An Introductory Course in Cultural Economics

Semester: xxx

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Course Time and Location: xxxx

Instructor Office Hours: xxx

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 outline 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.

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.)

Additionally students are encouraged to discuss current events in the art economy through related news sources.

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.

Topic	Chapters from Towse
1. **Introductory topics**	Chapter 1.
a. Welfare economics; supply and demand, producer and consumer surplus	Chapter 6.
b. Microeconomics; from perfect competition to monopoly through monopolistic competition	Chapter 5.
c. Price elasticity, price discrimination and marginal revenue	Chapters 3, 6.
d. First mover advantage or monopoly rents?, antitrust and competition regulation	
e. Private, public, mixed and positional goods, the "goods triad"	Chapters 1, 9. (Viterio 2010)
2. **Economic profile of the cultural sector**	Chapter 2, 14.
a. Not-for-profit and for-profit organizations, differences in incentives, costs and revenues	Throsby 1994
b. Fine art as "investment"	Chapter 4. (Goetzmann *etal*. 2010)
Case Study: Not-for-Profit Museums in the USA	Chapters 4, 9.
Introduction to cultural gatekeepers and performance measures for multiple output organizations	

3. **Performing Arts and Baumol's "Cost Disease"** Chapters 4, 8.
   a. Earnings gap and artistic deficit
   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)

4. **Artistic Labor Supply** Chapters 5, 11, 12, 14.
   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, Currid 2007)
   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 (Stoneman 2010)
   b. First-mover advantage and IP as rent-seeking; book publishing and film Boldrin & Levine 2008
   c. The "Disneyland-ization" of US copyright law
   d. Dynamics of fashion industry, design & architecture markets (Raustiala & Sprigman 2012, Aspers 2010)

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

   Case Study: Creative Destruction
   David Bowie's "Bowie Bonds" *Telegraph* 2005

6. **Demand and Consumption Theory** Chapters 3, 6.
   a. Experience goods, education and advertising
   b. Novelty and defensive goods (Scitovsky 1976)
   c. Conspicuous consumption & Veblen goods (Veblen 1899, Galbraith 1998)
   d. Contingent valuation
   e. Social construction of preferences (Kaprick 2010, Currid 2007)
   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
   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 Chapter 19.

Public-private partnership and Keynesian multiplier *NYRB* 2011

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

Michele Boldrin and David K. Levine (2008). *Against Intellectual Monopoly*. New York and Cambridge: Cambridge University Press.

Tyler Cowen (1996). "Why I Do Not Believe in the Cost-Disease," *Journal of Cultural Economics* 20: 207-214.

Richard Dorment (2013). "What Is a Warhol? The Buried Evidence," *New York Review of Books*, June 20. Available, http://www.nybooks.com/articles/archives/2013/jun/20/andy-warhol-foundation-questions/

Martin Filler (2011). "Eyes Above the Street: The High Line's Second Installment," *New York Review of Books*, August 25. Available, http://www.nybooks.com/blogs/nyrblog/2011/aug/25/eyes-above-street-high-lines-second-installment/

Robert H. Frank (2005). "Positional Externalities Cause Large and Preventable Welfare Losses," *American Economic Review* 95(2): 137-141.

F. A. Hayek (1945). "The Use of Knowledge in Society," *American Economic Review* 35(4): 519-530.

Michael Hutter (1996). "The Value of Play," in Arjo Klamer, editor, *The Value of Culture: On the Relationship Between Economics and the Arts*. Amsterdam: Amsterdam University Press, 122-138.

David C. Throsby (1994). "The Production and Consumption of the Arts: A View of Cultural Economics," *Journal of Economic Literature* 33: 1-29.

References

Patrick Aspers (2010). *Orderly Fashion: A Sociology of Markets*. Princeton: Princeton University Press.

William J. Baumol and William G. Bowen (1966). *Performing Arts: The Economic Dilemma*. Cambridge, MA: Twentieth Century Fund.

Elizabeth Currid (2007). *The Warhol Economy: How Fashion, Art, and Music Drive New York City*. Princeton: Princeton University Press.

Denis Dutton (2008). *The Art Instinct: Beauty, Pleasure, and Human Evolution*. Oxford: Oxford University Press.

John Kenneth Galbraith (1998). *The Affluent Society*, Fortieth Anniversary Edition. New York: Houghton Mifflin Company.

Robert Gibbons (2005). "What is Economic Sociology and Should Economists Care?," *Journal of Economic Perspectives* 19(1): 3-7.

William D. Grampp (1989). *Pricing the Priceless: Art, Artists and Economics*. New York: Basil Books.

W. Goetzmann, L. Renneboog and C. Spaenjers (2010). "Art and Money". NBER Working Paper 15502, available http://www.nber.org/papers/w15502. January 13.

Lucien Kaprik (2010). *Valuing the Unique: Economics of Singularities*, translated from the French by Nora Scott. Princeton: Princeton University Press.

Stan J. Liebowitz and Stephen E. Margolis (2001). *Winners, Losers & Microsoft: Competition and Antitrust in High Technology*, paperback edition. Oakland: Independence Institute.

Kal Raustiala and Christopher Sprigman (2012). *The Knockoff Economy: How Imitation Sparks Innovation*. New York: Oxford University Press.

John Ruskin (1857). *The Political Economy of Art: Being the Substance (with Additions) of Two Lectures Delivered at Manchester*. London: Smith, Elder &Co.

Tibor Scitovsky (1976). *The Joyless Economy: An Inquiry into Human Satisfaction and Consumer Dissatisfaction*. New York: Oxford University Press.

Adam Smith (1994 [1776]). *An Inquiry into the Nature and Causes of the Wealth of Nations*. New York: Modern Library Edition.

Paul Stoneman (2010). *Soft Innovation: Economics, Product Aesthetics, and the Creative Industries*. New York: Oxford University Press.

The Telegraph (2004). "Bowie: man whose bonds fell to earth," March 25. Available: http://www.telegraph.co.uk/news/uknews/1457666/Bowie-man-whose-bonds-fell-to-earth.html

David C. Throsby (2003). *Economics and Culture*, 2nd Edition. Cambridge, UK: Cambridge University Press.

Massimiliano Vatiero (2011). "The Institutional Microeconomics of Positional Goods". Working Paper, available: http://extranet.isnie.org/uploads/isnie2011/vatiero.pdf.

Thorsten Veblen (1899). *The Theory of the Leisure Class: An Economic Study of Institutions*. New York: Macmillan.

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: xxx

Research paper due: xxx

Extra-credit (optional) due: xxx

Final exam: xxx