Introductory Course in Cultural Economics

Semester: xxxx

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Course Time and Location: xxxx
Instructor Office Hours: xxxx

Course Description:
The purpose of this course is two-fold. In the first instance the course will provide an introduction to “economic thinking” for those students who have not had an economics course. Second, the course will provide insight to economic thinking as applied to art and cultural goods. In this regard the course will be suitable for those who have had introductory courses in economics as it will highlight the difference between art and other economic goods.

We will use Ruth Towse’s cultural economics textbook as a general text for the course but will also introduce heterodox ideas from classical economics, Austrian economics, public choice economics, economic sociology and original institutional economics. Objects of analysis will include the visual and performing arts, music, design, fashion, book publishing, film, architecture and museums. We also examine on-going debates in cultural economics such as subsidized cultural institutions as economic development, the role of intellectual property rights in encouraging creativity, consumerism and conspicuous consumption, theories of value found in cultural economics, and, the political economy of the tax-exempt versus for-profit arts sectors in the USA.

The course additionally will introduce the goods typologies found in cultural economics; private goods, public goods, mixed goods, positional goods, Veblen goods, experience goods, luxury goods, and, normal and inferior goods. This will in turn help the student conceptualize the economic and social value of art and culture. There are no prerequisites for this course.
Course Textbook: Ruth Towse (2010). *A Textbook of Cultural Economics*. Cambridge and New York: Cambridge University Press. (The textbook is recommended, however a copy is also on reserve in the library.)

Students are also encouraged to discuss current events in the art economy through related news sources. We will relate current events to our syllabus topics.

Course Topics: The following is the schedule for the course along with the relevant chapters from the Towse text and any supplementary materials. We will follow each topic consecutively, the time allowed to each topic will depend on class discussions around each topic. The references in parenthesis are optional for further study and will be referenced in lectures.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Chapters from Towse</th>
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<tbody>
<tr>
<td><strong>1. Introductory topics</strong></td>
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<tr>
<td>A. Welfare economics; supply and demand, producer and consumer surplus</td>
<td>Chapter 1.</td>
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<td>B. Microeconomics; from perfect competition to monopoly through monopolistic competition consumer sovereignty</td>
<td>Chapter 6.</td>
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<td>C. Price elasticity, price discrimination and marginal revenue</td>
<td>Chapter 5.</td>
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<td>D. First mover advantage or monopoly rents?, antitrust and competition regulation</td>
<td>Chapters 3, 6.</td>
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<td><strong>Case Study: “Net Neutrality”</strong></td>
<td><em>NYT</em> 2017</td>
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<td>Introduction to regulation and experts versus consumer sovereignty, long- v. short-term</td>
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<tr>
<td>E. Private, public, mixed and positional goods, the “goods triad”</td>
<td>Chapters 1, 9. (Vatiero 2010)</td>
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</table>
2. Economic profile of the cultural sector Chapters 2, 14.
A. Not-for-profit and for-profit organizations, differences in incentives, costs and revenues Throsby 1994

Case Study: Not-for-Profit Museums in the USA Chapters 4, 9., (Klammer 2016)

Introduction to cultural gatekeepers, performance measures for multiple output organizations, stakeholder analysis measurement for cultural organizations

B. Fine art as “investment” Chapter 4., (Goetzmann etal. 2010)
C. Debate on for-profit cultural industries as part of cultural economics research program (Throsby 2010)
D. New Economy as cognitive and entrepreneurial, innovation as creative destruction Weber 2017

3. Performing Arts and Baumol’s “Cost Disease” Chapters 4, 8.
A. Earnings gap and artistic deficit Throsby 1994
B. Cowen on technology and the cost disease Cowen 1996
C. Authenticity value critique of Cowen on the music industry Chapter 15.
D. Empirics on cost disease; including London theatre and the New York Philharmonic (Baumol & Bowen 1966)

A. Who is an artist?
B. On the excess supply of art
C. Heterogeneous labor market substitution, fine art and the “creative industries” Throsby 1994
D. Role of gatekeepers and networks Gibbons 2005, (Kaprick 2010)
E. Creativity as economic resource Hutter 1996
5. **Debate about Intellectual Property (IP) Rights**  
   Chapters 3, 4.
   A. IP as necessary for artistic output, two-period model  
      (Wurtzel 2014)
   B. First-mover advantage and IP as rent-seeking; book publishing and film  
      (Boldrin & Levine 2008)
   C. The “Disneyland-ization” of US copyright law  
      (Heskett 2017, Aspers 2010, Raustiala & Sprigman 2012)

   **Case Studies:**
   - **Warhol Foundation**  
     Experts, self-interest and provenance  
     *NYRB* 2013
   - **Who the *&%$ is Jackson Pollack**  
     Film 2006

   **Creative Destruction**
   - David Bowie’s “Bowie Bonds”  
     *Telegraph* 2005

6. **Demand and Consumption Theory**  
   Chapters 3, 6.
   A. Experience goods, education and advertising  
      (Scitovsky 1976)
   B. Novelty and defensive goods  
      (Veblen 1899, Galbraith 1998)
   C. Conspicuous consumption & Veblen goods  
      (Kaprick 2010, Currid 2007)
   D. Contingent valuation  
   E. Social construction of preferences  
   F. Dynamics of brand loyalty  
   G. Technological innovation, networks and “tipping points”  
      (Liebowitz & Margolis 2001)

7. **Political Economy of Arts and Culture**  
   Chapters 7, 10, 19.
   A. Art and culture as public and merit good, bequest and option value  
      (Throsby 2003)
   B. Positional goods, consumer sovereignty and debate over welfare effects  
      Frank 2005, Hayek 1945
   C. Subsidies; implicit and explicit, supply-side, demand-side  
      (Grampp 1989)
Case Study: Industry City, Brooklyn
Tax incentives as development policy

D. Adam Smith and the performing arts as “unproductive” labor
(Smith 1994, Chapter III.)

E. Ruskin’s Labor Theory of Art Value
(Ruskin 1857)

F. Economic impact studies

Case Study: High Line Park, New York City
Public-private partnership and Keynesian multiplier
Chapters 10, 19.

NYRB 2011

Final Exam Date: yyyy

Readings (on reserve at the library or posted to Instructor’s website)


https://www.gmu.edu/centers/publicchoice/faculty%20pages/Tyler/why-i-do-not-believe.PDF

http://www.nybooks.com/articles/archives/2013/jun/20/andy-warhol-foundationquestions/


**References**


**Grading:**

The course grade will be based 25% on the Midterm Exam, 35% on the Final Exam, 20% on a course research paper and 20% on class discussion. Students have an optional extra-credit opportunity to re-write the research paper for a higher grade based on the Instructor’s comments.

**Course Schedule:**

**Midterm exam:** xxxx

**Research paper due:** xxxx

**Extra-credit (optional) due:** xxxx

**Final exam:** xxxx