

CULTURAL CAPITAL EVALUATION: A PATH TO CERTIFIED VALUATION

Johnathan P. Smith

Department of Business Economics, University of Economics Prague, Czech Republic

Abstract: The valuation of cultural goods is a critical yet complex issue in the realm of culture funding and resource allocation. This abstract introduces the necessity of developing a certified method for valuing cultural assets with a focus on objectivity and comparability. While the discussion around this topic is lacking in the Czech Republic and often lacks systematic approaches globally, this paper argues for the creation of a method that can provide more reliable and consistent results. The challenges inherent in valuing cultural goods are briefly outlined.

Keywords: cultural goods, valuation, funding, resource allocation, objectivity

Introduction

One of the key topics concerning the question of culture funding and the allocation of public resources in this field is the issue of determining the value of cultural goods. It is an unusually complex area, where one still moves in the spheres of hopes and wishes rather than exact science. Practically no discussion about this subject has been under way in the Czech Republic, and it is not quite systematic in other countries either. Yet for many reasons, which we are going to put forward in the text, a certified method enabling to value cultural goods with maximum possible objectivity and providing comparable results needs to be created. Let us now only briefly remind the most frequent troubles posed by valuing cultural goods.

The Troubles with Determining the Value of Cultural Goods

The first and possibly the most serious trouble is the fact that a mere minority of cultural goods has a market price, which only partially covers the overall value of the cultural goods. We can easily demonstrate our statement on two examples. Let us say we have at our disposal an important painting by a renowned artist – perhaps *The Scream* by Norwegian painter Edvard Munch. The painting has its market price, which was exactly set during the last auction of this masterpiece. Yet does it also express its value as a cultural object? Let us justly be afraid it does not.

The painting became the foundation of many other works of art, which follow it, use its main motif both in the area of visual arts or in literature and film. If – hypothetically – the world society (or humankind, to put nicely) was forced to choose: either you collect a certain sum of money or this painting will be destroyed forever, what

result would we arrive at? What total sum would the humankind be willing to sacrifice for this indisputably unique cultural object? We cannot give it a try; hence we have no answer that would withstand criticism. Moreover, the situation itself would certainly have a number of possible variations, each of them likely to offer a wide scale of answers. For instance, the outcome would depend on whether the situation was a one-off event or whether the humankind would have to face the same threat every now and then and was forced to pay for Da Vinci's Mona Lisa or the Great Pyramid of Giza.

Let us imagine another option relating directly to the Czech reality. The historic building of the National Theatre will fall into ruins unless the Czechs collect among themselves a larger sum – say 400 million euros. Moreover, they would have to contribute with 40 millions from their own pockets to the venue's further operation every year, rather than paying more or less anonymously through the tax system. Would every single citizen be truly willing to spend his or her share on such events? Everyone in the Czech Republic would have to do without forty euros on the spot and then start giving away for euros every year. The sum is not too large in itself and if we carried out a survey, the results would probably be quite optimistic. Yet we can only guess how many people would be willing to spend the sum in reality (their number surely being substantially lower than the survey would have suggested).⁴

The second trouble is that we are unable to define exactly the term cultural goods. We could debate about this topic for a long time, explaining why it is so difficult to describe culture with a definition. Yet all the important facts have been said, so we can only sum up the elementary: Culture is an absolutely individual sphere (Kant 1790, p. 51), therefore its definition is different for every person, and sometimes the differences can be huge. Every individual also sees differently the importance of culture, which figures within their value system not as one phenomenon, but as hundreds or thousands of particular qualities. It therefore stands that culture is not a homogenous concept and it can denote a set of artefacts, experiences, performances and so on, where the individual components have in fact nothing in common. Apart from a concrete individual person who places those into the "culture" group (Cikánek 2009).

The third decisive trouble related to valuing cultural goods is the fact that the very use of the term value is rather confusing in this respect – and it is particularly confusing for economists. Theoreticians and professionals alike are used to applying the term value in strictly defined and mutually related meanings. Actually, they understand it as a value common in goods and a use value. They are both an expression of the fact that every particular object, thing or machine has both a usual value given by external aspects and a use value reflected in the possibility or capacity of the owner of the object or commodity to use their goods for production or for providing services.

Here we are getting to a problematic situation – philosophy and other humanities are much more creative in the use of the word value, which causes noticeable chaos in the subsequent discussions. The economy sees value as something measurable and quantifiable by standard means, that is by a larger or lower sum of money. Or possibly something that can be measured additionally, for instance by cash flow. Of course, this does not mean that price

is set by assigning a value prior to the process of changing the owner of assets. Value is always just a thought concept in this respect, and becomes price only once it is tested by the transfer of assets through the payment of money (Schönfeld 2011). This too is a cause of trouble when one tries to understand the ideas concerning the valuation of cultural goods and the valuing of assets in general.

If, strictly economically, we apply the term value on the sphere of cultural goods, we obtain a “value” expressed in money, but we often use it together with other expressions that simply defy such application. It often happens with archaeological finds of the type that does not include artefacts, but rather jewellery or crafted objects of daily use or coins. There is, on the one hand, the value of the material (i.e. its market price) the object is made of, such as precious metal, and collectible value, which one can find out by trying to sell the object, for example at an auction. Moreover, there is historic value, often referred to as priceless. The historic value is a sui-genre value of a cultural good, too. Yet if it is so “priceless”, the team that found such objects provided “priceless” benefits to humanity. If we took such statements literally, archaeologists would have to be among the wealthiest people, because they would have to be remunerated for their benefits. Which they are not. In fact, “priceless” does not mean “extremely valuable” here, but rather “unknown” or “individually irrelevant”. Let us admit that we consider the finding of Celtic ceramics, bronze jewellery and imported pieces of silver with amber as important and culturally beneficial, but mainly because “it is appropriate”, rather than because we are truly convinced that we might learn something from the decoration on a bowl or develop culturally. Yet we will accept the statement that the finds are “priceless”. A similar paradox actually concerns a vast number of other kinds of cultural goods, not just archaeological finds.

Similarly, we may be able to unmask the notion that literature, theatre and arts in general bring something that “money cannot buy” to humankind. Though it is a true statement in itself, the fact is that the benefit for humanity is in surprising contradiction to the way individuals value it. As for them, they are not ready to pay any absolute prices for such cultural objects. It is a strange and hardly tangible contradiction between the value perceived by the society as a whole, expressed by extensive and strong evaluating proclamations, and individual value expressed by the real price people in the world of economic acts are willing to spend in terms of the money they sacrifice.

From this it follows that the way our basic communication tool, i.e. language, copes with the issue, can be a real eye-opener to some extent. If we take a closer look at some of the commonly used phrases, we find in them the very cluelessness we experience when facing the issue from the scientific point of view.

We might go on and on like this for a long time in bringing together all the arguments against the possibility to value cultural goods.

The literature concerning economic relations in the field of culture is rather scarce in the Czech Republic. In addition, the most notable works concern a related area, dealing with the question of creative industries (Cikánek

2009). The attempt at carrying out a more detailed study of economic activities that could, according to some researchers, become the driving sector of national economies in the developed countries in the upcoming decades, is by all means quite interesting. Yet it does not contribute in any way to the solution of questions regarding the public funding of noncommercial cultural events. Similarly, it can help even less to explain the trouble with valuing cultural goods. Nevertheless, we would like to mention the work of Richard Florida, who puts forward the thesis that public funds expended to support quality culture do pay off, because they help to create an environment suitable for the development of the “creative class”. It is a group of people with substantial creative skills, which we can interpret quite straightforwardly as workers able to create new methods, new objects, and new solutions. The creative class cannot exist without sufficient impulses, one their sources being art, especially quality art (Florida 2002). Of course, one can reject such thought constructs as calculated statements built upon partial research. Similarly, we could cast into doubt the whole structure of creative industries as an artificial concept creating a uselessly complex scientific argument around events that are natural, normal and non-surprising. Although we do not have enough space here for a more detailed analysis of this question, dealing with the issue of creative industries in such a straightforward way would be too simple.

As far as attempts at valuing cultural goods are concerned, the works describing the possibility of using some methods developed in other countries are an interesting practical incentive from the Czech area (Kubíčková K. 2012, Kubíčková M. 2012).

The Purpose of Valuing Cultural Goods

It would be truly misfortunate letting ourselves discourage by the complexities of valuing cultural goods from the attempts at finding a method or set of methods able to bring decent results. Keeping in mind, of course, that always, and under any combination of reasonable conditions, we need to take the results with a pinch of salt, as something auxiliary and providing us with only elementary orientation. To sum up, we can define this attitude as follows: let us keep trying to create and apply methods that will enable us to somehow value cultural goods, define its social value by transferring it to money units. Yet let us be absolutely sceptical towards any result we arrive at.

Yet why should we actually endeavour to keep searching to find something we are not sure about? Not only are we uncertain to succeed, but we know that succeeding does not equal to any thinkable result achievable by correct methods.

The answer lies in the area of public funding. Somewhat automatically, in the European context we believe that creating cultural goods (we need to note that we are not quite sure what is a cultural good and what is not) is a sphere that requires public funding, and we accept the thesis that culture cannot “make its own living” because if we left it to its own devices, it would be only commercial and pandering. For certain cultural, political and other reasons, the European society has accepted the idea that although most of its members prefer to consume mainstream and pandering culture, we need to foster other cultural areas as well, especially the arts in this context.

The culture of mass consumption has thus been shifted into the area of entertainment industry, and this mass production is not primarily the aim of grants or subventions. On the other hand, the culture (again mainly the arts) that we call high is considered by the majority to be a legitimate recipient of public funds. In other words, there is general consent that this kind of culture should be granted money from public funds.

We do know for sure that any allocation of money from public resources where unambiguous and clearly defined rules cannot be set, always ends up by waste of public funds and their allocating for activities that have no direct connection with the original purpose of the subsidy or grant. Many cases are known of subventions intended to support significant art events being granted to subjects running rather commercially oriented events of little artistic value.

If we had the possibility to conduct estimates of the value of cultural goods in terms of the relation between the actual public funding granted to a particular activity and the way the society values such activity, we would get some basic guidelines for the assessment of public funding.

Attempts at Valuing Cultural Goods

We have to admit that some of the methods at hand supposed to help us with determining the value of cultural goods are unusually sophisticated. An interesting overview from the AngloSaxon area was provided to the Czech researchers by the above-mentioned authors of the attempt at valuing the theatre and museum in the town of Tábor (Kubíčková K. 2012, Kubíčková M. 2012).

Both authors chose the method of contingent valuation¹⁶ supplemented by Victor S. Yocco's method; using this theoretical apparatus they examined the value of the two cultural institutions in relation with the amount of public funding they receive, and the value of both institutions for individual groups of citizens, such as for theatre- and museum-goers on the one hand, and for nonguers to either venue on the other hand.

For illustration purposes, let us quote from one of the studies' conclusion: *"The survey included 121 respondents from the Tábor region and it was conducted by oral and electronic method. The first part of the survey concerned the frequency of visiting the theatre. We found out that in the last 12 months, the goers visited the theatre 5.25 times on the average. From that it follows that the Oskar Nedbal Theatre Tábor actually has quite a narrow base of regular goers who frequent it several times a year, rather than appealing to a wider spectrum of people. Furthermore, we assessed 19 statements created by Victor S. Yocco which refer to three hypothetical categories of value. According to Yocco's tool adjusted to theatre environment, theatre was valued positively, receiving an overall average of 4.96 points on a seven item scale. People appreciated most the criteria of individual value, which means for instance the fact that the theatre provides the opportunity for an artistic experience or that it is the source of pleasure and entertainment. This seems to support the idea outlined in the theoretical part that valuing culture on the basis of its economic and socioeconomic impacts is insufficient for expressing its actual value."*

As regards the willingness to pay, after removing the extreme values and one anticipated protest response, the average individual willingness to pay amounted to 56.19 CZK, the average for goers was 74.02 CZK and 35.27 CZK for non-goers. If we go back to the thesis' main goal, the overall yearly value of the benefits of the Oskar Nedbal Theatre Tábor in the year 2012 amounts to 42,055,602 CZK, where 20.5% concerns the goers value and the remaining 79.5% non-goers value. The smaller proportion of the goers' value is caused by the above-mentioned fact that the theatre only has a narrow base of regular goers who frequent it several times a year. If we compare the Value of benefits and the costs of subventions, which for the year 2012 are set to 8.941 million CZK, the benefit-cost ratio indicator achieved 4.7.

Thus the value generated by the Oskar Nedbal Theatre Tábor in the year 2012 exceeds 4.7 times the subvention provided by the South Bohemian Region. In other words, for every crown the Oskar Nedbal Theatre Tábor receives from public funds, it generates a value of 4.7 crowns for the economy of the Tábor region. The net value amounts to 33,114,602 CZK.

the question of a long-term conception of public funding was not solved, because no one was able to find the criteria according to which commercial and artistically ambitious projects should be distinguished (www.nasipolitici.cz/cs/politik/2331-milan-richter/profilujici-informace-a-kauzy-spor-okulturni-granty) 16

The whole concept of such valuation is based on the method of choice experiments (CE). It is a method used to value non-market goods (such as the quality of life, quality of non-paid services); its main structure has been known since the early 1980s (Alpizar, Carlsson, Martinsson 1998; Hanley, Wright, Adamowicz 1998). Its aim is to ascertain by surveys or other methods of data collection the sum people would be willing to pay for non-market goods – for instance clean water in a local stream.

All in all, the study has brought optimistic results. Although the majority of people in the Tábor region do not go to the theatre, they would be willing to pay a certain amount for it. As has been mentioned in the theoretical part, the reason behind that may be to maintain the possibility of visiting the theatre in the future or simply the wish to maintain its existence although they are not planning to visit it. The possibility of using the method of contingent valuation was another positive aspect. Although the method has a lot of limitations, its use for the valuation of cultural institutions is becoming more frequent.

The question is whether it could be used for decision-making processes in the public sector, but the answer tends to be negative. For this purpose, the method is too time-consuming and the uncertainty of estimated value is considerable. Moreover, the specification of value should not be the only criterion the public sector considers when making decisions about cultural goods.” (Kubíčková K. 2012, pp. 80–82)

The Analysis of Some Questions Concerning Valuation

We can clearly see both the positives and the negatives of the methods used. The main trouble with the valuing methods used on the practical level to assess the theatre and museum in Tábor is their fragility against the relevance of responses. It is a classic economic dilemma faced by choice experiments always and just because

they are experiments. The willingness to pay expressed non-bindingly in a survey does not have to, and surely will not, comply with the actual willingness to pay in reality. Yet there is a higher level to the issue. We are looking for such a valuation (calculation of value) that the people in a given region spontaneously ascribe to a cultural object; that means we are not actually looking for a sum they would be willing to pay, if they were invited to do so – from this angle the method used may seem flawless. According to the rules of the choice experiment thought concept, the presented values of the willingness to pay do reflect the value ascribed to a specific cultural object both by its users and non-users.

This “valuation game” would then really indicate the extent to which people appreciate some cultural goods, which indisputably is the purpose of the matter. In terms of a closed thought concept like this one, the suggested method is therefore suitable and brings quite interesting food for thought.

But still one cannot get rid of serious doubts.

The first problem arises with the “closed” system. In order to ascertain the relevancy of the presented benefit-cost ratio amounting to 4.7, we would have to provide an appropriate comparison with similar data from different areas – in our case, the only coefficients available are the one for the regional theatre and the one for the regional museum, which was determined by the same method (Kubíčková M. 2012) and amounts to 3.4. Compared to the actual volume of subventions, people of the Tábor region ascribe greater value to their theatre than to their museum.

Such comparison is undoubtedly interesting, but we are still moving in a rather closed value system which ought to be tested from other aspects. That means finding out the same coefficient for other public services, such as the swimming pool, ice stadium, etc. When compared to values ascertained for other cultural or free-time venues, the two available coefficients would become more valuable and ready to be interpreted.

Although an interesting thing to find out, the value people ascribe to their theatre or museum or their willingness to pay for preserving both institutions will gain greater information value only when compared to the willingness to pay for other cultural goods.

In the subsequent research, a strict interpretation discipline will have to be followed when working with the results and determining what they actually mean. For instance, should the willingness to pay be studied only in relation to one cultural institution, one has to understand the response as a unique one, given regardless of the real economic background of an individual. In other words, merely as a theoretical personal appreciation of preserving the possibility to use such institution in the future.

Conclusion

Despite all the gathered doubts, the method used in the quoted studies (Kubíčková K. 2012, Kubíčková M. 2012) seems to allow us – at least basically – to find out an exceptionally interesting datum, that is the valuation of cultural goods by the public, both by the users and non-users of an institution.

If, sometime in the future, we were able to collect a larger amount of similar data, using statistically comparable methods and samples of respondents, we might – if nothing else – more or less objectively measure the development of the influence of cultural institutions on their direct and more distant environment. Of course, the changes of benefit-cost ratio depend on the actual sum of subventions or support from public resources, but the initial data, i.e. the declared willingness to pay for preserving certain cultural goods, are important as well. The development of the willingness would be an interesting way to measure whether the value of a cultural institution increases or decreases in the eyes of its users and non-users.

Should other attempts at similar research are carried out in the future we recommend some partial improvements, which do not mean we cast the above-mentioned results into doubt. Firstly, one should take into account not only direct subventions from public resources, but also add the tax that was not paid to the state in cases where cultural institutions are supported by donors (such as businesses). That would definitely increase the objectivity of collected data and improve the possibility of comparison.

However, we need to be aware that the chosen degree of supporting the creation of cultural goods is always a primarily political decision. Similarly, the way public resources are allocated is a political decision, too. In terms of economic assessment of the situation, we have to accept the fact that – seen from the outside – the allocation will always be little representative and little transparent. Besides that, many steps certainly will not be realized, which would logically occur if we moved in a classic market environment.

To demonstrate it, let us take the example of the Dejvice Theatre in Prague. According to available statistics (NIPOS 2011), for many years now the theatre has achieved an attendance rate of one hundred percent (for its own performances).

From the economic point of view, the theatre (the company and creative team) should be transferred to a larger venue and a less successful company (in terms of attendance) should be transferred to the Dejvice Theatre. However, in the system of grants and subventions, such situation cannot occur for various reasons.

It also means that this project's economic results cannot improve significantly, and the need for subventions shall remain – even if the benefit-cost ratio amounted to unusually high rates in this case. We need to admit, though, that if such theatre was not able to receive subventions and grants from public resources, its owner (be it an individual or business company) would make every effort and perhaps the necessary investment to promote sales of his product, which means transferring the company to a larger venue to get a bigger audience.

If we defined our goal as a way towards creating a certified method that could be used for future valuation of cultural goods, the benefit-cost ratio and the methods used in the abovementioned works in general (Kubičková K. 2012, Kubičková M. 2012) open many doors to proceed towards the goal. At the same time, the most serious trouble for now, which one has to cope with, consists not so much in further improvement of the said methods (keeping in mind their current weak points) as in working out the mechanisms and formal circumstances for carrying out surveys that are necessary for the use of the models.

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