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Two approaches to study the value of art and culture, and the emergence of a third

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Abstract This paper argues that a third approach to study the value of art and culture is emerging: the valuation approach. The paper, first, outlines the two established approaches to study the value of art. The economics of the arts approach in which economic analysis is used to analyze the arts is the first of those established approaches. The other established approach is the art and commerce approach in which the relative position of the arts in society and in particular its relation to the commercial and industrial world is analyzed. The valuation approach takes elements of these two established approaches, but focuses explicitly on processes of valuation of the arts and cultural goods on markets as well as within bureaucracies, organizations, among experts, peers and other communities. Central to the valuation approach is the notion that the study of market prices is not sufficient to establish the value of cultural goods. Contributors to this emerging approach analyze valuation processes in and outside markets, the norms and conventions used to value the arts, and the role of intermediaries who are able to deal with competing notions and justifications of value.

Keywords Cultural economics · History of economics · Valuation · Norms and conventions

JEL Classification Z11 · B29

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1 Introduction

In a recent paper, two leading scholars in the field of cultural economics argue for the study of the influence of cultural value on economic value (Hutter and Frey 2010). Their paper is but one example of a quickly growing literature on the valuation processes of artistic and cultural goods, all of which move beyond the study of prices and markets. This challenges the image we have of the field of cultural economics. We have become used to think of cultural economics as a unified and coherent field. In Blaug's overview article of the field as well as in the more recently published textbook by Ruth Towse, cultural economics is presented as an established field with a clear goal and analytical toolbox: the toolbox of economics (Blaug 2001; Towse 2010). Both Blaug and Towse have been actively involved in establishing cultural economics as a sub-discipline of economics, and a respectable scholarly field with its own institutions and research program. That unity however masks the fact that there are at least two different scholarly approaches which have operated under the header, cultural economics, or its predecessor, economics of the arts.

These two approaches are both present in the first volume of collected papers on what was then called the economics of the arts, edited by Mark Blaug (1976a). The two approaches[1] are the economics of the arts and the closely related empirical study of the impact of the arts, and an older approach which studies the relationship between the art world and the commercial world and the position of art in society.[2] This paper argues that a third valuation approach is emerging and it seeks to trace its outlines.

In the volume of collected papers edited by Blaug, the evaluation of the impact of the arts takes precedence in the form of the evaluation of cultural policy. The contributors are engaged in drawing up frameworks to account for arts expenditure, to assess the effectiveness and efficiency of arts expenditure and to develop evaluative frameworks, inspired by economic theory, which account for the multiple goals involved in arts policies. It is not until the third part of the book that we come to what is now more generally considered the economics of the arts or cultural economics: the application of economic theory to analyze the arts sector, especially the market of particular art forms such as the performing arts or museums. The art and commerce approach is represented by Scitovsky who analyzes the attitude toward the arts in American society. Taking his cue from Galbraith who had written on the affluent society, he analyzes the position of the arts in the affluent American society of his day: "We have inherited a deep-seated conviction that the serious business of life is production and the making of money. Consumption, and especially the spending of money, time and effort on the enjoyment of life, we

[1] As will be discussed below in more detail, the economics of the arts tradition contains two sub-approaches. The first focuses on the study of markets for cultural goods, the second on the empirical evaluation of the impact of the arts and/or policies. The latter approach utilizes the concepts developed within the economics of the arts, but tends to focus more on the study of externalities rather than market outcomes. The two sub-approaches are thus complementary rather than conflicting.

[2] An early commentator on this draft, Tom Wells, pointed out to me that this structure can also be found in other fields of applied economics such as sports economics or environmental economics.

regard as frivolous and not quite respectable occupation" (Scitovsky 1972: 65, reprinted in Blaug 1976a).

This initial diversion in approaches and concerns might only reflect the immaturity of the field in the 1970s and be of little but historical interest. It might be of more import, however, if these original elements are currently being used to forge what might become a third approach of cultural economic thought. In recent work within the field of cultural economics, there is increasing attention for regimes or systems of valuation 'beyond price' (Throsby and Hutter 2008; Karpik 2010; Beckert and Aspers 2011). In this work, a broader perspective on valuation is developed which draws inspiration from both approaches. Inspired by contributions from the arts and commerce approach, there is attention for the relative position of the arts in society. The comprehensive understanding of valuation is inspired by empirical studies of the impacts of the arts and the emphasis on uncertainty, and the attention to the formation of taste is influenced by the economics of the arts approach. This emerging approach is concerned with a wide range of goods including artistic goods and services, but also categories of goods which have previously not been considered by cultural economists such as food, wine, rituals, sports, fashion and possibly our natural environment.

These 'cultural' goods are valued within and outside markets. Sometimes they exist primarily on the market as commodities, but at other times, they are singularized, as Kopytoff once put it, and valued as far from the market as possible (Kopytoff 1986). More generally, sometimes market processes are accepted as the primary valuation process; at other times, primacy is given to other valuation processes. Scientific papers, for example, are primarily evaluated by peers in review processes and through their subsequent use, usually measured by the amount of citations. They are not subjected to a market test to see how often they are bought or downloaded (Karpik 2011). Such alternative valuation processes have recently attracted the attention of economists who notice the similarities with markets, but this emerging approach emphasizes the coexistence of a variety of valuation regimes and their distinct modes of operation.

One might counter that contributors to both approaches have always been concerned with valuation. That is most certainly true. The empirical studies of the impact of the arts explicitly so, the art and commerce approach in its study of the relative position (or value) of the arts in society and the economics of the arts approach in its study of market valuation. The difference is in how they do so. It is in that sense that the third emerging approach incorporates elements of the other approaches and differs from them. This paper will first analyze how value is conceptualized in the two established approaches and then show how these perspectives are used to forge a new approach.

2 Value in the art and commerce approach

The art and commerce approach is the older of the two established approaches. It might be traced back as far as Plato and his fears that poetry might corrupt the young. Plato associated art with the irrational and argued it was a distraction from philosophy which could lead us to truth. That is not to say that the contributors to this approach are skeptical about the value of the arts. On the contrary, many are concerned about the low relative status of the arts.

Arguably, the most prominent exponents of this approach in the twentieth century are Adorno and Horkheimer. Their *The Culture Industry: Enlightenment as Mass Deception* (1949/2002) is a study of the interplay between markets and art. They are convinced that markets will fail to produce products of high artistic value, and they argue strongly for the autonomy of the arts. The work of Adorno and Horkheimer fits into a wider tradition of social thought which explores the relationship between the art world and the commercial or industrial world. Mid-twentieth-century Adorno and Horkheimer were joined by prominent critical economist John Kenneth Galbraith who reflected on the position of the arts in the affluent society and concluded that art was not held in high regard in the America of his age. Art fits the dominant economic logic of organization and planning of the 1950s rather badly according to Galbraith. And art, for its lack of practical utility, was frequently considered to be a frivolous luxury: “This, we have seen, is the result not of public preference but of conditioned belief. People—including artists themselves—are persuaded to accord importance and priority to what is within the competence and serves the needs of the technostructure and the planning system” (Galbraith 1973: 70). Thus, the relative value of the arts needed to be improved, they argued.

Hungarian émigré Tibor Scitovsky was not as convinced as Galbraith that the beliefs of consumers were conditioned. The consumer, according to Scitovsky, has more or less passively accepted what he has been offered by producers, and the taste of consumers therefore lacks refinement. This problem can only be solved—and this is also the sole justification for government intervention in the arts—through the emancipation of the consumer’s taste. In his book *The Joyless Economy* (1976), Scitovsky develops these insights in a broader critique of American consumer culture, and the way that economics conceptualizes satisfaction. In the chapter that deals most specifically with arts and culture, he argues for the serious consideration of consumption skills which contribute to our capacities for enjoyment of the arts: “all stimulus enjoyment is skilled consumption (…) some of the consumption skills are so universal that they do not seem to be skills at all, because everybody acquires them as part of growing up and daily living” (Scitovsky 1976: 225). Scitovsky explicitly links the importance of such skills to what Galbraith calls the ‘Affluent Society’ in which boredom is lurking to which culture and the arts—“a large reservoir of novelty and years of enjoyment”—can be the antidote (Scitovsky 1976: 235). This is mirrored in Galbraith’s plea for the investment in human capital which enables people to enjoy both their work and their consumption more (Galbraith 1958: 269–71).

What emerges from the work of these mid-twentieth-century authors is a concern with the relative position of the arts and commerce within society. That concern is the organizing principle of the art and commerce approach. This becomes clear also when we study the historical overview that Crauford Goodwin has provided of ‘Art and Culture in the History of Economic Thought’ (2006). Goodwin focuses especially on British thinkers and shows that in the seventeenth and eighteenth century, various authors, including economic thinkers, distinguished between industrious virtues and idle and vicious vices. The arts were with few exceptions associated with the latter. Author of the *Fable of the Bees*, Bernard Mandeville, was only slightly more positive about the role of music: "when given the choice between 'wine, women and musick', the well-advised wastrel following Mandeville's suggestion chose the third" (Goodwin 2006: 30). This puritan spirit, in which the arts are associated with waste, idleness and vice, was widely shared among economic commentators of the time. The relative position of artists and the arts was rather low and deservedly so they believed.

Mandeville, however, also recognized some positive values of the arts. Painting could express magnificence and the sensibilities of its patrons, while opera provided opportunities to set moral lessons to music. Hume would later expand these arguments and claim that periods of refinement in the arts accompanied periods of economic flourishing. In fact, he argued that the arts, an 'innocent luxury,' could positively influence human behavior and stimulate commerce and industry (Goodwin 2006: 32). Hume's reluctant appreciation of the arts would be developed into a great appreciation of the arts in the romantic nineteenth century. During this period, the tables were turned on the economic thinkers. No longer were they criticizing the unproductive and idle artists and its consumers. On the contrary, artists–or what Goodwin calls the 'humanist critics'—criticized the emerging industrial and commercial society and the associated discipline of political economy. These critics feared that the dominance of the commercial spirit and its accompanying logic would make us turn away from the production of goods with inherent merit toward the production and appreciation of useful and/or instantly gratifying products. Critics like Matthew Arnold argued that the pursuit of riches and wealth would undermine society; an advancing society was in need of beneficent and cultured citizens (Goodwin 2006: 49).

In the work of John Ruskin, we find a combination of this critical stance with a position that prefigures the critique of Scitovsky. Ruskin argued that the consumption of art could provide the individual superior satisfaction, but to enable him to do so, the individual would have to be trained. Not just trained in the appreciation of art, but also in making the right choices between the variety of goods on offer. In the work of these English authors, we see many themes that prefigure the literature of the twentieth century. The worry that production would cater to consumer demands rather than produce products of intrinsic worth is a prominent theme in the work of Adorno and Horkheimer on the culture industries (Adorno and Horkheimer 1949/2002). And the analysis of wasteful and frivolous consumption would reach its pinnacle in the work of Thorstein Veblen (1899).

This inevitably sketchy overview of a long and rich approach should however not restrict itself completely to the Anglo-Saxon world. A valuable and interesting contribution to the discussion about the relationship between art and commerce is published in 1903 by Kindermann. His *Volkswirtschaft und Kunst* is an inquiry into how economic activity might stimulate the appreciation of art, and how the economy (of Germany) can benefit from the incorporation of the skills of artists, especially through industrial design (Kindermann 1903). His work is especially notable because it explicitly links norms of quality within the industrial sector of

Germany with such norms in the arts. Such concerns are mirrored in recent studies of the importance of the creative industries for our contemporary economies.

These issues are at the heart of David Throsby's book *Economics and Culture* (2001). He considers the role of culture and arts in economic development, the extent to which creative arts can be organized and analyzed as an industry and to what extent creativity is a rational process. His book is an attempt to explore the value of the arts for the economy and society, as well as the extent to which the arts have become a part of the economy. Related to that is the issue to what extent we can rely on the tools of modern economics to study this complex relationship. This latter concern has become of increased interest with the growing dominance of the economics of the arts approach. An example of the exploration of this issue is the volume edited by Klamer, *The Value of Culture,* in which the central concern is whether economic analysis is able to capture this relationship. (Klamer 1996, see also Hesmondhalgh 2002; Doyle 2010).

Recent contributions to this approach, especially from the UK, have criticized the 'instrumental turn' they associate with the dominance of the economic logic (Belfiore 2004). They are worried that the arts are only valued as an instrument for social cohesion or economic growth, and not intrinsically. A closer look at this approach reveals that the instrumental/intrinsic discussion is an underlying question for many of the contributors. Views range from art as an instrument toward vice or virtue to art as an end worth pursuing for its own good.

The art and commerce approach is arguably less unified than the economics of the art approach, but nonetheless, some generalities emerge. It is focused on the relative value of the arts in society, it pays attention to both the intrinsic value of the arts and its instrumental value in society, and it is characterized by a holistic approach. As such, the strengths of the approach lie in the differentiation of arts from other goods or domains of society and in the broad conclusions that we can draw from it. That perhaps is also its main setback for it is little specific about art forms, particular markets or the agency of individuals. These are the areas where the economics of the arts approach excels.

3 Valuation in the economics of the arts approach

"The intellectual imperialism of economists is one of the phenomena of our time: recent years have seen economists analyzing problems of national defense, health, education and sports, crime and even marriage—'economics in unwonted places' is how one writer described it." That is how Mark Blaug introduces the application of the logic of rational action, the economic way of thinking to the arts (Blaug 1976b: 13). This intellectual imperialism or economics imperialism has been very successful (Lazear 2000; for a more critical perspective Fine 2000). It has succeeded in applying basic, and more advanced, economic principles to a wide variety of sectors, including the arts. As Lazear, one of its proponents argues, economics is the premier social science, and therefore, it is only natural that we apply it as widely as possible. Its success could be demonstrated in a number of ways, but it is perhaps most evident in the way we now talk about the cultural sector: art *markets,* cultural and creative *industries,* cultural *entrepreneurship,* etc.

It is this basic approach which is now often identified with the field of 'cultural economics' itself. In her recent 'Textbook of Cultural Economics,' Ruth Towse describes this approach: "As a discipline, economics uses theory—economic principles—to analyze problems and it also uses empirical evidence (…) to try to answer them. Cultural economics uses this analysis and applies it to the cultural sector" (Towse 2010: 5). It is this basic approach that underlies what can be called the first textbook in the field, *The Economics of the Performing Arts* by Throsby and Withers (1979). And it is also the primary approach in the most comprehensive overview of the field, Ginsburgh's and Throsby's *Handbook of the Economics of Art and Culture* (2006). They write about the body of work in which "the tools of economic theory and analysis have been applied to problems in the arts and culture" (Throsby 2006: 4, see also Frey 2000).

In this approach, value derives from consumer preferences. If individuals value a particular good, then the good will be supplied—given that costs are not too high—by artists and cultural entrepreneurs seeking a profit. Work in the economics of the arts over the past few decades has emphasized the many uncertainties involved in this process. Since artistic and cultural goods are typically unique, it is difficult to ascertain their quality before they are experienced. Such uncertainties also plague suppliers as Caves' seminal *Creative Industries: Contracts between Art and Commerce* (2000) demonstrates. He applies contract theory to a wide variety of creative sectors. Caves work is evidence that the application of economic principles to the cultural sector is not a static enterprise, for as economic theory changes and moves forward so does the application of these theories to the cultural sector. In the past, there have been various examples of the use of public choice theory to study the arts (Krebs and Pommerehne 1995; Schulze and Rose 1998), and there are plenty of opportunities to apply modern behavioral economic theories or the theory of two-sided markets to the cultural sector.

The success of the economics imperialism approach is also visible in the great number of subfields which have emerged: the study of art markets, theory of artists labor markets including the theory of superstars, economic geography of the cultural sector including the work on creative cities, the analysis of copyright and the study of a wide variety of particular art forms. This proliferation of subfields has increasingly occurred outside of the restricted domain of the 'arts,' and therefore, the label 'cultural economics' or more appropriately 'economics of the arts and culture' became popular. Contributors to these subfields, moreover, have succeeded in refining economic theory to better fit the peculiarities of these sectors.

The approach's main strength was its internal and external coherence with the wider body of economic thought. Artists and artistic goods were normalized within the neo-classical economic framework in the 1970s and 1980s. But neo-classical economics is breaking up and diverging in a variety of directions, and hence, it becomes an acute question in which of these paths economists of the arts are to pursue.

The approach has also been plagued by recurring problems to answer the question of what the value of art was. If value derives from consumer preferences, one would wish that the formation of these would be studied in more detail, but despite encouraging remarks by Blaug in his overview article little progress in that direction has been made (Blaug 2001).[3] Even leaving aside the issue of preference formation, it is clear that market prices are only able to capture a part of the individual valuations. Consumer surplus is not captured in market prices, imperfectly defined property rights and government interventions distort market prices. Uncertainty and imperfect rationality further obscure the information that can be gained from markets. Even where market prices provide a wealth of information such as in historical studies of visual art markets, the information is not very specific. Historical, esthetic, social, societal and economic values are all captured in that one figure, the market price, but notoriously difficult to separate.

The latter set of issues will resurface when we discuss the new approach to valuation, but some of these problems, especially those of imperfectly defined property rights and the difficulty of measuring consumer surplus, are resolved in empirical studies of the impact of the arts.

These empirical impact studies have developed in close relation to the economics of the arts. With that approach, it shares the basic notion of consumer sovereignty, but the empirical impact studies are primarily concerned with individual valuations that are not expressed in market prices. Cultural economists as well as policy makers, cultural organizations and other stakeholders have frequently been interested in the social, cultural and economic impact of their art and art policies including the externalities and the motivations of consumers. This demand grew as policy makers came under increased pressure to justify their policies economically. The first examples of such evaluative studies are present in the first volume on the economics of the arts edited by Mark Blaug. The efforts collected in that volume are primarily directed at evaluating the effectiveness and efficiency of arts policies. Peacock develops a cultural accounting framework (Peacock 1976), King and Blaug inquire into the policy objectives of the Arts Council in Britain (King and Blaug 1976), and Blaug develops a framework for cost-effective analysis (Blaug 1976c).

Somewhat surprisingly, these cultural accounting frameworks were not developed further. During the 1980s and 1990s, two alternative methods to evaluate the contribution of the arts were established: economic impact studies and the contingent valuation method. Economic impact studies seek to measure the economic impact of the arts mainly through the evaluation of their spill-overs to other economic sectors, especially the tourism industry but more recently also through its impact on other innovative sectors in the economy. Contingent valuation studies seek to evaluate the impact of particular events or arts organizations through questionnaires.

As Peacock pointed out soon after the first comprehensive study was done in Britain, (Peacock 1991: 9), and as Snowball emphasizes in her recent book (Snowball 2008), the use of economic impact studies (EIS) is very problematic. The first major problem with EIS is methodological, especially the delineation of the

[3] In that same article, Blaug emphasizes the importance of conventions and the possible use of a variety of case studies to analyze these, suggesting that we should return to the issue in 10 years or so (Blaug 2001: 126). This is in fact the approach undertaken by the third tradition as we will discuss below.

alleged impact in space and time. The second major problem is that the results are frequently if not virtually always used to advocate public support for the arts, even though such claims are well beyond the scope of such studies: Size does not justify support.

The contingent valuation method (CVM) has fared better. It too is plagued with a variety of methodological problems as discussed in detail in the NOAA report (Arrow et al. 1993, see also Diamond and Hausman 1994). But contrary to what was the case for EIS, the subsequent debate developed in a more constructive direction to overcome the methodological issues (Noonan 2003). Contingent valuation studies typically ask the respondent for his willingness to pay for a given cultural (public) good, for example a heritage site. The resulting valuation is contingent because no actual payments are involved. These studies are used to investigate non-market valuations: the impact of art and heritage outside of the market. The CVM is developed from economic theory, but its results can also be understood in the framework of democratic decision making. Each interested individual, or a representative sample thereof, is given a voice (vote) as to how much money should be spent on the preservation of a heritage site, or the provision of a public (cultural) good.

One area where the theoretical and the empirical studies have tended to come together has been the perennial discussion of the justification of state support to the arts. This discussion has received theoretical input from the economics imperialism approach in a variety of ways from market failures to externalities. It has also received empirical input from the evaluative approach. Without CVM the idea of option, bequest and existence values would not have gained prominence in the literature. These values are all evidence that the arts are valued even when they are not (directly) consumed by individuals. This has broadened the notion of economic value, and it goes some way toward distinguishing between different kinds of (economic) value.

The starkest contrast between the economics of the arts approach and the art and commerce tradition has been that the former accepts the subjective preferences of individuals, while those adopting the arts and commerce approach frequently seek to alter the structure of these preferences. This generates tensions in at least two different ways. The notion of quality or beauty which lies at the very heart of the appreciation of the arts receives only as much place as individuals are willing to give it within the economics of the arts approach. CVM studies make no distinction between informed and uninformed opinions, although sometimes the subjects are provided with extensive information on the particular situation under consideration. This seems at odds with the notions of expertise and connoisseurship which are often stressed in the study of coordination on particular art markets and is certainly at odds with actual political decision-making structures in which CVM studies are only one among a variety of inputs, usually supplemented by expert opinion.

Another tension arises around the differentiation between political values and individual preferences. This is particularly evident from the reluctance toward the idea of merit goods. What could it mean to single out a category of goods as having special merit? As Peacock once, not without a hint of irony, argued: “The merit goods position requires that choices are made by government appointees who presumably are expected to have superior knowledge of cultural benefits. These choices cannot be other than subjective" (Peacock 1969/1994: 151). The idea of bequest and especially existence value, to the contrary, suggest that individuals might differ in what they consume and what they believe should be consumed. These preferences might well be politically relevant and suggest that not all individual preferences are 'revealed' through markets, but some only in the polity. More generally, both tensions suggest a problem with the notion of given preferences on the one hand and the development of these on the other. Or to put it in value terms, between that what is currently consumed and that what is believed to be of value.[4]

4 The emergence of a third approach: the valuation approach

From these two approaches, a third approach is emerging in the last decade and a half or so. This new approach is in some ways a recombination of existing approaches, but it also significantly different from them. The main goal of this new 'approach' is nicely summed up by the title of a recent volume of collected papers, edited by Throsby and Hutter: *Beyond Price* (2008). The contributors to this new approach recognize that price is just one outcome, and not always a very important one, of valuation processes of cultural goods and services. The papers collected by Throsby and Hutter suggest a variety of ways forward but without any clear direction. This direction is already clearer in the collection of papers, edited by Beckert and Aspers *The Worth of Goods* (2011). The ambition of these authors is fundamentally aligned with the subjective theory of value, and the emphasis of decision making under uncertainty of contemporary economic theory. It however challenges the assumption, frequently used within the economics of the arts approach, that quality is a property of the product which is 'discovered' by the individual. Central in the contributions is the notion of conventions (sometimes explicitly so, sometimes implicitly), or regimes of worth, which are part of the process in which goods are valued and evaluated.[5]

De Marchi in his contribution to the *Beyond Price* volume develops three case studies to show how conventions over evaluative criteria of art structure markets. In his first case study of renaissance altar pieces, criteria of the appropriate (expensive) materials to use, of beauty and harmony, and inventive flair (*ingegno)* emerge between patrons and artists, and if disputes arose an independent oversight, committee would step in (De Marchi 2008: 201–5). In the second case study, art dealer Gersaint establishes a new evaluative practice 'viewing pleasure' which is added to more established criteria. De Marchi shows how Gersaint instructs his clientele to employ this new standard and alters his selling practices in accordance with this new convention (De Marchi 2008: 205–209). His final case study is less straightforward, but it ultimately shows how a convention on aesthetic quality has

[4] That the issue cannot be solved satisfactorily by introducing a second-order preference has been convincingly shown by Cowen (1989).

[5] This emphasis on the theory of value is also present in Throsby's *Economics and Culture* (2001).

been established between modern art buyers and Australian aboriginal painters (De Marchi 2008: 209–216). The eventual transactions and accompanying prices are an *outcome* of the intersubjective agreement of such standards, and the acceptance of such conventions (for an early study which makes a similar point, see Bonus and Ronte 1997).

So rather than looking at markets for art and cultural goods as the intersection of more or less stable supply and demand forces, these scholars emphasize the coordination which is a prerequisite for successful exchange in the first place. This coordination on specific markets becomes the object of study, as shown in the examples taken from De Marchi's work. Coordination requires conventions, a point also emphasized in modern game theory. The analysis of such conventions, especially within organizations, has become somewhat of a specialty in France, among economic sociologists and economists. This French approach is inspired by contemporary microeconomics and is especially interested in how valuation takes place in the face of uncertainty of quality and/or the absence of market prices. It can draw on a wide variety of case studies which have studied the conventions and standards which have been used to value and compare the quality of labor (for an overview see Levy 2002). These scholars refuse to treat quality as an exogenous variable, or as a product characteristic decided upon by the producer as traditional economic models do. Quality, as it is perceived and constituted within markets and other spheres, is the main variable to be explained. Prices, or wages in the case of labor, are the outcome of contests over and the establishment of appropriate conventions and standards of quality, instead of the other way around.

Some of these insights are not completely new. Economists of the art have already pointed to the social aspects of demand as in snob or bandwagon effects or to information effects that have social consequences, as in the case of informational cascades. Blaug in his 2001 overview of the field, moreover, takes note of supplier-induced demand (Blaug 2001). The present approach is however less a gradual acknowledgment of such issues than it is a different point of departure. When valuation scholars analyze the worth of goods, they seek to study the conflicts over competing justifications of value. The concept of worth is employed by the contributors to denote the outcome of these valuation processes. The worth of goods is negotiated in the market process and is not the result of exogenous preferences. This means that mediators are an important unit of analysis. As Bessy and Chauvin argue mediators do not only match supply and demand, but they can shape the "cognitive categories and the values that order goods, people and organizations" (Bessy and Chauvin 2013: 85). It is no surprise then that many of the cultural economic studies in this emerging approach focus on the role of intermediaries, whose special ability lies in the fact that they can deal with competing notions of value, and perhaps more importantly have mastered the languages used to express such competing notions (see also Klamer 2011). Olav Velthuis studies how gallery owners combine competing notions of values in the display area of the gallery and the back room where conversations about price tend to take place (Velthuis 2005). But one might also think of competing standards of value within organizations between designers and salesmen or between producers and performing artists.

Another area where intermediaries are important is in the recognition of quality (their signaling function). An increasing number of cultural economists has studied the role of awards and prizes and their influence (Ginsburgh 2003; Wijnberg 2003), while others study how intermediaries help shape the emergence of standards of quality cultural and artistic markets (Ginsburgh and Weyers 1999; Chossat and Gergaud 2003; Tobias 2004).

Others have focused on the intersubjective cognitive categories that shape valuations. Boltanski and Thevenot's seminal work in economic sociology *On Justification* (2006) can be read as an attempt to analyze such cognitive categories. They distinguish between six different justifications or 'economies of worth,' the inspirational, the civic, the industrial, the market, the domestic world and the world of fame. Each of these economies of worth provides a set of conventions by which quality is evaluated.[6]

An example of that perspective can be found in the work done by Nachoem Wijnberg. In a series of papers on innovation and art, he was one of the first to explore a variety of valuation processes (Wijnberg 1994, 1995, 2004; Wijnberg and Gemser 1999). He distinguishes between three types of selection processes which might operate on innovative markets: market selection, peer selection and expert selection. Each of these groups will use different criteria and standards of quality, and their relative strength will impact on the relative success of innovative products. In a somewhat similar project, Karpik attempts to identify four economic coordination regimes: the authenticity regime, the mega-regime, the expert-opinion regime and the common-opinion regime (Karpik 2010). He distills these regimes from a variety of empirical studies of markets for unique products. For Karpik, as for others adopting this approach, these valuation processes do not exist next to the market, they shape market outcomes. The difference between these regimes is, however, hard to establish theoretically, so work remains to be done (see also Hutter 2011).

It comes as no surprise to these authors that, as two leading scholars in the field recently argued,—cultural value influences economic value (Hutter and Frey 2010). The question for them is not whether cultural value influences economic value but how it does. Some values or standards of quality might conflict with one another: fame might diminish artistic appreciation. But they might also mutually reinforce one another: fame and attention in the media frequently translates to increased market value. The two might also move more or less autonomously. To understand how these different standards of value interact requires an analysis of what is valued in particular (types of) goods. If art pieces are appreciated for their craftsmanship then forgery is not a problem at all, but if they are instead appreciated for their authenticity then forgery is a major issue. Such matters cannot be settled a priori, but require empirical study.

These insights suggest that we have to studying the *process* of valuation, or valorization as some contributors to this approach call it (Klamer 2004; Stark 2009; Vatin 2013). Studying markets and especially prices as is standard in the economics of the arts approach is ultimately only a form of comparative statics. If we instead

[6] These worlds overlap to some extent with the four spheres as delineated by Klamer (2004).

focus on the process of valuation the institutions that make up the markets for artistic and cultural goods are then said to contribute to the realization of value. One can think of institutions such as museums, awards, critics, audiences, and other experts. Rather than to establish the value of a good, these institutions valorize particular goods. By including it in a prominent exhibition, by including it in an anthology, by awarding it a prize, or simply by engaging with the work they add to or take away from its value. Some stress the importance of conversations to realize these values (Klamer 2004), while others emphasize the fact that these institutions shape the conventions that allow markets for artistic goods to exist in the first place (Karpik 2010).

The final distinguishing feature of the valuation approach is its acknowledgment of the special position of cultural goods as symbolic goods with relations to the identity of people. Sometimes this is done in more or less economic terms as when cultural goods are characterized by the 'complex social networks' in which they are produced and consumed (Potts et al. 2008; for an alternative approach see Akerlof and Kranton 2010). This work builds on David Throsby's idea that our cultural capital is always shared, and exists within communities (Throsby 1999). Others argue that cultural goods are special because of the social and imaginative qualities that they possess (Beckert 2011). Still others emphasize the fact that artistic goods are special because they allow us to realize values that cannot (or not as easily) be realized without them (Klamer 1996). Another way of putting this is that cultural goods more than other goods (but not exclusively) shape who we are and what we aspire to be. It is common to think of a variety of relationships to exist between individuals: friendship, hatred, love or kinship. The contributors to the valuation approach show that there is more than just consumption to the relationship between individuals and goods. Our work (or calling) can shape our self-image, consumption patterns can create class differences, artistic goods can surprise us or affect us therapeutically and an (imagined) shared heritage may hold groups together. Analyzing all of these as a uniform type of consumption is not always the most fruitful approach.

The valuation approach combines element of both established approaches. From the empirical evaluation of the arts it takes the idea that art has value which is not always (or frequently not) captured in market prices. From the art and commerce approach it adopts the idea that art and other cultural goods occupy a special position in our society (although this need to be so as history teaches us). From the economics of the arts approach it takes crucial insights on what makes the market for cultural goods different from other markets, especially the heterogeneous nature of the goods traded, the uncertainty surrounding them and the subjectivity of their valuation. Its primary focus is neither on the individual nor on society as a whole, but instead its focus is on the interpersonal and the intersubjective: the relationships between individuals and cultural goods, the coordination through market processes and other social settings, and the norms, conventions and institutions that shape these.

5 New directions

Hayek and other economists have emphasized the information gained from the movement of market prices (Hayek 1937, 1945). Relative prices indicate differences in value and scarcity, while relative price movements provide clues about changing market conditions. The question is whether the study of market prices and market conditions is the way forward for cultural economists. If it is true, as contributors to the third approach have argued, that quality—and not price or quantity—is the most important variable, we might have to change our perspective.

The first area of research suggested by the valuation approach is the analysis of valuation regimes which structure markets. One of these regimes is undoubtedly the popular-opinion regime, or the traditional market test in which what sells is of value. Other valuation regimes, such as peer-review, expert-opinion regimes or regimes in which certification and authenticity matter most are however certainly just as important for cultural and artistic goods. For craft products, we might expect guilds and master–apprentice relationships to be most important. Such studies should not be restricted to the moment that products are 'released'. Valuation takes place before this release by artists, producers, peers and cultural organizations. And valuation does not stop after this release, it continues in the form of sequels, anthologies, academic studies, fan cultures etc. (as is studied, without a cultural economic framework, in reception studies). The analysis of such valuation regimes can provide insight into how value is created and assigned in both market and non-market settings. Institutional changes are therefore of particular interest, in visual art, one could think, for example, of the shift from the academy to the avant-garde (see also Wijnberg and Gemser 1999). Or to take a more contemporary example, the way in which social media influences the valuation process of cultural and artistic goods.

The evolution of valuation processes over time might shed particular light on a second area of research suggested by the valuation approach. Within these regimes and institutions, a variety of conventions and valuation practices emerge which help coordinate exchange. Above, we mentioned some of those studied by De Marchi, but we might also look at focal points within particular genres and the qualities praised in them (for example through the study of exemplars). Or we might look what values are praised within different regimes, and how these qualities interact. This is done for female models by Mears in which she distinguishes between modeling work that is high prestige, but not paid, and work that is high paid, but less prestigious (2011). This poses challenges for researchers for it requires the combination of detailed knowledge about particular genres and analytical social science skills. But if we want to study how valuation processes work, both types of knowledge are required (for a good example, see the work of De Marchi and Van Miegroet 1994, 1999, 2000).

A third promising research area is that of taste. Traditionally, economists of the arts have studied taste as an individual phenomenon. Those in the arts and commerce tradition have instead emphasized the cultivation of the arts. Looking at valuation provides a promising alternative starting point for it switches the question from 'who values the arts' to 'how do artistic goods come to be valued.' As suggested above, the study of the coordination of quality between those who produce and those who consume—a distinction that is sometimes blurry for cultural products—is likely to be more fruitful than attempting to objectify quality or to study individual preferences. The emphasis is once again on the intersubjective. Research into how communities come to value particular types of goods—what I like to call cultures of appreciation—might profit from economic analysis of emerging goods markets in economics more broadly (e.g., Dolfsma 2004). Artistic goods are not consumed like perishables, they are durables and therefore this valuation, or neglect, is an ongoing process. The change in reputation of painters, for example, can be studied over time (Vermeylen et al. 2013).

Those lines of research might contribute to a more meaningful conversation about what the value of artistic and cultural goods is. And that is important. It is important for policy makers who are highly involved in these markets. It is important for quality is one of the defining features of our contemporary economy and especially of that section which we call the creative industries. But most of all it is important because artistic and cultural goods are an important part of flourishing lives and flourishing communities, they are valuable.

The most difficult challenge ahead of the valuation approach will be to balance the undertaking of a set of case studies into valuation regimes, taste formation and valuation practices with the development of a more or less unified theory of valuation on the other hand. The great strength of the economics of the arts framework was the unifying framework which not only provided a coherent framework to analyze markets for cultural and artistic goods, but also coherence with the broader field of economics (and its prestige). De Marchi and Van Miegroet in one of their articles start off with the claim that they do not merely provide 'a catalogue of instances' but analyze real-world contexts within an analytical framework (De Marchi and Van Miegroet 2000: 145). If that balance can be maintained, then the valuation approach might well be the way forward for cultural economists.

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