

PLURALIST APPROACHES TO CULTURAL ECONOMICS

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Abstract

This articles tries to briefly review research on cultural economics from the perspective of a pluralist approach, exposing their different views on how to “do” cultural economics, therefore it is also a discussion on economic method. Cultural economics is analysed from the perspective Neoclassical, Marxist, Developmentalist, Austrian, Schumpeterian, Keynesian, and Institutional school. In the end, it is proposed ideas on how they can converse with each other, and how economics can contribute to the analysis of art.

Keywords: cultural economics, economics of arts and literature, history of economic thought, economic pluralism.

ENFOQUES PLURALISTAS DE LA ECONOMÍA CULTURAL

Resumen

Este artículo intenta reseñar brevemente la pesquisa en economía de la cultura de una perspectiva pluralista, colocando diferentes perspectivas de como “hacer” economía de la cultura, por tanto es también una discusión de método económico. La economía de la cultura es analizada a través de la perspectiva de las escuelas Neoclásica, Marxista, Desarrollista, Austríaca, Schumpeteriana, Keynesiana, e Institucionalista. Por fin, se propone algunas ideas como a ellas pueden dialogar unas con las otras, y como la ciencia económica puede contribuir para el análisis del arte.

Palabras clave: economía de la cultura, historia del pensamiento económico, pluralismo económico.

1. Introduction

Cultural economics refers to the economic study of production, consumption, and related issues of cultural goods. Some, to not confuse with the economic study of institutions and customs, prefer the title “economics of literature and arts”¹. Although this label eliminates the ambiguity in the term “cultural”, it might not encompass the entire scope of the discipline. Such ambiguity is commented in the first edition of the *Journal of Cultural Economics* (henceforth JCE), which is the main journal of the field:

It was agreed that the term "cultural" should be expanded to cover aspects of the society beyond the limited use of the term as applied to the arts. In general, the feeling was to not constrain the "cultural" limits of the journal until we see precisely where the interests of an economist might fall. On the other hand, given the focus of sessions at various meetings, i.e. focusing on the arts, we anticipate an initial bias of the journal towards the arts. (Hendon, 1977, ii).

Thus, we can conclude that ever since the beginning, cultural economics has been defined as the economics of arts and literature. “It might be included in this field any practice that directly or indirectly creates economic value, besides cultural value” (Leitão 2007, translated). Thus, without addressing the thorny question “what is art?”, cultural economics “is located at the crossroads of several disciplines: art history, art philosophy, sociology, law, management, and economics” (Ginsburg 2001, p. 758) and encompasses the economic study of paintings, performing arts, literature, music, historical and artistic patrimony, craftwork, and even electronic media, such as games and internet productions (see Quintero 2010, for an exhaustive list and its methodological discussions). The *Handbook of Cultural Economics* (Ginsburg & Throsby 2006) has a collection of articles that can give a notion of the vast amount of applications that cultural economics has. Due to its great scope, it is to be expected an interdisciplinary field.

The cornerstone of cultural economics was the book *Performing Arts: The economic dilemma*, written by Baumol and Bowen, in 1966. Economic studies of cultural goods have existed before this work, but not as a particular discipline, rather as a secondary concern of microeconomics. In fact, economic studies of culture have existed ever since the time of political economists², in which the distinctions between social sciences, theology,

¹ Edward Tylor (1832-1917), British anthropologist, founder of cultural anthropology, was the first to define the word “culture” (cf. Adkinsson 2014): “Culture or Civilization, taken in its wide ethnographic sense, is that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society.” (Tylor 1920 [1871], p. 1). I call this the “wide definition” of culture.

² For example, Ibn Khaldun, Arab polymath of the 14th century, analyzed prices of art and concluded that artisans (and artists) are paid above the value of their work and can only find jobs in large enough cities (Ibn Khaldun 1958, v. 2, p. 244, 270).

philosophy and even natural sciences was less clear than today (Goodwin 2006). On the other hand, Blaug wrote that many authors tried to subject cultural economics as a discipline of anthropology, instead of economics (Blaug 2001). Throsby observed that the classification “Z” from the *Journal of Economic Literature* groups cultural economics with other odd fields, such as economics of religion (Throsby 2006, p. 21).

Due to being an applied discipline, the focus of cultural economics does not depend on a single school of economic thought. Although the greatest part of the researchers identifies themselves with the neoclassical mainstream economics, the field is open to contributions of economists of different schools and approaches, with different understandings of how cultural economics “should be done”. Thus, there is the possibility of a pluralism, in which one approach can call the attention to issues that might be missed by others. Blaug (2001) asked whether there has been progress in cultural economics after a concise literature review. Thus, the objective of this paper is to help verifying an answer to this question, from a pluralistic point of view.

2. Importance of pluralism

Milton Friedman once said that there are not different schools of economic thought, only good and bad economics³. Thus, the same reasoning could be applied to cultural economics, there’s only good and bad cultural economics. However, is it possible that there is more than one way to do “good [cultural] economics”? That would be what defenders of pluralism in economics would argue.

The demand for pluralism comes especially from the so-called heterodox economists. They defend a pluralist approach, in other words, they sustain that there is more than one way to make good economics (Fernández 2011, p. 140). However, the tension between mainstream and heterodoxy exists because there is more than one way to do explore the issue: when two or more theories that have little foundations and components in common want to explain the same phenomena, there is contested scientific inquiry (Lee 2011, p. 542).

There are consequences of this contest, among them the prevalence of the “paradigmatic approach”, in which there is the preference of an excluding paradigmatic monist (Garnett 2006). While mainstream economists would block opportunities for heterodox economists, they may not understand the change process in the mainstream economics and create a mentality of “us against them”, in addition to the fact heterodox schools are antagonistic between themselves⁴ (Fernández 2011, p. 149). The presence of the “Tower of Babel” problem can be another criticism to pluralism because the excess of alternatives may harm

³ The original quote was said in a 1974 conference on Austrian economics: “There is no Austrian economics – only good economics and bad economics.” (apud Garnett 2006, p. 526).

⁴ The antagonism between Austrians and Marxists is a most triumphant example.

the establishment of a paradigm (Garnett 2006), in addition to ignore a non-orthodox component in the mainstream (Kapeller & Dobusch 2012).

In spite of these problems, there are benefits of a pluralistic approach. Garnett (2006) called for a pluralistic and equalitarian economics, that intends to improve the intellectual substantive liberty of economists, in other words, a holistic pluralism. Based on McCloskey's rhetorical approach (pluralism as a market of ideas, in which the growth of academic knowledge depends of the disposition of listening different ideas, in which these can be analysed and debated in a rational way), and Sen's capacities approach (intellectual freedom is the foundation of the intellectual progress and serves the economic and human development, guided by the intellectual development). Kapeller and Dobusch (2012) called this approach "interested pluralism"⁵ whose objective is not only the presence of different approaches but also of communication with each other.

A good pluralism involves a climate of tolerance, in which each research has her own worldview and contribution to science: "academic-scientific tolerance does not require the adherents of different theories to respect each other's theories; but it does require them to accept each other as bona fide (if misguided) citizens of the scientific community" (Lee 2011, p. 546-547). With this, the Tower of Babel effect is potentially avoided, and the market of ideas allows the most useful, with greater realistic likelihood to develop and judge each other, without the fear of punishment *ex ante* of dissenting ideas.

"In this perspective, schools (or research programs) are seen as different species competing amongst each other, but each of them has a different ecological niche. And just like there is no single species better for all ecosystems, the diverse schools can provide good answers and insights for very different problems." (Fernández 2011, p. 149, translated).

And for this reason, this paper was written to touch upon the pluralistic potential of cultural economics. Again, it must be emphasized that cultural economics is a naturally interdisciplinary field. Seaman (2009) also observes that the current paradigm cultural economics is seen as insufficient to analyse the problems of the discipline.

The article uses a "horizontal approach", making a review of how the topics studied by cultural economics are studied by different schools of economic thought. This is not the first article to adopt a horizontal approach. Frey (2009) classifies in four different types of approaches to cultural economics: i) standard neoclassical, ii) social economics, iii) new institutional economics, iv) psychological economics. His distinction is based upon the application to the study of institutions in cultural economics, along with public policy

⁵ In contrast with the "selfish pluralism" (also called earlier of "strategic pluralism"), in which pluralism in practice is defended, only to be abandoned later and the "paradigmatic pluralism", in which there are different approaches, but they do not communicate with each other, isolating themselves in their bubbles.

concerns. The difference of this article is that it focuses on a literature review involving different schools and an invitation to analyse the discipline by different angles; our neighbour might be seeing what we might not.

3. The schools and the arts

The article follows Chang's introductory framework for presenting different schools of thought. He organizes the current division in economic thought in nine main schools: Austrian, Behavioral⁶, Classical, Developmentalist, Institutional, Keynesian, Marxist, Neoclassical and Schumpeterian (Chang 2015, chapter 4). Of course there are more than nine schools of thought, but those are the ones he considered sufficient for his introduction and, thus, we will follow this orientation⁷. The paper focus' is on recent contributions, therefore not an exhaustive review, but to show different ways to "do" cultural economics.

It must be taken in consideration that some schools have more literature in cultural economics than others. Since it is the main approach in economics, the neoclassical school contains the dominant approach in economics and thus the majority of articles and books follow its methodology (Dequech 2008), including in cultural economics. There is a scale effect, allowing more economists to spare their time to topics related to cultural economics. Many heterodox schools do not have enough economists to dedicate to questions such as cultural economics, when compared to other disciplines, like macroeconomics, thus their attention to the field is relatively small. Even so, this article was written with the point of view that all schools of thought have something to add to cultural economics.

3.1. Neoclassical school: foundation of the discipline

The neoclassical school is what economists understand as the orthodoxy (Dequech 2008; Kapellen & Dobusch 2012). Its method dominates the micro and macroeconomics textbooks and it dictates the rules for economic research, including cultural economics. It is not the objective of this paper to understand why the neoclassical school is the orthodox

⁶ Seaman observes that experimental and behaviorist methods are not being taken advantage by cultural economists (Seaman 2009).

⁷ I use Chang's framework out of convenience: he already separated different schools of thought in his book, that allowed this paper to be organized the way it is. I excluded the equivalent sections on the Classical school (the reader can be directed to "Art and culture in the history of economic thought", by the late Crawford Goodwin (2006), which is the definitive text on how classical economists approached the issues studied by cultural economics) and Behavioral school (due to being more of a toolbox of techniques instead of a proper school of thought) schools. Having explained this, Chang stresses that "these schools are not irreconcilable enemies", and even they are antagonistic "the boundaries between [them] are actually fuzzy" (Chang 2015 p. 111). It is important to note that the reality of divisions and points of contact amongst each other is complex. Given the scope of the article, some simplifications are necessary. It should be noted that an author can utilize the "tools" of a school and do not necessarily consider himself one of its member (as is the example of Arjo Klamer and the Kirznean entrepreneur that we will see below). We can see this as pluralism in practice.

school, only that it made possible the development of an “economic language” that allows economists evaluate each other’s contributions. Throsby (1994) wrote the most comprehensive literature review up to its publication, but it is possible to say that cultural economics has evolved ever since. To this article, we will approach the main discussions on the nature of cultural goods, Baumol’s cost disease and analysis methods used in the discipline.

Although cultural economics was established inside the neoclassical paradigm, the way it approaches its field has always created controversy. The cultural/artistic goods have not only economic value, but also cultural/artistic value, and both types of values are not synonyms. Some authors consider that the necessity to distinguish between cultural goods and common goods is more pragmatic than real (McCain 2006). Stigler and Becker (1977) a model with a representative agent to explain that differences in taste can only be explained through observable effects (and preferentially quantifiable), and that enters in conflict with what is studied by cultural economics. In the end, the fact that cultural goods are experience goods show that stable and identic tastes are not a good paradigm for cultural economics, as Throsby (1994) indicated. Thus, working with endogenous preferences should be the rule for current studies.

According to Bird, there are three distinguished forms to treat a cultural good: i) dualism (the arts can have base both in a cultural and an economic reality, and where a cultural value can exist separately from the economic value); ii) positivism (cultural goods are treated as any non-cultural good, so they are quantifiable and comparable with any other good), iii) moralism (the arts are treated from a moral perspective, besides the socioeconomic, emphasizing its exceptionality and transcendence) (Bird 2007, p. 16). These three forms create a fundamental tension in the field.

The Stigler-Becker paradigm treats cultural goods according to the positivist form, however Rushton argues that the main problem of the positivist-individualist paradigm is that it does not take in consideration merit goods, abundant in the cultural scene (Rushton 1999). On the other hand, Mas-Collel argues that cultural goods can be analysed with the same tools of international trade, and that there is no reason to treat a cultural good differently, neither to justify cultural protectionism (Mas-Collel 1999).

Perhaps the greatest contribution of cultural economics to economics itself is the cost disease, first documented in *Performing Arts: The economic dilemma*⁸. Blaug (2001) considers that this the closest cultural economics has of a paradigm. In summary, the cost disease occurs when the cost of activities with low productivity rises faster than other

⁸ Besharov (2005) argues that the cost disease was first proposed by Anne and Tibor Scitovsky (1959), whose work was duly cited by Baumol and Bowen. However, Scitovskys’s paper was just preliminary and had no empirical verification. Baumol and Bowen provided the empirical verification of the cost disease, thus uniting theory and application, allowing it to be considered as the foundation mark of the discipline.

sectors and, with higher costs, there might be pauperization of the workers in performing arts, which helps to explain the “starving artist” stereotype (Baumol & Bowen 1965).

The cost disease was then used for other fields, such as health economics, education economics, fields that deal with “stagnated services” (Baumol 1996, p. 183). This happens because the price level of services grows above and beyond the general price level of the economy. He points out two factors that made the diagnosis possible: difficult in standardizing services and difficulty in reducing the work input in the production process (Baumol 1996, p. 194). In order to combat the disease, it is necessary increase the productivity of stagnated services (the productivity actually grows naturally, but in a slow way) and allow the general productivity growth to spread over the economy. However, Cowen (1996) argues that the cost disease is not a problem in the performing arts because the cultural goods are constantly being invented, reinvented and renewed, and this is where the productivity gains come from. Even if there are debates surrounding the existence of the cost disease, Blaug (2001) believes that the fact it created such debates is a demonstration that some progress happened in cultural economics.

Concerning the methods of analysis, the neoclassical school prefers mathematical and econometric models. The role of these models cannot be understated, they are what move economic research in the current state because, from the orthodox point of view, there is no better way to create explanations and confront models with reality without such a robust approach (Pinto 2011). A quick look through the articles in the JCE shows lots of applied works with econometric estimations. One important use is to estimate hedonic prices: they are applied to illiquid assets, omnipresent in cultural economics (Chanel, Gérard-Varet & Ginsburgh 1996), and income and price-elasticities, necessary for an acceptable measurement of the importance of cultural activities (Seaman, 2006 p. 424-432). Recently, there has been a diversification of methods, such as the use of economic experiments (e.g. Berl, Bernard & Fürster 2015).

Another method largely used is contingent valuation (e.g. Papandrea 1999; Sanz Lara & Prieto 2006). Initially developed for economic analysis of environmental impact, its emphasis is in trying to find the exact subjective estimation and it becomes a useful to analyse cultural goods. However, it has its own problems and some researchers defend that it is better have no estimation than an ill-done estimation (Diamond & Hausman 1994). Even so, the contingent valuation is a method that can be used, even if one is aware of its limits (Throsby 2003, p. 281).

3.2. Marxist school: art as an industry

The Marxist school is a different case because the analysis of cultural goods made by Marx and Engels has detached itself from the economic part of Marxism, giving way to its own theory of art and aesthetic. Although the absence of Marx from Goodwin (2006) is notable,

his influence in the theory of art was greater than in the economics. As Eagleton (1976 p. 28) wrote “Literature may be an artefact, a product of social consciousness, a world vision; but it is also an industry.” And such principle can and should be extended to other art forms. Why Marx did not give foundations to Marxist cultural economics is another discussion, though.

There is a broad literature concerning the analysis of social, philosophical and aesthetic aspects of art from a Marxist point of view (e.g. Benjamin 1936; Eagleton 1991), but few Marxist writers dedicate themselves to study art with an approach similar to cultural economics. Among them, there is Marx himself. Some Marxist authors claim that it is impossible to understand Marx’s economic thought without knowledge of his artistic and aesthetic concerns (Frederico 2004, p. 14). One of the main contributions of Marx was to call the attention to the fact that the context art was produced was important, the “dialectic relation between the realm of spirit and the realm of matter. Neither can be fully apprehended without the other” (Montías 1981, p. 35).

Marx and Engels’s writings on art and literature were edited by the Soviet government in the 1930s (Marx & Engels 1976). Both authors write about the role of art in the capitalist society, besides giving their own opinions on artistic events. Lifshitz was one of the first authors to write about the philosophy of art in Marx and call the attention to his interest in arts (Lifshitz 1973). Marx wrote poetry in his youth (Stedman Jones 2017, p. 57) and was well-versed in the classical authors, Shakespeare and Balzac. Besides he was fascinated with the battles between gods and men from the Greek mythology.

In fact, the Greek art was one of his biggest fascinations. For him “the art of the Greeks is perfect, although their society was far from being so” (Werckmeister 1973, p. 504). The reason why Marx considered the Greek art perfect was because it established an aesthetic standard that transcends the social structure and, for this reason, time itself; it is not limited by the social base and express directly the human nature (Werckmeister 1973, p. 507). The essence of art remains, because it is an end in itself. Thus, one of the problems of capitalism would be the perversion of the essence of the art, in order to serve the bourgeois interests: the professionalization of arts is denounced as a source of alienation, a perversion of the artistic ideal⁹.

Since its inception, the Marxist school had a concern with the arts, so much that it evolved into a field distinguished from economics. In spite of the great production of material related to aesthetics, philosophy and critique of arts, there are few studies from an economic point of view. One exception is Medraño (2012), which analyses the price of works of arts recurring to a labour-value theory of art.

⁹ Marx’s views on Greek art are considered obsolete because the criticism to the Greek art shows that it was not as “perfect” as Marx supposed, and that his idea of “art as an end in itself ends up being empty, because it means the end of aesthetics (Werckmeister 1973).

3.3 Developmentalist school: art as development

Due to its emphasis in growth and development and to the fact that it lacks a coherent way to be defined, the applications of postulates of the developmentalist tradition out of its initial scope became a problem. Chang writes that the developmentalist economists from the XVII and XVIII centuries were known as mercantilists (Chang 2015, p. 128) and Goodwin affirms that the mercantilists saw the production of cultural goods as a form to increment the commercial balance and that domestic expenses with culture could attenuate a recession (Goodwin 2006, p. 29).

Thus, we can affirm that cultural development, in the perspective of this school, would be linked to a search for correct public policies that would be incentives to the independent development of arts and culture. The case of Singapore is cited by Chang as a success example of developmentalist policies, that pragmatically combines capitalist and socialist market policies (Chang 2015, p. 130).

According to Kong (2000), the cultural policy in Singapore was elaborated in conformity with the developmentalist paradigm. During the decades of 1960 and 1970, the main function of the cultural policy was to build the Singaporean national identity and to incentivize tourism. However, starting from the decade of 1980, the cultural industry of Singapore started to be established, following the Hong Kong model, as an alternative to exit the 1985's recession. The minister of culture George Yeo defended that "we should see the arts not as luxury or mere consumption but as investment in people and the environment" (apud Kong 2000, p. 415).

In spite of the fact that the arts had a secondary paper in the economic recovery, it began a process of public incentives to culture, that took the form of subsidies to the national cultural industry and to the establishment of international art centres. The cultural development was also linked to tourism, because, due to its strategic localization and multicultural formation, Singapore was "a piece of all Asia in one place" and the consumer market was not only for the three million citizens of Singapore, but all the 240 million inhabitants of the region, besides Western tourists.

3.4. Austrian school: art as entrepreneurship

The Austrian approach to art has produced some literature. Menger, considered the first Austrian economist (although the term had a different meaning when compared to its current incarnation), wrote that the consumption of cultural goods was only possible in the advanced stages of civilization, and that since certain goods such as original paintings could not be reproduced, they needed to be organized as different goods (Menger 2007

[1871], p. 147). Svoboda (2011) argues that Menger's marginalist theory might have influenced Alois Riegl, one of the greatest art historians of his time, on the valuation of historical monuments.

In its more recent incarnation, the Austrians have had some concerns with cultural economics. Mises wrote about the creative genius: “[the hours working] are not labor because they are for the genius not means, but ends in themselves. He lives in creating and inventing. For him there is no leisure, only intermissions of temporary sterility and frustration.” (Mises 1998 [1949] p. 139). The artist is moved by the creative genius and its works cannot be classified as “products of work”, according to the praxeology. “The genius wants to accomplish what he considers his mission, even if he knows that he moves toward his own destruction” (Mises 1998 [1949] p. 139) and the good they produce is so unique, that the demand for artistic goods and government incentives have no effect in the artistic production. Thus, competition, even if unequal and apparently unfair, should guide the artistic production.

For interactions with the mainstream of the discipline, a review written by Ritenour considers Throsby's book on cultural economics to be “very frustrating” (Ritenour 2003, p. 103) and he criticizes the methods used by the economists of the field, such as the contingent valuation and the lack of clarity between economic value and cultural value. In the end, he laments that there is no satisfactory analysis of cultural economics following the tenets of Austrian economics.

One of the attempts was made by Don Lavoie and Emily Chamlee-Wright. They argue the market, instead of being an intrusive e dehumanizing agent, can be a “a legitimate part of our larger cultural existence¹⁰, not some sort of alien intrusion into it” (Lavoie & Chamlee-Wright 2000, p. 2). Inspired by Lavoie, Arjo Klamer wrote about cultural entrepreneurship¹¹ and argued that the cultural entrepreneur is the one that organize resources and exploit opportunities to not only seek profit but to achieve self-realization. “Although entrepreneurial activity may begin with the perception of an opportunity (cf. Kirzner), the critical entrepreneurial task is to convince others of that perception.” (Klamer 2011, p. 151). In other words, to not only mobilize her own resources, but also to be able to change the world surrounding her. The true challenge of the cultural entrepreneur is “will be to contribute to the common good that art is” (Klamer 2011, p. 154), and the market is one instrument for this.

3.5. *Schumpeterian school: the arts as a business*

¹⁰ The authors used the wide approach to culture.

¹¹ The term was coined by DiMaggio (1982) to describe some episodes, such as the struggle of Henry Lee Higginson to establish a symphonic orchestra in Boston.

Schumpeter is more known by his work on development and entrepreneurship. One of his biographers mentioned he was an art enthusiast (cf. Swedberg 2006). In the first edition of his *Theory of economic development*¹², the entrepreneur is the character that mobilize resources to create wealth. He must occupy a vanguard position, or a leadership position, to use a modern term; he is not only a leader, but also a model, someone who should be honoured: “arts and literature—altogether, the entirety of social life—act in response to him, like they acted in response to the knight in the Middle Ages.” (Schumpeter 2002 [1911], p. 414-415) The entrepreneur is a creator, that is why its main metaphor is of an artist. Thus, there is a tension between the static and the dynamic in economics, arts, and all other areas of society (Swedberg 2006, p. 249).

Ultimately, “the art of a period has its political influence, like politics has its artistic influence” (Schumpeter 2002 [1911], p. 431), and through this co-influence, the cultural state of a society emerges. Until recently “the notion that the arts and cultural sector, copyright industries or ‘creative industries’” could be part of the economic evolution process, in the way Schumpeter defended, was not seriously studied (Potts 2009, p. 663). The concept of “creative industries” emerged from the Schumpeterian economics and see the arts as integrated to the economic system by the means of social networks (Potts et al 2008; Lazzaretti, Boix & Capone 2008), and technology networks. According to this perspective, they are not industries in the usual sense of the word, but “but a higher order gallery or laboratory for new ideas that is an essential component of the innovation system of any economic order.” (Potts 2009, p. 671).

3.6. Keynesian school: cooperation between public and private spheres

Keynes was not only important for economics but also for the history of art. Raised in a wealthy and educated family, Keynes has always been exposed to an artistic atmosphere. His relationship with the arts is well-documented in the history of economic thought (e.g. Heilbrun 1984; Moggridge 2005; Backhouse & Bateman 2006; Laurence 2007), with Laurence (2007) suggesting that the contact with artists and art workers through the Bloomsbury Group may have indirectly influenced his theory and objectives. During the Second World War, he was the director of the Council for Encouragement of Music and the Arts, instituted to keep the Allied morale high, in addition to his work in the economic departments.

¹² There are differences between the first edition and the second: the first was published in 1911 in German and had a deeper rupture with neoclassical economics, while the second edition was published in English in 1934 and had a less radical content. It is believed that he made these editions to conform better to neoclassical theory and thus being accepted in the American academia more easily, due to seeing general equilibrium as the future of economic theory (cf. Swedberg 2006).

His friendship with Roger Fry, whose bigger influence was from Veblen (as we will see below), is also notable. Goodwin (1998, p. 52) commented that Keynes analysed the art market in a similar way as the financial market, and did not spare efforts to improve the artistic world through economics, besides working to improve the aesthetic tastes.

Keynes also believed that economic development could open opportunities to the population so that they dedicate to other occupations, such as arts. It is one of the main arguments of his 1930's essay "Economic possibilities of our grandchildren" (Keynes 1931). His experience with the Bloomsbury Group and art management made Keynes support public subsidies for the arts. Keynes believed that the private sector should promote and preserve the arts, but the public power should intervene in case of failure and to promote a sustainable urbanization (cf. Heilbrun 1984).

Besides the debate on public financing of arts, there has been not much Keynesian contributions to cultural economics. One important contribution is the Minskyian model of the art market, by Peter Earl and Jason Potts (2013). Earl and Potts have brought to the fore an analysis of the art market following the Post-Keynesian model of Hyman Minsky on financial instability, concluding that the information fluxes that give dynamism to the cultural industry can lead to an excess of sophistication and alienate the consumers (Earl & Potts 2013).

The Minsky model of financial instability argues that the economy goes through three phases: hedge, speculative and Ponzi. In each phase, there is a deterioration of the capacity of paying the debt, because the increasing competition between financial products and an endogenous change in the preferences, becoming less averse to risk. The Earl and Potts's model mirrors the Minsky model when it says that the cultural industries go through moments of mainstream (the creative production is well organized and managed, with well-mapped preferences), edgy (in which producers change the frontiers of taste and style) and experimental (in which the producers become *avant-garde* and might alienate the consumers, while looking for innovation), and the production of cultural industries oscillates between these three moments. Thus, the creative economy is inherently unstable. The conclusions of this model coincide with the informal diagnosis made by both Keynes and Fry that the art market behaves similarly to the financial market.

3.7. Institutional school: the arts as economic and historical institutions

The institutionalism, both in its original and neoclassical incarnations, tends to dedicate more attention to the wide definition of culture. Goodwin (2006) wrote that Veblen shared the same opinions of certain classical economists, that art was superfluous. In his *Theory of Leisure Class* (Veblen 2008 [1899]), Veblen identified the acquisition of art as an example of "conspicuous consumption": artistic expressions would serve to establish the position of

the buyer as someone with high status in her group, because she disbursed a reasonable quantity to keep the work of art in her possession, to show pecuniary beauty¹³.

Even so, he wrote about what makes people dedicate to works that might not render high profits (like the majority of artists, with a few exceptions). According to him, “all men have this quasi-aesthetic sense of economic or industrial merit, and to this sense of economic merit futility and inefficiency are distasteful. In its positive expression it is an impulse or instinct of workmanship; negatively it expresses itself in a deprecation of waste” (Veblen 1898, p. 190). The workmanship instinct will be an important topic in original institutional economics because it breaks with the (then future) neoclassical paradigm of the rational agent and, ultimately, it is one of the factors that lead to the growth of technology and economic development, and has a role in creating the leisure class, which Veblen despised. The art would be an element in which the workmanship instinct is discernible, due to the aesthetic search of the artist¹⁴.

Given his attitude towards arts, it is surprising that he had influenced one of the greatest art critics of the first half of the 20th century, Roger Fry. Although he was not an economist by formation, his study of the art market was influenced by the original institutionalism of Veblen and his friendship with Keynes to study the art market (see Goodwin 1998). To Fry, art is an end in itself, and, for this reason an art critic like Fry cannot rely on unitary calculation to do his work. Veblen’s theory on conspicuous consumption is useful to him because luxury objects are goods that demonstrate the social position of the owner (Fry 1931, p. 166).

The American institutionalists that acted during the New Deal also had concerns with the arts. One of them, Rexford Tugwell defended the rational planning of the economy in order to restore the American spirit, so much harmed by the Great Depression, and such project included the arts (Rutherford 2001). During this period, the federal art programmes were established to not only incentivize the arts, but also to create a “cultural democracy”. It was necessary to make the arts accessible to the population in general, not only to the elites (Matthews 1975; Hemingway 2007). They intended to remove the stigma of conspicuous consumption on the arts and thus create an art for the people.

Among the recent tendencies, one of the main analysis of cultural economics with an institutionalist approach is *Institutional economics and the formation of preferences*, written by Wilfred Dolfsma, on the pop music (Dolfsma 2004). Dolfsma’s proposal is to analyze the historical development of pop music with the institutional toolbox, that

¹³ “We all feel, sincerely and without misgiving, that we are the more lifted up in spirit for having, even in the privacy of our own household, eaten our daily meal by the help of hand-wrought silver utensils, from hand-painted china (often of dubious artistic value) laid on high-priced table linen.” (Veblen 2008 [1899], no page).

¹⁴ There seems to be a contrast between the behavior of the producer and the consumer of art in Veblen’s writings.

emphasizes “people’s cognitive limitations and their consequent need to interpret the world they live in. People make models of their world, have beliefs that shape their behaviour.” (Dolfsma 2004, p. 52). His research demonstrated how Dutch preferences for pop music changed, and this involved a deep change not only in the preferences (conflict between the old and the new generations, and how the new wanted to differentiate from the old), but also socioeconomic conditions (ownership of radios), and that ultimately reflect in the change of values.

4. Discussion

Through the analysis of the different attitudes displayed by different schools of economic thought towards cultural economics, we see a space for interested discussion. The neoclassical school has the primacy in studies, but it is not an unchanging monolith. It has accepted new perspectives concerning the nature of cultural goods and new methods such as experimental and behavioural economics. The opening of discussion spaces in its main journal (the JCE) for different perspectives than the neoclassical (such as Earl & Potts (2013) and discussions on creative industries) indicates openness and recognition of a non-orthodox component in the mainstream, which permits fringe research to be discussed in greater prestige environments (Kapellen & Dobusch 2012). Dekker (2015) argued that, in addition to the economic and empirical study of arts, the value approach (with reference to Klamer 2003), goes beyond price and quantification and has potential to discover the value of art.

It is also important to note that many authors converge to some conclusions, even if they had different starting points. Comparing Schumpeter and Kirzner, Klamer wrote that, for Schumpeter, the entrepreneur is somebody who disturbs the equilibrium and moves the economy, while for Kirzner, the entrepreneur equilibrates the system, allowing unique opportunities and modifying the economic landscape (Klamer 2011, p. 148).

Even more surprising is the agreement between antagonistic writers such as Mises, Marx¹⁵, Schumpeter¹⁶ and Fry over the maxim “art as an end in itself”. In opposition, Earl and Potts argue that this an extremely romanticized vision of the artist’ work because, in practice, it is a commercial disaster, and it contributes to the inherent instability of the art market (Earl & Potts 2013, p. 168).

¹⁵ Eagleton comments that Marx considered the high quality novels produced by a reactionary such as Balzac to more revolutionary than a supposedly revolutionary and socialist literature of low quality (Eagleton 1976, p. 23).

¹⁶ There might be an influence here from a perspective that transcends the ideological differences between the authors. The entrepreneur is the creative hero, taking the role of the heroes from mythology (Morong 1994). Robin (2015) makes an association between the “creative genius” of Mises and Nietzsche’s “*übermensch*”, besides the possible influence of the latter over the Austrian school and Schumpeter.

There is also the question of availability of data, that concerns all schools. Seaman (2009 p. 463) considers the lack of adequate data to be one of the biggest issues in cultural economics and he lists many examples of how inadequate data can harm studies. Quintero (2010) discusses extensively about the data construction that is relevant cultural economics, comparing the different models of delimitation of the cultural sector (symbolic texts, concentric circles, British and the IPWO), the different methodologies from UNESCO and the Colombian government. Lastly, Adkinsson warns that there are four problems to quantify culture¹⁷: i) difficulty in identify clearly economic-cultural relations due to plurality of values, ii) problems with endogeneity, due to the presence of complexity, iii) distinction between fundamental and transitory cultural values, iv) role of historical timing and cultural change (Adkinsson 2014, p. 105). Even so, it would be excellent to combine quantitative and qualitative excellence, which is one of the targets of cultural economics. However, in spite of all this development, Besharov laments that there is still no economic argument for the exceptionality of art (Besharov 2005, p. 429).

5. Conclusion

Through this article, I tried to show that, in spite of the relatively small research space occupying in the economic science and large scope, cultural economics has a great potential for different approaches due to its transdisciplinary nature. However, this potential can only be attained if more economists get interested by the field.

So, was there any progress in cultural economics? The question Blaug made in 2001 still echoes in the ears of cultural economists. Surely there has been an advance in the empirical applications. Due to the great scope of the discipline there is a great number of economic relations to be researched amongst the most different topics, from the fine arts to electronic games. And the technological revolution changed completely culture itself. Cowen comments, in an ironic tone, that a 15-years old girl is better aware of the cultural and technological tendencies than him, who has been researching the topic for 20 years (Cowen 2008).

One of the main concerns is that there must be theoretical progress, in order to understand the subject of the discipline, so that we can develop better application methods and models. And who knows, someday, someone can finally show that art is exceptional with an economic argument. This might cost art its mysterious aura, the transcendental property described by Bird (2007). These fears might be equivocal, because it is debatable if the scientific method does erase the transcendental property; perhaps it might create its own mysteries.

¹⁷ Adkinsson uses the wide definition of culture, but it serves to the purposes of cultural economics.

This article defended that a pluralist approach might help a better understand of cultural economics. Cultural economics is a discipline and some economists “do” cultural economics from a different way than others, even if there is one more common and researched way to do “do” cultural economics, i.e., the mainstream one. Each school has a set of tools that allows analysis from a unique point of view. The approaches must complementary and their antagonism should be used as fuel for deeper debates, not to isolate themselves from each other.

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