



# The behavioural economics of culture

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## Abstract

We make the case for further advancing cultural economics through the application of behavioural economics methods and insights. Behavioural economics offers a reconciliation of two distinct strands within cultural economics, one that observes neoclassical economic method, and one that affirms the abundant psychological aspects of cultural economising. We argue that behavioural economics is well positioned for a synthesis as it was designed for the study of psychological ‘anomalies’ within the spirit and methodology of economics. We identify and discuss selected contributions to this emergent but dispersed literature and highlight promising areas that may be further investigated. We also explore the potential for behavioural economics to contribute to cultural policy.

**Keywords** Cultural economics · Behavioural economics · Arts and culture · Behaviour

**JEL classification** B40 · C90 · D90 · Z10

## 1 Introduction

In his seminal review, David Throsby (1994a, p. 2) described cultural economics as the attempt to ‘illuminate a new and challenging area of interest, using the familiar tools of economic inquiry’. His description acknowledges an inherent tension within the field that remains to this day and is the subject of the present paper. Throsby’s challenge, as becomes clear, resides in certain special features of art as both a cultural and economic good that undermine the suitability of those familiar tools. In

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some cases, Throsby (1994a) notes standard economic approaches ‘can be readily applied’ (p. 16). In other cases, they are ‘merely quixotic’ (p. 14).

Re-reading Throsby’s paper a quarter of a century later one can readily recognize the challenging cases as the well-known catalogue of anomalies<sup>1</sup> since established within the maturing field of behavioural economics. Throsby lists, *inter alia*, endogenous and variable tastes, intrinsic and social motivations, biased perception and lacking information, overconfidence, poor willpower and seemingly unpredictable decisions. As Throsby and others have shown, the arts and culture present as an area where the assumption of instrumental rationality is frequently violated. In pointing out the ‘scope for a broader methodological foundation’, Blaug (2001) suggests cultural economics needs to move beyond the standard rational choice framework to incorporate developments in psychology such as bounded rationality (p. 126, 132–133). Similarly, according to Frey (2005), in the economics of the arts ‘it may be fruitful to transcend the rather rigid limits of orthodox neo-classics’ (p. 6) by drawing from a range of fields including cognitive psychology.

In addition to calls appealing directly to the examination of methodological considerations, others have begun to advance the behavioural foundations of cultural economics through theoretical as well as applied research. For instance, McCain (1995) shows how cultural consumption may be understood ‘with or without utility maximization’ (p. 11–12). Also from a practical perspective, in so far that ‘we are defined by our culture’ (Taylor, 1989), both individual preferences and the right to self-expression become entangled making traditional approaches to economic theory and analysis based on restrictive assumptions ill suited to deal with the normative implications associated with cultural policy (see: Rushton, 1999). Similarly, Klammer’s (2016) value-based approach emphasizes art as a social practice and expression, whereby value derives from its characteristic of being shared unlike the goods typically modelled in standard economics. These are but a few examples to emerge from research within cultural economics suggesting limitations inherent with more traditional assumptions.

In the intervening years since Throsby’s highly influential review two strands within cultural economics, a neoclassical and a psychological strand, have each made their own marks on the field. Yet these contributions have largely occurred without achieving the synthesis that would satisfy the ambitions of Throsby, Blaug or Frey. This is by no means to downplay the impressive advances that have been achieved, particular during this the past decade or so, but rather points to the fact that a systematic shift is yet to be realized.

Blaug (2001) proposed to revisit the challenge of delivering an economic approach to cultural issues riddled with behavioural anomalies ‘in five or ten years’ time. More recently Cameron (2019), who acknowledges Blaug’s questioning of the future direction of cultural economics, proposes an agenda for cultural economics calling for a broader scope to the field on methodological grounds. While Cameron

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<sup>1</sup> This is the (ironic?) title of a column co-authored by Richard Thaler in the *Journal of Economic Perspectives* between 1987 and 2006, dealing with different examples of economic behaviour that depart from rational choice.

makes a compelling case for methods rarely used in the cultural economics including meta-analyses and qualitative methods as two key examples, we believe that behavioural economics is another area that can further advance the field.

In light of the maturing and widespread acceptance of behavioural economics we suggest that the time is right for cultural economists to accelerate their advancement towards behaviourally accurate foundations upon which economic analysis can rest. As we will argue, behavioural economics provides insights and tools to resolve the tensions between the neoclassical and psychological strands that characterize cultural economics. Behavioural economics offers a consistent paradigm capable of both more accurately reflecting human behaviour and models and methods that respect the traditional objectives and spirit of economic analysis. Behavioural economics also offers new tools to design and evaluate cultural policy.

Behavioural economics has enjoyed a great deal of publicity through the award of several Nobel Prizes to its practitioners and as a result of its sustained influence in policy circles (Chuah et al., 2017). After the initial hype (Rabin, 2002), it has matured into a ‘behavioural revolution’ (Berg, 2003; Brooks, 2008) that is ‘one of the most significant developments in economics over the last two decades’ (Bruni & Sugden, 2007). Behavioural economics is part of the integration of the social sciences based on a common set of descriptively accurate psychological foundations (Angner & Loewenstein, 2006; Camerer, 1999; Camerer & Loewenstein, 2003) to overcome ‘separateness’ and ‘hyperspecialization’ (Hausman, 1992; Tomer, 2007). It offers new methods suited to the economic analysis of some of the more peculiar aspects of art and culture that distinguish art and culture from standard goods. Other sub-fields of economics including environmental economics (Croson & Treich, 2014; Shogren & Taylor, 2008), welfare economics (Bernheim, 2009), labour economics (Berg, 2015; Dohmen, 2014), development economics (Bertrand et al., 2004; Cardenas & Carpenter, 2008) and education economics (Koch et al., 2015) have already begun a similar transition through the application of behavioural economics. Cultural economics stands well positioned to do the same, building upon existing contributions in the spirit and epistemology of economic science.

While there is a body of psychologically inspired research within cultural economics, there has been little discussion of *how* behavioural economics can enrich cultural economics systematically. We make the case for advancing cultural economics using approaches and insights from behavioural economics which allows economists to ‘come to their senses’ and make new kinds of observation.<sup>2</sup> In the following we begin this assessment of the prospects of a behavioural economics of culture. In Sect. 2 we provide an account of behavioural economics in terms of its methods, the key insights they have afforded to date and how they have been used within the cultural economics literature. Section 3

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<sup>2</sup> Part of the great transformation that we know as the Scientific Revolution [...] consisted of improving our senses. The compass enabled sailors to perceive the earth’s magnetic field. The telescope and the microscope enabled scientists to see previously invisible worlds. The thermometer replaced Galen’s hand as a measure of temperature. The barometer displayed the pressure of the air on the skin. The pendulum clock provided an objective measure of a subjective experience—the passage of time. New instruments meant new perceptions and with them came new knowledge’ (Wootton, 2015).

examines how behavioural economics can inform cultural policy. Here we distinguish between issues of behavioural failure and market failure to consider perennial issues encountered in cultural economics with relevance for cultural policy including non-market valuation. In Sect. 4 we map out some future directions in a behavioural economics of culture. We conclude in Sect. 5.

## 2 Applying behavioural economics to the cultural economy

Behavioural economics is an initiative to make economics more descriptively accurate through empirical methods from other social and human sciences (Angner & Loewenstein, 2006; Camerer, 1999; Camerer & Loewenstein, 2003). The behavioural canon holds that the *homo economicus* assumption of instrumental rationality fails to adequately reflect reality. In standard economic theory, a rational decision maker selects the course of action that best meets her ‘well-behaved’ (complete and consistent) preferences based on an understanding of all relevant information (Elster, 2015). Yet as Simon (1955, p. 104) notes, ‘there is a complete lack of evidence that, in actual human choice situations of any complexity, these computations can be, or are in fact, performed’. As we will show, rational choice is a particularly inapt description of decision making in the arts, providing scope for the fruitful application of behavioural economics. As an alternative, behavioural approaches, methods and techniques can help understand and predict cultural economising given that both the demand and supply of the arts and culture often fail to conform to traditional assumptions.

Before proceeding it is worthwhile to sketch the three defining features of behavioural economics. First, it is cross-disciplinary in using a range of different empirical *methods* from psychology and also other social and non-social sciences. Second, behavioural economics is *behavioural*. The insights produced from methods across a range of disciplines describe the psychology of real people—how they act, think and decide, especially in contrast to the assumption of full rationality. Third, behavioural economics is *economics*. Behavioural insights and methods are applied to economic behaviour in the profession’s own terms, respecting the traditional objectives and spirit of economic analysis.

The behavioural methods outlined in Table 1 provide a powerful arsenal to scientifically study cognition and its resulting effects on decision making which is typically non-rational and based on ‘exotic’ preferences coupled with unmanageable information and imperfect execution of decisions. As part of its approach behavioural economics identifies empirical patterns that challenge existing ideas of rational choice and guides the foundation of new theories (Starmer, 2000). From the ever-expanding canon of anomalies or empirical insights into human decision we now discuss a selection of those which commonly feature in the economics of art and culture.

**Table 1** Key methods from behavioural economics and their significance for cultural economics

Method	Description	Advantages	Limitations	Examples of studies applying method to the arts and culture
Experiments	Participants perform choice tasks in an environment where variables that influence decisions are manipulated systematically to assess their effect, while other confounding factors are controlled by excluding them or holding them constant	Experimental datasets allow the researcher to establish causality when the manipulation has affected decision making. Experiments are well suited to examine: 1. Features of the task (decision alternatives, information and incentives) 2. Features of the social environment (participants mutual communication, observation or identification) 3. The effects of decision makers own characteristics (demographic and psychological traits)	1. Use of student participants in laboratory setting rather than non-student participants in a field setting 2. Reliance on non-naturalistic tasks and rewards that fail to adequately reflect a realistic choice situation 3. Higher costs and time commitment associated with data collection unless experiments can be conducted online	Social contagion and popularity in online cultural markets: Salganik et al., (2006); Salganik and Watts (2009) The effect of incentives on donations/attendance to cultural institutions: Lattarulo et al (2017); Suarez-Vazquez (2011) Consumption of novelty in cultural markets: Berlin et al. (2015)
Psychometrics	Self-report questionnaires where respondents typically select responses along a scale of multiple items. These aim at uncovering data related to attributes of interest such as individuals' cognitive performance, personality, thinking and learning styles, motivations, states and attitudes	Easily able to be incorporated into survey questionnaires utilizing existing and widely accepted inventories (such as IQ and Big 5), hence enabling the researcher to incorporate psychological dimensions into their analysis	Self-report measures are subject to a host of biases as well as measurement issues. Measurements reveal individual difference to the extent that a person's score for an attribute is considered to be relatively invariant and can be compared to others' scores	Cultural maps based on systematic variation in groups of psychological attributes according to ethnic and language groups: Inglehart (1997); Nisbett (2003) The psychological profile of artists compared to entrepreneurs (Arenius et al. 2020) Personality traits linked to preferences for particular types of art: Furnham and Walker (2001); Rawlings and Ciancarelli (1997)

Table 1 (continued)

Method	Description	Advantages	Limitations	Examples of studies applying method to the arts and culture
Psychophysiology	The study of psychological processes through the measurement of physiological states that enable mapping of correspondences between different bodily functions and types of cognition	Unlike data collected through participants self-reported psychometric responses which may contain bias, psychophysiological data are objective	While most of these measurements are non-evasive and are taken at the surface of the body, including eyes (pupil dilation and gaze), muscles (heart rate), skin (pulse, sweating) and the head (imaging of brain activity), they require specialized equipment/and or facilities to collect	Art consumption causes emotional response that is accompanied by bodily and mood changes that are measured: Koelsch (2014); Salimpoor et al. (2011); Tschacher et al. (2012); Skov (2010)
Modelling	Behavioural economists use assumptions regarding choice, formal (mathematical) modelling, equilibrium and efficiency analysis	Restrictive and/or unrealistic traditional assumptions are replaced with parsimonious and formal choice theories that render humans predictably irrational	Prediction to explain what is without understanding why (hence this may serve as justification for more inter-disciplinary approaches)	Supplementing secondly auction sales data with weather data as proxy to mood: De Silva et al. (2012); Kliger et al. (2015)

## 2.1 Group differences and identity

Standard economics is based on a pan-human view that individuals think and reason about a given situation in the same rational way irrespective of their background (Henrich, 2000). Yet there is now a wealth of empirical evidence revealing significant and systematic behavioural differences between social identity groups based on shared nationality, ethnicity, religion, gender, sexual orientation and family. In addition to group differences, identity related to an individual's sense of self has been shown to impact economic outcomes (Akerlof & Kranton, 2000).

In behavioural economics, as well as economics more generally, socially shared and transmitted ways of thinking and behaving are commonly referred to as culture (e.g. Guiso et al., 2006). In contrast, cultural economists frequently define culture as creatively produced symbolic meaning. For instance, Throsby (2001, p. 4) provides three criteria for the observable manifestation of culture that may be reflected in cultural economics analysis. These include that culture and related cultural activities require creativity in their production; that they are concerned with the generation and communication of symbolic meaning and finally that their output embodies some form of intellectual property. Interestingly however, despite their distinction both these definitions are rooted in an older, broader definition of culture as civilization (see Kroeber & Kluckhohn, 1952) which suggests the following connection between them: cultural activities, products and artefacts express shared meanings, values and cognitions in the context of a specific cultural group (see also: Klamer, 1997).

Viewed in this light, the traditional economic approach based on methodological individualism and pan-human behaviour seems ill suited to the economics of culture. Both producers and consumers of culture act within a specific group context that guides their behaviour. For example, the appreciation and creation of cultural products requires behaviours and preferences that are correlated with those of (and acquired from) other group members. Art and music are not primarily enjoyed privately but publicly and often cannot be appreciated without understanding their cultural references. In addition, some cultural products are not only specific to a particular group, but in some cases provide its very definition (Taylor, 1989) such as the intangible cultural heritage reflected in language, folklore and artefacts of distinct traditional communities.

## 2.2 Individual differences

While some individual tendencies are learned socially, others are the result of biological factors and personal experience. Individuals tend to respond to a given situation consistently but distinctly because of certain psychological predispositions that result from the interaction of genetic, physiological, hormonal and environmental influences (Chamorro-Premuzic, 2014; Feist, 2010). Examples of these kinds of individual differences between people include personality (individual

patterns in the way people feel, think and behave), motivations (drives and interests) and performance (learning and thinking styles, intelligence).

Individual differences are a particularly natural lens for cultural economics analysis given the diversity in tastes and preferences for the arts and culture as well as the special significance attached to the individual in cultural production. Further, the production process itself may be viewed as an expression of individuality and creativity that is prized precisely to the extent it is unique. In exploring how artists differ from other professionals, Arenius et al. (2020) report an economic experiment using psychometric tools to find evidence linking particular personality traits such as openness to new experiences with creativity and the pursuit of a creative career.

### 2.3 Emotions

Human experience has valence in that reality is perceived affectively along a continuum from positive to negative feeling. Affective experience is a part of human bioregulation that evolved to generate an organisms response to environmental stimuli. Affect involves (often visible) valenced changes in physical and mental states directed at a particular object such as an event or memory that cause action potential (Damasio, 1994). Affective experience operates at different levels (Keltner & Lerner, 2010) from immediate, innate sensory experiences to cognitive emotions involving context, reasoning and learning. Beyond emotion there are more general and persistent affective phenomena such as moods, happiness and subjective well-being that are fundamentally linked to individuals life satisfaction.

While emotions used to be seen as the antithesis of rational choice, they have been shown to be indispensable to good decision making in practice (Damasio, 1994). As the following examples show, emotions have a particular relevance to cultural economics. Cultural goods are experience goods as to be pleasurable, and their consumption is often associated with the sensation of novelty and discovery that then evokes new mental experiences (Hutter, 2011). For instance, music causes a number of different but predictable emotional responses from its various structural elements (consonance, tempo, loudness) and mood. These responses include changes in brain activity that are experienced as mood changes, relaxation, pleasure, euphoria or stimulation (Koelsch, 2014).

As a further example, emotions lie at the heart of collective action decisions which are frequently encountered within the cultural economy. For instance, an individual's decision to contribute or donate towards the provision of a public good such as a museum is a perennial one encountered within cultural economics. As van Winden (2015) shows, emotions and affective responses play a key role in the way government intervention is viewed in addressing issues related to public goods whereby the free-rider problem becomes weaker as ties strengthen between people.

### 2.4 Intrinsic motivation

Rationality means choosing actions for the utility their outcomes generate. In contrast, psychologists have uncovered intrinsic motivations where actions are



performed for their own, non-material rewards (Ryan & Deci, 2000). These action-intrinsic rewards fulfil a number of higher human needs (Deci & Ryan, 1985). They include various aspects of self-development such as discovery, mastery, autonomy, recognition, social connectedness and pursuit of purpose self-expression, meaningfulness and moral goals. In pioneering research Maslow (1943, p.383) proposes that ‘self-actualization may be expressed in painting pictures’, while Collins and Amabile (1999) suggest that high levels of creativity linked to the pursuit of artistry are invariably associated with personal involvement and connection to work which become motivations in themselves. Economists are interested in intrinsic motivations because they can undermine extrinsic, outcome-related incentives that are often used as an instrument of economic policy (Frey & Jegen, 2001). Many experimental studies attest that external incentives have detrimental effects on intrinsic motivations and crowd out activities involving pro-social behaviours that are frequently observed in the cultural economy, such as volunteering and civic duties (Finkelstein, 2009). Furthermore, the scope for intrinsic motivation in the production or creation of art is great (Hirschman, 1983; Abbing, 2010, p. 82). The creative act has been described in terms of producing certain ‘psychic benefits’ and ‘non-pecuniary rewards’ (Klamer, 1997; Throsby, 1994b). Stereotypes romanticize ‘artists suffering for their art’ and ‘creating art for art’s sake’. However, beyond the production of art, cultural consumption can also generate intrinsic benefits. Using a cultural field experiment, Lattarulo et al. (2017) found that non-financial incentives have stronger effects on museum attendance of adolescents in Florence.

## 2.5 Social Preferences

In economics, people are generally modelled with self-regarding preferences (Gintis, 2007). However, behavioural economics research has demonstrated the existence of different kinds of social preference. People also care about others’ payoffs and are prepared to sacrifice their own to affect them. Social preferences relate to others’ outcomes in absolute terms or relative to one’s own; they can be pro- or anti-social. Altruism and fairness are examples of absolute and relative pro-social preferences (Fehr & Fischbacher, 2003; Rabin, 1993). Envy and spite are examples of relative and absolute anti-social preferences (Abbink & Sadrieh, 2009). Social preferences such as reciprocity (Falk & Fischbacher, 2006), lying cost (Abeler et al., 2014), betrayal (Bohnet et al., 2008) and disapproval aversion (Chuah, 2016) also relate to the behaviour and intentions of others. The significance of social preferences is not merely the self-evident insight that people can be non-selfish. Experiments can be used to classify and measure different types of social preference and their conditions to allow the construction of parsimonious theories to predict and explain behaviour in real scenarios (e.g. Falk & Fischbacher, 2006; Fehr & Schmidt, 1999; Rabin, 1993).

Cultural philanthropy is an important area of application for social preferences as many cultural goods are public in nature and tend to be under-provided in the market. Cultural economists wish to understand how economic variables (such as taxes, income and fund-raising expenditure) correlate with donations. Behavioural

approaches have made important contributions to this agenda. For instance, while the crowding-out of private donations is a well-established phenomenon, its roots are not well understood and cannot be uncovered by theoretical models or analyses of survey data alone (Andreoni & Payne, 2003, p. 2). Behavioural approaches have offered some of the greatest insights in recent years: in an experiment, Andreoni and Payne (2003) find that government grants do not crowd out private donation activity but rather result in reduced fundraising efforts by museums and performing arts organizations. Di Gaetano and Mazza (2017) show that public grants result in reduced private donations when a museum is also committed to selling artworks to raise funding. Using US household data, Brooks (2004) found that life expectancy impacts charitable arts giving due to differences in social preferences between generations that shape perceptions of bequest value.

As a further consideration, policy measures to encourage cultural philanthropy show that different ways of presenting choices, without changing incentives or information, are known to have predictable effects on decisions that policymakers can use to influence decision makers (Goswami & Urminsky, 2016). For example, Lee et al. (2017) find evidence of loss aversion with gallery goers' willingness to donate influenced by being framed as either 'gained' or 'not lost' through their contributions.

Beyond philanthropy, social preferences also have important implications for new business and pricing models of cultural goods based on collaboration and sharing principles. Sonnabend (2016) shows, using a theoretical model, that live music attendees' fairness norms effectively constrain artists' incentives to exploit weekend concert demand shocks. From a consumer perspective Regner and Barria (2009) find that online music label customers' reciprocity may result in prices exceeding even the recommended price, suggesting that voluntary payments can provide a viable business model.

## 2.6 Social influence

Social influence occurs when there is an uncoerced change in one individual's cognition or behaviour, caused either intentionally or unintentionally, by another (Zimbardo & Leippe, 1991). Different types of social influence can be distinguished by its target (attitudes and/or behaviour), the relationship between parties involved (interpersonal or impersonal) or the (normative or informational) motives for compliance it appeals to. For economists, social influence is an important process because the functioning of the economy depends on the spread of relevant information to allow market coordination (Hayek, 1945). From a behavioural perspective, susceptibility to social influence can be an advantageous adaptation in uncertain conditions where information is scarce, distributed and of low quality (Boyd et al., 2011).

Social influence is another topic of special interest to cultural economics. First, culture plays an important role as a conduit for social influence. At a general level, cultural products, including cuisine, literature, music and artworks, transmit information about a society's values and norms. For instance, folktales and proverbs, as a form of intangible cultural heritage, provide individuals with guidance for specific situations. Second, because of inherent subjectivity and the sheer amount of

work competing for consumers' limited attention (Simon & Newell, 1971), social influence has an important role in shaping perceptions about the value of cultural products. As experience goods, the demand for cultural products is often driven by expert and peer reviews as well as word-of-mouth purchase recommendations (Berlin et al., 2015; Gemser et al., 2007; Salganik & Watts, 2009). Experimental tools exist (e.g. Muchnik et al., 2013) to study the social diffusion of ratings through information cascades and social contagion. These effects can be studied using different communication media such as face-to-face, computer-mediated communication or anonymous transmission through websites. For example, Salganik et al. (2006) manipulate artificial music markets online to examine the social influence of peers. A third aspect relates to the susceptibility of certain cultural expressions to bandwagon effects where social influence reinforces dominant cultural icons and norms. While this is particularly evident in the consumption of fashion and popular culture, the experiential and shared nature of art and culture also makes many cultural products a target for conspicuous consumption.

## 2.7 Information biases

People use habits, rules-of-thumb, stereotypes, routines and procedures in their everyday choices when information is unmanageably rich and complex, and their cognitive ability overwhelmed. These *heuristics* are selected when relevant and generate decisions by applying rules to systematically simplified information. While heuristic decision making is a useful adaptation in most contexts (Gigerenzer & Todd, 1999), it can also generate systematic errors and biases (Tversky & Kahneman, 1974) and make people *predictably irrational* (Ariely & Jones, 2008). Perception may be biased towards what people expect or want to see, or by a tendency to seek patterns. Evaluation of alternative actions or outcomes depends on context, the way they are framed or irrelevant information. People also systematically misunderstand probabilities and causal relationships. They fail to learn optimally but rather adapt myopically to improve their routines until some aspiration level is reached.

The cultural industries harbour a particular potential for information bias. One such inefficiency is the over-supply of artists at odds with human capital theory. As Towse (2006, p.866) notes: 'what is lacking in cultural economics is an understanding of talent and creativity, what economic factors motivate artists and how creativity can be encouraged by government cultural policy'. Even beyond the giddy heights of superstardom in a few high-profile arts, the cultural sector generally operates as a winner-take-all market. Success is typically highly skewed so that relatively few receive a grossly disproportionate share of the income for what is often only a marginally better performance (Frank & Cook, 1996; Rosen, 1981). The combination of intrinsic motivation, overconfidence and subjectivity of talent may help explain why the cultural industries attract many more 'contestants' than can make a living and who could be more efficiently employed elsewhere: artists may overestimate their own abilities and chances, and reap satisfaction from their art even if they fail commercially.

Information biases are well documented even within parts of the cultural economy that operate much like standard markets. Art prices provide an example. Descending price anomalies may result from the lot ordering of artworks sold at auction (Beggs & Graddy, 1997), while anchoring effects of expert presale valuations have been found to influence art price determination (Beggs & Graddy, 2009).

## 2.8 Intuition

Sometimes solutions to difficult problems bubble up without conscious awareness (Gigerenzer, 2007; Myers, 2004). This process is known under different names including intuition, hunch, gut feeling, instinct, inkling or snap judgement. The solution arises suddenly in ‘eureka’ moments such that the decision maker is unable to articulate, explain or account for it. Intuition is the result of non-conscious, automatic background processing known as thin slicing, pattern seeking, chunking or cross-indexing. A stimulus is matched against memory where relevant knowledge is meaningfully ordered and indexed in terms of the decision criterion as patterns or chunks for fast access.

Intuition is a powerful decision process for hard-to-solve problems that resist analytical approaches (Khatri & Ng, 2000). However, rather than being magic, intuition is closely associated with decision maker expertise. In contrast to heuristics (Betsch, 2008), intuition can deliver accurate solutions but requires activation by the decision maker (Goldberg, 1989) and sufficient knowledge gained through prior experience.

Intuition has a special role in cultural industries because it is closely related to creativity (Goldberg, 1989; Myers, 2004). Creative intuition is indispensable in making art where there is no specific problem that needs to be solved. Beyond random imagination, creative intuition produces ‘solutions’ that need to conform to aesthetic criteria. To illustrate, while neuro-psychological methods can demonstrate the precise effect the aesthetic appreciation of music (Koelsch, 2014) and art (Skov, 2010; Zeki, 2001) has on brain activity; no composer or painter (or computer program) can (yet) create art analytically to evoke these. Instead, artists rely on their own intuitions to do so. Interviews with artists reveal how ideas for their works arise from their subconscious as sudden inspirations. Many, including Picasso (Myers, 2004) and Brian Wilson (Levine, 2005), compare the creative act to receiving ideas from a higher power.

Another application of intuition to culture is found in the appraisal of cultural products. For example, faced with uncertain and unpredictable consumer tastes, music and film industry experts inform costly investments as a matter of course and often have little but intuition to rely on.<sup>3</sup> Court et al. (2018) show how the gut instincts of film industry experts can provide accurate estimations of opening weekend box office success.

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<sup>3</sup> The Beatles famously failed an audition at Decca Records in 1962 and were told they had ‘no future in show business’.

### 3 A behavioural approach to cultural policy

We now sketch how behavioural economics can inform cultural policy. As an important area within cultural economics, research on topics relevant to cultural policy offers much potential. To illustrate this point, we first make the case for the uses of behavioural economics in policy. We then focus on the distinction between market failure and behavioural failure that is often neglected, particularly in considering the suitably and practical implications for policy recommendations stemming from research that fails to account for the reality that behaviour in the cultural economy is frequently non-rational. A further issue we address is non-market valuation. As an area with significant policy implications non-market valuation is often used in assessment of cultural heritage and other forms of art and culture where market failure is deemed to occur as a basis to then justify state intervention including the provision of public funding.

Through casting a behavioural lens on these issues we consider implications for how researchers and policy makers design and implement effective cultural policy. This is important not only to advance scholarship but also to assist in translating research conducted by cultural economists to influence policy, given that to date, bar few exceptions, cultural economics research has had a negligible impact on policy. Within the burgeoning literature on behavioural economics informed policy, there is no reference (at this time) to the cultural sector. While this is perhaps not surprising given cultural policy occupies a rather niche position within governments active policy domain, its absence makes even more stimulating and challenging to investigate cultural policy issues from a behavioural economics perspective.

#### 3.1 Advantages of behavioural cultural policy

According to Chetty (2015), the relevance of behavioural approaches to economics stretches beyond the methodological issue of rational choice to the more pragmatic one of effective policy design. Chetty outlines three key contributions behavioural economics can make to public policy that we consider as part of the case for advancing a behavioural approach to cultural economics: new policy tools, better prediction of their effects and new welfare implications that result.

New behavioural policy tools include the use of behavioural insights and nudges to achieve desired policy goals. In the previous section some of these new tools such as defaults and framing incentives were introduced as examples of the how insights impact behaviour associated with the cultural economy.

The second contribution relates to the potential behavioural economics harbours for better predictions. As we have already seen, behavioural variables may be readily added to theoretical models, secondary datasets or even household surveys (see: Fehr et al, 2002). Examples include standard psychological inventories, such as the Big 5 to capture behavioural data related to a participants' personality that can readily be added to standard demographic data that may be collected in research addressing issues such as cultural consumption.

A final contribution of behavioural economics to policy consists of better predictions of a policy's welfare implications through behavioural evaluation. Non-rational decision making tends to drive a wedge between the policy maker's long term and the decision maker's immediate objectives. If undetected, such a wedge can cause well-meant policies to fail to improve the perceived well-being of those targeted.

For cultural policymakers these differences are potentially relevant if the desire is to improve actual welfare through policy targeting behavioural change. While the objective of behavioural economics informed policy is to nudge the behaviour of those for whom the intervention is intended towards welfare improvement, an important criterion is that this should be achieved without damaging individual liberty (Thaler & Sunstein, 2003). More coercive approaches that underpin budging and shoving (Oliver, 2013, 2015) not only raise contention but are also more likely to be welfare reducing. Viscusi and Gayer (2015) outline the risk of what they refer to as 'behavioural failures' embedded within such policy strategies and point out the risk that government policies implemented by bureaucrats subject to their own foibles and biases can serve to institutionalize bias rather than overcome it.

Relatedly policy efforts, including those directed at the cultural economy, are underpinned by philosophical frameworks. From the perspective of behavioural economics two key frameworks include asymmetric paternalism (Camerer et al., 2003), and libertarian paternalism (Thaler & Sunstein, 2003, 2008). Both approaches focus upon influencing behaviour on the demand-side, maintaining well-being as a normative criterion but do so by detaching the achievement of well-being from individual choice in order to justify government intervention. Of the two approaches libertarian paternalism associated with 'nudges' has been much the more influential in policy circles (see: Oliver, 2015).

### 3.2 Distinguishing market failure and behavioural failure

Compared to other parts of the economy, the resulting markets where cultural goods are exchanged are replete with normative and policy issues which have been much discussed within cultural economics (for some examples see: Grampp, 1989; Throsby, 2001; Hutter & Throsby, 2008; Frey, 2013; Rizzo & Towse, 2016). In some case, the needed markets for the arts and culture are missing all together or are constructed as a state sponsored policy initiative. Research focussed on market failure in cultural economics has examined issues such as externalities, non-rival goods and non-excludable benefits and costs to design and evaluate various cultural policies including state support and funding for the provision of the arts. However, relying on research informed by rational choice theory to guide cultural policy only makes sense to the extent that the people being modelled do themselves make systematic rational choices.

With an abundance of research identifying cognitive limitations and psychological biases that lead people to make choices that cause self-harm or are welfare reducing. Viscusi and Gayer (2015, p.974) define the concept of behavioural failure as distinct form of market failure that may be used to justify government intervention. Acknowledging that cultural economizing behaviour often involves departures from

individual rationality assumptions incorporated in economists' models of consumer choice is important for a number of reasons. First, assuming rational behaviour for cultural policy decisions may be problematic because the arts and culture frequently lack the active market-like arbitrage needed to encourage consistent choice. Yet despite evidence affirming violation of full rationality considerably less attention has focussed upon behavioural failures in matters of relevance to cultural policy.

Behaviour that violates traditional rationality assumptions, including some of those outlined in the previous section, reflects factors such as reliance on heuristics, lack of will power and altruism that can influence people's decision making. As a further consideration the choice environment faced by an individual can impact decision making, hence contributing to preferences being unstable over time and across different contexts. In recognizing the limitations of traditional economic analysis to informing cultural policy Klamer (2016) points to the irony of standard positive economic approaches in generating normative influence as governments effectively valorize and find influence from 'evidence' that attunes with their values. The premise that governments know what's best for people as a basis to justify intervention in correcting for failure, can at a superficial level seem more palatable than intervention premised on the basis of individuals sub-optimal or irrational decision making. This is especially so in the case of culture,<sup>4</sup> where there is no shortage of historical examples showing various state manipulations of cultural expression for nefarious purposes. With this in mind, any research area that concerns itself with human fallibilities risks being misappropriated or used deliberately to influence people's behaviour through policy intervention targeting them. The issue also of what kind of state and political regime is providing support and policy direction is also crucial, with Frey (1999) showing that public funding for the arts is associated with higher levels of creative vitality and innovation at both individual and institutional levels in more libertarian and democratic societies.

Within a democratic context then, behaviourally informed cultural policy based on the concept of libertarian or soft paternalism is typically understood to include approaches that preserve freedom of choice but which seek to steer people in a particular direction (Sunstein, 2014). To the extent that preferences for many cultural goods reflect acquired tastes, a natural question arises concerning whether policy-makers should nudge constituents towards certain kinds of cultural good, and if so, which? In relation to cultural consumption, taking opera, ballet and theatre as examples from the performing arts that have traditionally attracted significant levels of public funding, the logic of market failure cannot alone explain why these areas have benefited to the extent they have from the provision of public funding. Beyond these areas being ones where tastes are cultivated and gained through exposure, O'Hagan (1995;1996) has shown that low income and educational attainment

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<sup>4</sup> In other policy-targeted areas such as health and education, the idea of behavioural nudges may be viewed in less contentious terms associated with paternalism and the 'nanny state' as opposed to being viewed as a more serious manipulation by the state to control cultural expression that may be linked to political motives.

are likely to contribute to perceptions of elitism and attitudinal barriers that current cultural and other policy settings seem ill equipped to deal with.

### 3.3 Non-market valuation

A topic area that has received much attention in cultural economics concerns the valuation of cultural assets that are not traded in markets (see: Angelini & Castellani, 2019; Dekker, 2015). In response to policy attention and in an effort to justify public support directed towards maintaining, preserving and restoring cultural heritage, valuation of cultural heritage assets is often quantified. Here a popular approach has involved the application of contingent valuation (see: Noonan, 2003). Despite the existence of established critique that acknowledges the limitations of approaches based on this method, including its foundations in neoclassical economics (see: Throsby, 2003), contingent valuation remains a popular approach.<sup>5</sup> This is no doubt due to its relative ease in being able to provide an estimate of economic value which often public officials and policy makers are eager to seize upon in order to provide evidence that assists in justifying how public funds are allocated to support the arts and culture.

But a question less explored is how may behavioural failures contribute to understanding the value of non-market assets like cultural heritage and what policy implications arise from this? Thinking about cultural policy solely in terms of correcting for market failure narrowly defined to address a source of economic inefficiency misses much of the point and negates cultural value. Beyond the consideration that core preferences for culture may be difficult to articulate consistently in monetary values, a policy approach viewed through a behavioural lens is informative. For instance, in the absence of rational choice, using contingent valuation where people state their monetary declarations, there is risk that preferences and stated values may be transient and context dependent which undercuts the whole foundation of rational valuation in the first place. Furthermore, among the topics studied by cultural economists, behavioural economics may very well have the greatest implications for stated preference valuation research, where individuals are typically asked to make judgements and report economic values in isolated, unfamiliar decision situations (Shogren & Taylor, 2008).

As a further example relevant to, but not frequently factored into policy design concerning cultural heritage take the endowment effect. This occurs when people typically value something more that is in their possession compared to acquiring something new. In the case of cultural heritage this may serve to limit the extension and recognition of new cultural heritage assets. Perversely this may even harm cultural heritage sites that are acknowledged by key international organizations such as

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<sup>5</sup> Throsby (2003) also suggests a distinction between absolute or intrinsic value of cultural goods, such that their worth may exist independently of any evaluation by consumers. This suggests that unlike what is captured by CV cultural value is ‘multi-dimensional, unstable, contested, lacks of a common unit of account, and may contain elements that cannot be easily expressed according to any quantitative or qualitative scale’ (Throsby, 2003, p.279–280).



UNESCO, particularly those that are geographically concentrated and prone to vulnerability from over tourism (e.g. Seraphin et al., 2018). A further issue reflecting the endowment effect concerns the frequently observed differences between valuations based on willingness to pay and willingness to accept. Consistent with the behavioural findings offered by Gordon and Knetsch (1979), Hansen (1997) reports that citizens express a higher willingness to pay for the continuation of the Royal Theatre of Copenhagen at its present level compared to what they are prepared to accept as compensation if the theatre were to close. From a rationalist perspective both valuations should be equal, however anchoring associated with the endowment effect typically results in higher valuation from expressions of willingness to pay. While contingent valuation remains popular despite some of its shaky grounds, behavioural economics offers some approaches that should be of interest to cultural economists. For instance, Sugden (2005) has developed a cost–benefit framework where the presumption of coherent and consistent preferences is replaced with a weaker assumption of price sensitivity as the way to measure economic surplus that would seem well suited to address valuation in the cultural economy.

#### **4 Where to from here? Acknowledging limitations and mapping future directions**

What are the future opportunities for behavioural economics research in the cultural economy? While some obvious possibilities are apparent, the imagination and developments that occur within the creative sector as it changes and responds to new technologies will mould the direction. Furthermore, challenges are presented in the wake of the recent pandemic as policy settings and changing social norms around social distancing have had a major impact on the arts and culture sector. Key issues such as these are riddled with anomalies, making methods and approaches drawn from behavioural economics well suited to future research concerning the cultural economy.

As the previous sections have shown, in many cases behavioural anomalies overlap to varying degrees. As a caution, sometimes identifying the relevant anomaly for analytical purposes is a complex task. Acknowledging competing anomalies with a strong inference to vigilant hypothesis design is crucial. For instance, many of examples presented throughout this article could well be analysed far more in-depth calling upon multiple insights and theoretical premises. One obvious case that calls upon multiple insights discussed involves the central issue of cultural heritage. In flipping this to question what parts of cultural heritage may be forgotten or destroyed rather than protected and preserved, issues of social preference that value (or not) benefits for future generations may often correlate with group differences and further may linked with endowment effects previously addressed requiring controls that account for this interplay of potentially confounding factors.

With such abundant observation from the cultural economy pointing to a process of decision making that is messy and which frequently violates strict assumptions of rationality, it is unsatisfying to rely on models that explain observed phenomena and cast reality aside to the abstraction of instrumental rationality. While in echoing

Friedman's (1953) doctrine that a model's realism is irrelevant as long as the resulting models predict well, Throsby (1994a, p. 3) states 'Regardless of the theoretical underpinnings, it is clear that the endogenisation of tastes in economic models is likely to be essential if any progress is to be made in explaining the demand for the arts'. But now with the offer of behavioural economics alternative approaches to modelling that incorporate experimental methods and which are based on more realistic assumptions can be reflected in economic models and analysis.

While some have criticized experimental approaches for not reflecting behaviour in laboratory or even field contexts, the same as it occurs in real world, this makes testing and naturally occurring observations vital in order to establish relevance. One setting however that offers much potential for experiments involving digitalized cultural products is through online experiments. These are cost-effective and can also be designed to mirror reality to explore issues such as new business models based on co-operative and reciprocal relations within online communities.

Rather than attempt the impossible of trying to produce a catalogue of every application of key behavioural anomalies to the cultural economy, our aim has been to prompt thinking about how known issues within the field might be reconciled within the behavioural canon. As many of the examples provided illustrate, these issues and the application of a behavioural lens are not new. However, the theoretical foundations from other fields, in particular psychology, have not been paid their due. At an incremental level, this may not be problematic in itself and certainly many important contributions that have advanced cultural economics have arisen in this way. However, the point we wish to make is that as a field cultural economics has an opportunity to grow through acknowledging and embracing behavioural economics. From research translation to influence policy, behavioural economics has revolutionized approaches to public policy which harbours enormous potential for cultural economists. Furthermore, interdisciplinary engagement as well as connecting more broadly to the mainstream economics discipline can arguably be facilitated through incorporating methods and insights from behavioural economics into cultural economics,

## 5 Conclusion

Cultural markets and industries are rife with behaviour at odds with traditional economic assumptions. While anomalies in culture consumption and production have been recognized since the beginning of cultural economics, researchers have taken little systematic recourse to behavioural economics. One reason may be that the traditional birth of cultural economics in the mid-1960s neatly coincides with the heyday of neoclassical economics and the accompanying hostility to heterodox approaches (Mirowski, 2006, p. 355). The other is the absence of tools that provided viable alternatives within the spirit of economic science. In the intervening years the cognitive and behavioural revolutions have afforded a more realistic yet tractable view of human choice amenable to economic method. A major aim of this paper has been to highlight the potential offered in building upon the behavioural foundations that already exist within cultural economics. Behavioural economics offers cultural

economists a useful tool-kit equipped with methods and insights that are well suited to analysis of the arts and culture. While there has been some uptake of the behavioural toolkit, further scope exists. As Towse (2014) suggests, the program of cultural economics involves adapting economic theory to the specific attributes of the creative industries.

Our selective discussion of this literature has shown that cultural economists, psychologists and behavioural economists have all participated in the application of behavioural science to cultural economising. As a result this research is dispersed. Bringing it together has nonetheless revealed a consistent and coherent paradigm that provides a basis for a behavioural economics of culture.

We have also discussed some of the behavioural opportunities cultural economists might pursue in future research. It should be emphasized that the objective of such work is not merely discovering and cataloguing behavioural anomalies. The behavioural economics of culture is not a psychology of art. It would be a misunderstanding to reduce behavioural economics to a patchwork of stylized psychological facts. As in behavioural economics generally, the ultimate goal is establishing how and under what conditions cultural economizing behaviour is impacted in predictable ways (Camerer & Weber, 1999; Earl, 1990; Etzioni, 2011) using established parsimonious theories of choice informed by empirical insight.

Whether or not the reader is convinced by the opportunities behavioural economics offers cultural economists, there are good reasons to examine them. For positivists, falsified concepts demand re-examination (Hausman, 1992, p. 236). After all, simplifying assumptions are a heuristic that economists use because of the unmanageable complexity of human decision making. Now that better tools are available, we can afford to engage with the complexity more deeply.

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