development of products in the markets for publishing, music, film, broadcasting (radio, TV) and the artistic crafts (visuals, performances, texts) has been charted. The first results point to a slow adaptation process, probably due to intra-organizational barriers. They also suggest more precise, testable hypotheses about the development of the cultural industries under conditions of a further increase in IT and Internet use.
9968. Public Policy for Cultural Development: The Case of Mexico

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This paper comments about the design and formulation of the National Program of Culture 2001-2006 of Mexico's Federal Government. This program states the principles guiding the cultural policy during the current administration as well as its vision, mission and basic conditions. Mexico’s Cultural Sector is has been characterized by a centralized provision of the arts basically by the National Council for the Culture and the Arts. The Council coordinates 36 cultural institutions which makes the policy making process a difficult task. The purpose of this work is reviewing the considerations involved in the process of policy analysis and policy making, the efficiency and equity criteria taken into account, and underlying principles of Public Policy and Economic theory. Furthermore, we also comment specific policies concerning the diverse fields of the cultural sector such as: heritage, indigenous and cultural culture, cultural tourism, grants, education and research, promotion of the arts, reading policy, media, decentralization, and international cooperation.

9969. Is it Rational to Be an Artist? The Choice of Labour Supply

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The artists’ labour supply choices are usually examined through multiple job-holding models. A general separation is made between arts and non-arts markets. A common assumption is that artists participate to non-arts markets so as to satisfy minimum consumption requirements. In the ‘work-preference’ model, an increase in non-arts earning will move upwards the artists’ supply in the arts labour market. Moreover, it has been recognised that artists tend to supply their labour also in arts activities that do not generally imply “creative” work like, for instance, musicians teaching to play an instrument. The aim of this paper is to provide a more general model of artists’ labour supply choices, where individuals choose the allocation of their time between art work and non-art work. Therefore, in contrast to the “work-preference” assumption, the choice of the time to devote to the non-art work is endogenously derived in the model. We show that such a generalisation of the model is sufficient to reverse some of the comparative static results of the ‘work-preference’ model. Furthermore, we show that a necessary condition to motivate workers to turn down better paid jobs is that the artist’s marginal utility increases with time devoted to his creative activity. In other words, the artist must have a sort of “addiction” for his creative work. We then extend the model by introducing uncertainty about the outcome of the art-work: who chooses to invest time in the art-work does not know whether her creative work will be successful or not. However, the time investment in art formation may have the external effect of guaranteeing an income in the art market trough a non-creative work, such as teaching. In equilibrium, the time allocation will depend on the difference between the expected difference in the return of the alternative work, in addition to the differences in the satisfaction received. The analysis will also provide insights on the effect that complementary job opportunities for the artist may have on the time devoted to creative work. Some policy implications, concerning the effects of public subsidies to artists conclude the paper.

9970. Contingent Valuation Studies in the Arts and Culture: An Annotated Bibliography
There have been numerous applications of contingent valuation methodology (CVM) to cultural goods, many of which have been reported in the academic literature. Yet a comprehensive inventory of studies using CVM and related techniques is lacking in the literature. This paper remedies this deficiency by presenting the most thorough bibliography of contingent valuation studies related to cultural resources known to date. The first cultural CVM studies were conducted in the 1980s, but the great majority of cultural CVM studies have been published in the past decade. In all, the annotated bibliography contains over 120 different citations of more than 60 different research projects applying contingent valuation methods to cultural resources. This paper traces the development of the cultural CVM literature presents important background information about the value of different cultural goods. It also points to trends and suggests future directions for research in economic valuation of cultural goods. Finally, it indicates some of the methodological issues that are particular to the cultural context, and how some of these have been addressed in practice. The annotated bibliography of the CVM literature on arts and culture briefly summarizes each of the studies conducted, their methods and their findings, and how they fit into the literature as a whole. Whenever possible, the sampling methods and WTP question formats are described, as is the mean and median WTP for the relevant public good. The studies reviewed here represent the results of an extensive search of relevant publications. Given the emerging interest in the field, this literature review may already be incomplete and out of date before its publication. This literature review is designed to be a first step toward a comprehensive “reader” on the subject.

9971. Artists: Knowledge Workers of the Future

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The world of work is changing. The Third Wave will produce history's first "transmarket." This is not a society without exchange networks—a world thrown back into small, isolated, completely self-sufficient communities unable or unwilling to trade with one another. This transmarket will mean a society dependent on a market structure but not consumed by the need to build, extend, elaborate and systematically integrate a structure: rather, it will be a chaotic, polycentric network of ephemeral markets. This will engender wholly new kinds of social and political institutions. This change in social institutions and economic institutions will mean that the free lancer, the self-employed, the artist may be the prototype for the entrepreneurial character. How the artist, as worker, is able to sustain, develop, emerge and thrive in this changing context interests me. Viewing the artist as a lifestyle leader, we see the knowledge worker of tomorrow. How best to know this world, the world of work in a changed context? Large scale data projects, e.g., Joan Jeffris work at Columbia provide a view of the whole and individual stories help us understand the pieces. This is my purpose. Using discussions with artists to reveal what artists actually do as they live their lives and make their art informs this discussion. It is the nature of art which makes artists prototypes. Aesthetics engenders a sense of self and helps us to define our selves and our sense of being. This influences our values toward the social, toward the political. Lifestyle is not only a social definer but a political act as well. It is the nature of art work, the artist's nature, the entrepreneurial character in a changing context which creates this world. Artists learn to live on less money than most. They are frugal, resourceful, not consumed by consumption and living on an income that=s a fraction of what someone equally educated would make. Ends are met. More interested in a quality of life not defined by the traditional institution of Second Wave work, artists lead. As economic actors, artists have escaped Marxists ...constant labor of one uniform kind which destroys the intensity and flow of animal spirits which find recreation and delight in change of activity. Their organizations are ersatz, ad-hocracies which sometime evolve and sometime disintegrate. Most often the organization is a chaotic network of support and demands where engagement is fleeting though supportive. Bottom lines are everywhere. Chaos reigns. Order is only apparent when a confluence of factors appear, sparked usually by deadlines. This is natural and represents the chaordic future which we all face.
Performing Arts in Spain (1997-2001): A Journey from the Crisis to the Beauty and the Beast

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Performing Arts in Spain have had in the last five years an amazing increase. A lot of professional companies have been created, some new venues have been accommodated for the exhibition of the most sophisticated productions, and, most important, in this years, the audience have came back to the theatres. In this paper, with the information produced by the Fundación Autor of the Spanish Society of Authors, Composers and Publishers, I’ll show the most important trends in the supply and demand of Theatre, Dance, and Opera. Items such the subsidies given by the different levels of the public administration, the politics of fundraising and partnership by the private companies, the role of amateur artists and the consequences of the success of musical theatre will be analysed.

Managing Quality Certification for Media Products: About Interactions between Stylistic and Technological Innovation in Content and Form

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The processes of technological innovation have been widely researched, but their interactions with another type of innovation which is particularly important in sectors like the furniture, fashion and the media content industries have been neglected: stylistic innovation. This paper explains how the quality certification processes for technological and stylistic innovations differ and how they may interact in the media industries. Awards are discussed as specific instantiations of micro certification schemes indicating excellence with respect to stylistic and/or technological product features. Furthermore, a definition of stylistic innovation is developed with reference to organizational identity as well as reputation, two key concepts, which permeate the processes of innovation and certification discussed in this paper. Stylistic and technological innovation may take place in both, the content as well as the form of media products. It will be argued that the interaction between stylistic and technological innovation depends, first of all, on the location of each of these types of innovation within the product, and, secondly, on the characteristics of the certification scheme faced by the producing firms. Within the media sector the literary publishing industry has been chosen to provide the subject of the empirical part. Two case studies related to the introduction of eBook technology are presented: One is a study of the first digital literary publisher in Europe and the other is a case study of the first international eBook award, which mixes technological and stylistic criteria. Theory and cases lead to a number of hypotheses, which are offered as potential departure points for future research on the interaction between innovation in style and technology.

Public Financing of Cultural Institutions in Italy

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This paper analyses public how the government has financed cultural institutions in Italy from 1980 to 2000. We have gathered data on the distribution of the three main types of grant – the ordinary, the annual and the special contribution, in order of average size of the grant – which allows us to see to what extent this financing is sensitive to lobbying by the cultural institutions, what type of cultural initiative are most heavily subsidized and which regions receive the highest amount of resources. Moreover, we examine to what extent the new law on the financing of cultural institutions enacted in 1996 has achieved its goal to reduce the dispersion of these grants. Both parametric and non parametric tests reveal a significant amount of inertia in the distribution of the ordinary grant (supporting the lobbying hypothesis) from one three-year period to another, while the annual grants seem to be used to compensate the institutions that remained outside of the distribution of the ordinary grant. Furthermore, institutions in Florence and Rome receive the highest average grants. Finally, institutions in the Central and in Northern regions of the country are more heavily subsidized than institutions in the Mezzogiorno.

9975. Gabrius's Price Indices for Artworks

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Gabrius’ auction results data base catalogues some 400,000 works of art, and its main features are:
1) homogeneity because it only includes the most significant works sold by the major auction houses in the most important international markets. In this way, works are only selected that are evaluated by the best worldwide experts and that exceed a determined price threshold;
2) details and images, because each art work is joint with respective image and with all the many pieces of information necessary for understanding its value, including literature, expertise;
3) differentiation according to the periods of art history (Ancient Art, Nineteenth Century, Modern and Contemporary), because different elements which depend on period, are crucial in the determination of the appreciation of a work.
Gabrius has launched since the year 2000 a project of using its data bank to create a series of indexes on the art market its data bank, with the co-operation of the Professors Candela and Scorcu from the University of Bologna. A series of quality adjusted “Basic indices” uses the auction house estimates as a unambiguous signal of the artistic quality of the work of art. The use of quality adjusted indices neutralizes for the different quality of the paintings auctioned by the major auction houses during the different cyclical phases of the art market. Based on the Basic Index, we calculate the value of the art works auctioned in the period 1990-2001.

9976. Artists' Careers-Preliminary Analysis from Longitudinal Data for the U.S.

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A great deal has been learned about the economic wellbeing and the behavior of artists in recent years. Most of what has been learned has been from cross-sectional studies of artists at a point in time. For some time researchers have been arguing for a new approach through the use of longitudinal data thus enabling a better understanding of the career paths taken by those who become successful artists and those who don't. Our paper will present the results from some preliminary research undertaken using one of the most well respected longitudinal data sets that describes the labor market behavior for people in the U.S. We will be using the National Longitudinal Survey of Youth (NLSY) sponsored by the U.S. Department of Labor. The NLSY-79 data reports on a set of surveys that has followed a group of individuals who were 14 to 22 years of age in 1979 through 1998. Examples of what we will be examining in the
paper are the amount of time people spent in arts occupations and what they did once they left. We will report on difference we find based on the type of artist and their gender.

9977. Cultural Value and Voluntary Provision of Public Goods

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The extensive literature on voluntary provision of public goods offers several potential explanations for individual donations. It is well known that the assumption of pure altruism leads to results in contrast with empirical observations, such as neutrality of income redistribution, almost zero voluntary contributions in large communities, and complete crowding out of voluntary contributions by public expenditures. These results have been subverted under the alternative hypothesis that people donate also for ‘egoistic’ reasons, such as the intrinsic pleasure derived from the act of donation. The relevance of private benefits in the decision to contribute to public goods has been successfully tested in experiments. In addition, it has been suggested that the formation of such private benefits, may also depend on the existence of a specific social environment. For example, institutions that make individual donations public help to reward giving and supply prestige to the donors. Experiments have indeed shown that information about individual contributors has a positive effect on giving. In our opinion, the concept of cultural value is central to the analysis of giving based on social approval and prestige. This is particularly intuitive when we refer to specific kinds of public goods such as the arts. The aim of this study is to offer a formal analysis that links the voluntary support to a specific public good, namely the arts, to the cultural value characterising society. This is assumed to originate from individual investments in cultural education. These investments increase the individual appreciation of art consumption and, therefore, also of private support to the arts. The social approval from donations is then positively related to the cultural value in the society determined by previous investments in cultural education which cause a positive externality for the donors and induce voluntary contributions generating a positive externality for the whole society. The dynamic analysis in this paper takes the form of a differential game where individuals interact making their choices concerning cultural education and voluntary contributions. This framework allows investigating the relationship between the formation of cultural value and the development of philanthropic giving.